

Greater Shepparton Planning Scheme

Amendment C192 and C193 Permit Application No 2016-269

Statement of evidence of Anthony Dimasi

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Expert witness details

Name and address of expert

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Expert's qualifications and experience

- Bachelor of Arts (Hons.), University of Melbourne
- Master of Arts, University of Melbourne

My CV is included as Appendix 1 to this statement of evidence. I have extensive experience in the field of retail economics and analysis gained over the past 32 years, having provided independent advice on numerous retail development projects and proposals throughout all parts of Australia, to a broad range of clients.

Expert's area of expertise

- I have practised as a consulting economic and retail analyst since 1982. During that time I have worked in all states of Australia and also in New Zealand and Asia, and have advised on many thousands of retail developments of all types and sizes.
- My assessments have covered demand and supply analysis, commercial feasibility assessments and economic impact assessments, for many thousands of shopping centres of all sizes and mixes, as well as numerous freestanding retail stores, including supermarkets, discount department stores, toys category killer stores, book stores, special apparel stores, smaller foodstores and packaged liquor stores of all sizes.
- I have appeared as an expert witness in the various jurisdictions across all states of Australia and New Zealand on numerous occasions, including:
 - The Administrative Appeals Tribunal (AAT) of Australia;

- The Land and Environment Court of New South Wales;
 - Independent Ministerial Panels and VCAT in Victoria;
 - The Planning and Environment Court of Queensland;
 - The State Administrative Tribunal in Western Australia;
 - The Environment, Resources and Development Court of South Australia;
 - The Resource Development Planning Commission in Tasmania;
 - The Liquor Licensing Court of South Australia;
 - The Petroleum Products Retail Outlets Board of South Australia; and
 - The Environment Court of New Zealand.
- I have also appeared as an expert witness before various government and ACCC inquiries into the retailing of food, liquor and groceries industry in Australia, including:
 - the 1999 Joint Parliamentary Inquiry into the Australian Retail Sector (the Baird Inquiry);
 - the Inquiry into the Competitiveness of Retail Prices for Standard Groceries (2008) undertaken by the Australian Consumer and Competition Commission (ACCC); and
 - the 2004 ACT Grocery Inquiry (the Martin Inquiry).
 - Over the past 35 years I have provided, and continue to provide, research and advisory services to a wide range of clients, including major retailers, such as Woolworths Limited, Myer, David Jones, Toys 'R' Us and many others. I have also provided services, and continue to provide services, to most of Australia's shopping centre management and development groups, including AMP Capital Shopping Centres, Colonial First State Global Asset Management, Mirvac, Stockland, Lend Lease, GPT, Federation Group, Perron Group, ISPT, Pacific Group and numerous others.
 - The majority of my work as an independent economic consultant over this period has related to projects which have proceeded – i.e. new shopping centres, supermarkets, liquor stores, discount department stores, toy stores, or other retail

facilities which have been built, expanded, or redeveloped. The clients for which I provide these services have employed me to do so consistently over a period of more than 30 years, reflecting the reliability of the independent advice which I have been able to provide. My independent assessments of trade area definitions and related factors which go to the heart of a new retail store's anticipated performance are regularly used for sign-off by property committees and boards of the companies for which I provide these services.

- I have undertaken work on numerous occasions throughout Greater Shepparton and the surrounding region over many years, relating to both existing and proposed retail developments.

I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the Panel.

Introduction

This statement considers the proposal for a new supermarket based centre at 221-229 Numurkah Road in Shepparton North.

The statement has been prepared, for the assistance of the Panel, on behalf of Lascorp, the proponent of the subject development. I have previously prepared an Economic Impact Assessment (EIA) for the proposed centre, in January 2017, and this statement draws on the analysis and information set out in that EIA.

In preparing this statement I have inspected both the subject site at 221-229 Numurkah Road and the relevant surrounding areas, including the Shepparton Activity Centre. I have also had particular regard to the *City of Greater Shepparton Commercial Activity Centres Strategy, November 2015* (the Centres Strategy), prepared by Essential Economics for the City of Greater Shepparton Council.

Findings & conclusions

- i. The Commercial Activity Centres Strategy, which was prepared by Essential Economics for the City of Greater Shepparton in July 2015 and adopted by Council in February 2016, identifies Shepparton North as an appropriate location for additional retail facilities. In particular, Shepparton North Action 3 details that “...*In indicative terms, an increase of 6,000m² in shop floorspace may be supported on land outside the existing Commercial 1 Zone at Shepparton North, which is sufficient to accommodate a 2nd supermarket and supporting retail such as specialty shop...*”.
- ii. I have read the Commercial Activity Centres Strategy, with particular emphasis on the Strategy's consideration and assessment of the Shepparton North area, and I consider that it is a soundly based document, and that its conclusions and recommendations in relation to Shepparton North are reasonable and supportable.
- iii. The extent of the trade area expected to be served by the proposed Shepparton North Woolworths Centre which is the subject of this statement reflects the high profile location of the site on the Goulburn Valley Highway, the surrounding competitive context and proposed composition of the centre. The trade area for the proposed Shepparton North Centre is defined to include a primary and a secondary sector. The main trade area population was 22,220 people at June 2015, including 16,030 residents within the primary sector. Shepparton North is planned as a major growth area in the regional city, and over the forecast period the main trade area population is projected to increase by 300 residents per year and is estimated to reach 25,520 at mid 2026.
- iv. A Fairleys Supa IGA is located in Shepparton North, some 500 metres south of the subject site, while two much smaller food and grocery stores are located at Numurkah, some 30 km north of the subject site. Beyond the trade area, the most notable retail facilities include the Shepparton Activity Centre or Central Business Area, located 3.5 km south of the subject site as well as Shepparton Plaza, Shepparton Marketplace and Riverside Plaza in southern Shepparton.

- v. There is currently a substantial under-provision of supermarket floorspace in the trade area. There are three supermarkets/foodstores located in the defined trade area, which has a resident population of 22,220, with over 16,000 residents in the primary sector. The primary sector population alone is considered sufficient to support two full-line supermarkets, particularly given the future growth to be accommodated within it.
- vi. I understand that a permit application for a changed layout of a previously approved expansion to the Fairley's IGA facility has been submitted. That redevelopment would relocate the Fairleys supermarket and add further specialty retailing to the site. I also understand that a further planning application has been made for a potential "Stage 2" expansion of that site, which refers to an additional supermarket. However, I am not aware of the proposed timing of such a Stage 2 expansion, or of any anchor (i.e. supermarket tenant) that is proposing to locate there. I am aware that the previous approval for expansion of the Fairley's IGA site has not been acted upon for a number of years.
- vii. The total retail sales potential of the proposed Shepparton North Woolworths centre is estimated in the EIA at \$41 million at 2017/18, expressed in constant 2014/15 dollars or \$42 million in 2015/16 dollar terms. This estimate of sales potential reflects the location of the site on a major traffic route, the available population within the defined main trade area and the limited provision of supermarket floorspace within the surrounding area.
- viii. The proposed Shepparton North Woolworths Centre is likely to result in a range of economic impacts, with the key positive impacts including:
 - Addressing the under-provision of supermarket floorspace in the trade area;
 - Serving the future residential growth in Shepparton North;
 - Creating a focal point for local residents;
 - Substantially improving shopping choice, convenience and amenity for local residents; and
 - Creation of additional employment opportunities.

- ix. Furthermore, the proposed development would meet the objectives for Shepparton North stated in the *City of Greater Shepparton Commercial Activity Centres Strategy*, in particular:
- At present, the limited mix of uses in the Shepparton North activity centre is not consistent with the expectations of both planning policy and the general community;
 - An increase of 6,000 sq.m in shop floorspace may be supported on land outside the existing Commercial 1 Zone at Shepparton North, which is sufficient to accommodate a second supermarket and supporting retail such as specialty shops; and
 - An appropriate site in the area fronting the Goulburn Valley Highway between Ford Road in the north and Hawkins Street in the south can be endorsed for this extension to the Commercial 1 Zone.
- x. Against these benefits, some impacts are projected on centres in the surrounding area. The potential trading impacts arising from the proposed Shepparton North Centre would be dispersed across a range of retail centres. The potential impacts are not expected to threaten the ongoing viability of any existing retail centre or retail shop, and in particular would not impact the retail facilities within the Shepparton CBD. Therefore, it can be concluded that a net community benefit will result from the proposed development, particularly as the development will provide greatly increased shopping choice for local residents while also creating job opportunities for the local community.

Section 1: Review of Centres Strategy

- 1.1 The Commercial Activity Centres Strategy (the Centres Strategy), which was prepared by Essential Economics for the City of Greater Shepparton in July 2015 and adopted by Council in February 2016. I have read the Centres Strategy, with particular emphasis on the Strategy's consideration and assessment of the Shepparton North area, and I consider that it is a soundly based document, and that its conclusions and recommendations in relation to Shepparton North are reasonable and supportable.
- 1.2 The Centres Strategy identifies Shepparton North as an appropriate location for what it terms a sub-regional centre, a centre type which is defined as :
"..important locations for retail and commercial activity that serve an immediate residential catchment in the surrounding urban area, as well as a broader rural and regional hinterland..."

At page 23, the Strategy states as follows in relation to Shepparton North:

Although Shepparton North has been identified as a sub-regional centre in the hierarchy, in reality the centre currently serves a more limited role that is dominated by a single use (supermarket) and a lack of diversity in retail and commercial activities. This is in contrast to the greater scale, range and diversity of uses presented in the Riverside and Mooroopna CBA centres.

- 1.3 At page 40, the Strategy states the following, again regarding Shepparton North:

Fairleys IGA is a popular grocery shopping destination and is one of the best-performing independent supermarkets in Victoria.

However, the role of the centre in meeting community need is limited by the lack of supporting specialty shops and other non-retail uses that would typically characterise a centre of this type. This has been reflected in previous planning policy considerations relevant to the centre (for example Amendment C119).

- 1.4 Additionally, at page 40, identifying the main features and issues for the Shepparton North Activity Centre, the Strategy states as follows:

Main Features and Issues

Considerations for the Strategy relevant to the Shepparton North activity centre include:

- **Potential Expansion** – the opportunity exists for the Shepparton North activity centre to expand within the existing planning framework for the centre that includes a shop floorspace cap of 8,000m² and significant land in the Commercial 1 Zone that is currently vacant. This opportunity for expansion has not been realised.
- **Growing Demand** – the northern parts of the Shepparton urban area continue to experience population growth, and this is expected to continue for the foreseeable future. Development of the north-east growth area that has been identified by Greater Shepparton and is located a short distance to the east will further increase demand for additional facilities required to meet the needs of this expanding population.
- **Mix of Uses** – at present, the limited mix of uses in the Shepparton North activity centre is not consistent with the expectations of both planning policy and the general community.
- **Future Role** – as the Shepparton North centre expands to meet the needs of surrounding residents and a large regional hinterland, an enhanced role for the activity centre hierarchy as a sub-regional centre is anticipated. For this to occur, the centre must contain a broader range of retail and commercial functions consistent with this definition within the hierarchy.

- 1.5 Also at page 114, regarding an additional location for an expansion of retail floorspace in the Shepparton North area, the Centres Strategy recommends the following:

Shepparton North Action 3:

Ensure that future development of the Shepparton North centre takes place in a manner supported by appropriate urban design and planning guidance. In indicative terms, an increase of 6,000m² in shop floorspace may be supported on land outside the existing Commercial 1 Zone at Shepparton North, which is sufficient to accommodate a 2nd supermarket and supporting retail such as specialty shops. This should be subject to detailed assessment through application of the Planning and Development Assessment Criteria to any proposal.

An appropriate site in the area fronting the Goulburn Valley Highway between Ford Road in the north and Hawkins Street in the south can be endorsed for this extension to the Commercial 1 Zone.

- 1.6 Against the above background, the proposed centre at 221-229 Numurkah Rd, referred to in this document as the proposed Shepparton North Woolworths Centre, is planned to be developed at the south-eastern corner of Numurkah Road (the Goulburn Valley Highway) and Ford Road. The centre is proposed to be anchored by a Woolworths supermarket and will also include a number (approximately 14) of supporting specialty shops and services, with its composition as detailed below:

<u>Category</u>	<u>GLA (sq.m)</u>
Supermarket	3,960
Specialty retail	<u>2,030</u>
Total retail	5,990
Medical	300
Council/community	<u>100</u>
Total centre	6,390

Section 2: Trade area analysis

2.1 The extent of the trade area or catchment that is served by any shopping centre, or retail facility, is shaped by the interplay of a number of critical factors. These factors include:

- i. The relative attraction of the retail facility or centre, in comparison with alternative competitive retail facilities. The factors that determine the strength and attraction of any particular centre are primarily its scale and composition (in particular the major trader or traders that anchor the centre); its layout and ambience; and carparking, including access and ease of use.
- ii. The proximity and attractiveness of competitive retail tenants, or centres. The locations, compositions, quality and scale of competitive retail facilities all serve to define the extent of the trade area which a shopping centre or retail facility is effectively able to serve.
- iii. The available road network and public transport infrastructure, which determine the ease (or difficulty) with which customers are able to access a shopping centre, or retail facility.
- iv. Significant physical barriers which are difficult to negotiate, and can act as delineating boundaries to the trade area served by an individual shopping centre, or retail facility.

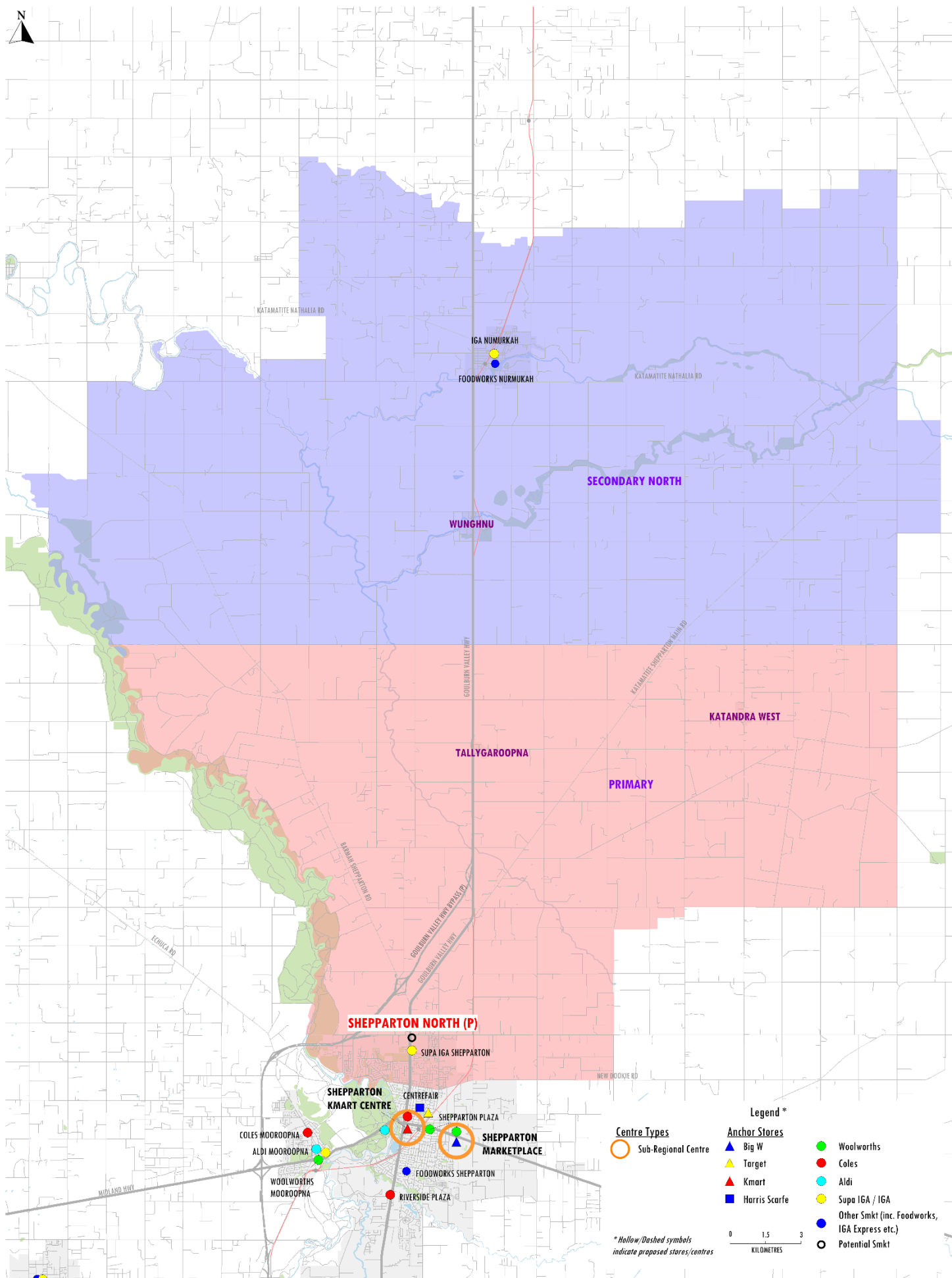
2.2 The key determinants of the trade area expected to be served by the proposed Shepparton North Woolworths Centre include the following:

- The high profile location of the site fronting the Goulburn Valley Highway, which is the main north-south traffic route through Shepparton.
- The surrounding competitive context, which includes a Supa IGA anchored centre in Shepparton North, two foodstores located in Numurkah, and the Shepparton CBD situated 3.5 km south of the subject site.
- The composition of the proposed centre, which is to include a new supermarket together with a range of supporting specialty shops and services.

2.3 Map 2.1 illustrates the trade area that I have assessed for the proposed centre, which includes a primary sector and a secondary sector, described as follows:

- The **primary sector** encompasses the area of Shepparton generally north of Goulburn River and Balaclava Road and includes the small nearby towns of Tallygaroopna and Katandra West.
- The **secondary sector** encompasses the small towns of Numurkah and Wunghnu as well as the surrounding rural area.

In combination, the above sectors form the main trade area for the proposed Shepparton North Woolworths Centre.



Map 2.1: Shepparton North Woolworths Centre
Main trade area and competitive context

2.4 Table 2.1 details the estimated current and future population levels within the Shepparton North Woolworths Centre trade area. These estimates have had regard for data available from a range of sources, including the following:

- Australian Bureau of Statistics (ABS) Census of Population and Housing (2011);
- ABS Dwellings Approvals and Estimated Residential Population Data (2011 – 2016);
- Population projections prepared by forecast.id for the City of Greater Shepparton in August 2015;
- Victoria in Future 2016 Population Forecasts prepared by the Department of Environment, Land, Water and Planning; and
- Other investigations of future residential developments.

Table 2.1: Shepparton North trade area population, 2006-2026*

Trade area sector	Estimated population			Forecast population		
	2006	2011	2015	2018	2021	2026
Primary	13,390	14,910	16,030	16,870	17,710	19,110
Secondary	<u>6,030</u>	<u>6,110</u>	<u>6,190</u>	<u>6,250</u>	<u>6,310</u>	<u>6,410</u>
Main trade area	19,420	21,020	22,220	23,120	24,020	25,520
Average annual growth (no.)						
Trade area sector	2006-11	2011-15	2015-18	2018-21	2021-26	
Primary	304	280	280	280	280	
Secondary	<u>16</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	
Main trade area	320	300	300	300	300	300
Average annual growth (%)						
Trade area sector	2006-11	2011-15	2015-18	2018-21	2021-26	
Primary	2.2%	1.8%	1.7%	1.6%	1.5%	
Secondary	<u>0.3%</u>	<u>0.3%</u>	<u>0.3%</u>	<u>0.3%</u>	<u>0.3%</u>	
Main trade area	1.6%	1.4%	1.3%	1.3%	1.2%	

*As at June

Source: ABS Census 2011; Victoria In Future 2015; Forecast.id

- 2.5 The main trade area population was estimated at 22,220 people in 2015, including 16,030 residents within the primary sector. Over the intercensal period 2006 to 2011, the main trade area population increased by an average of 320 people per annum. The ABS conducted a Census in August 2016, and some high level information is available from that Census, although detailed, smaller area data are not yet available. Amongst the information which is available from the 2016 Census are the Census QuickStats data at an SA2 level, i.e. broadly the suburban level. The most relevant SA2 for the purposes of my analysis is Shepparton – North, an area which is not identical to the primary trade area that I have defined for the purpose of my analysis, but which corresponds reasonably closely with that area. For the Shepparton – North SA2 the 2016 Census QuickStats data, as compared with the similar data from the 2011 Census, show that the Census enumerated population of the area increased over the period by approximately 1,400, from 17,232 at 2011 to 18,601 at 2016.
- 2.6 Shepparton North is one of the key growth areas in the regional city, and the area has capacity for approximately 1,500 – 2,000 new dwellings. The Residentail Land Supply Monitoring Project, prepared by Spatial Economics for the City of Greater Shepparton in July 2016 sets out the estimated capacity for future population growth to be accommodated within the Shepparton North corridor.
- 2.7 Over the forecast period to 2026, the main trade area population is projected to increase by 300 residents per year and is estimated at 25,520 at mid 2026, including 19,100 residents in the primary sector.

2.8 Table 2.2 and Chart 2.1 detail the socio-demographic profile of the Shepparton North trade area population, sourced from the 2011 ABS Census of Population and Housing. The profile is compared with benchmarks for non-metropolitan Victoria, with the key points to note including the following:

- Main trade area residents earned below average per capita income levels compared with the benchmark for non-metropolitan Victoria and Australia, however average household income levels are slightly above the benchmark for non-metropolitan Victoria.
- The trade area had a younger age profile compared with non-metropolitan Victoria, and contains an above average proportion of children and below average proportion of residents aged 60 years and over.
- The proportion of Australian born residents in the main trade area was comparable to the non-metropolitan Victoria benchmark.
- The main trade area contained an above average proportion of traditional families (i.e. households comprising couples with dependent children) and a below average proportion of lone person households.

Table 2.2: Shepparton North main trade area - socio-demographic profile, 2011

Census item	Primary sector	Secondary sector	Main TA	Non-metro Vic avg.	Aust. avg.
Per capita income	\$27,693	\$24,525	\$26,773	\$28,382	\$34,467
Var. from Non-metro Vic benchmark	-2.4%	-13.6%	-5.7%		
Avg. household income	\$74,325	\$58,802	\$69,445	\$68,117	\$88,205
Var. from Non-metro Vic benchmark	9.1%	-13.7%	1.9%		
Avg. household size	2.7	2.4	2.6	2.4	2.6
<u>Age distribution (% of population)</u>					
Aged 0-14	22.2%	19.5%	21.4%	19.2%	19.3%
Aged 15-19	7.3%	6.5%	7.1%	6.8%	6.5%
Aged 20-29	11.1%	9.1%	10.5%	10.7%	13.8%
Aged 30-39	12.8%	10.4%	12.1%	11.3%	13.8%
Aged 40-49	14.3%	13.2%	14.0%	13.7%	14.2%
Aged 50-59	12.8%	14.3%	13.3%	14.0%	12.8%
Aged 60+	19.4%	27.0%	21.6%	24.2%	19.6%
Average age	37.3	41.6	38.6	40.1	37.9
<u>Housing status (% of households)</u>					
Owner (total)	<u>72.0%</u>	<u>74.6%</u>	<u>72.8%</u>	<u>74.0%</u>	<u>68.7%</u>
• Owner (outright)	32.9%	40.0%	34.9%	39.6%	32.9%
• Owner (with mortgage)	39.1%	34.5%	37.8%	34.3%	35.8%
Renter	27.1%	24.3%	26.3%	25.2%	30.4%
Other	0.9%	1.1%	0.9%	0.8%	0.9%
<u>Birthplace (% of population)</u>					
Australian born	86.4%	93.3%	88.4%	89.0%	74.0%
Overseas born	<u>13.6%</u>	<u>6.7%</u>	<u>11.6%</u>	<u>11.0%</u>	<u>26.0%</u>
• Asia	3.9%	0.8%	3.0%	1.8%	8.6%
• Europe	5.9%	4.2%	5.4%	7.1%	10.5%
• Other	3.8%	1.7%	3.2%	2.1%	7.0%
<u>Family type (% of households)</u>					
Couple with dep't children	48.7%	41.8%	46.5%	41.9%	45.3%
Couple with non-dep't child.	7.2%	6.5%	7.0%	6.5%	7.7%
Couple without children	20.8%	26.8%	22.7%	25.6%	23.0%
One parent with dep't child.	11.5%	8.6%	10.6%	9.8%	9.2%
One parent w non-dep't child.	2.7%	2.7%	2.7%	3.1%	3.5%
Other family	0.7%	0.6%	0.7%	0.8%	1.1%
Lone person	8.4%	12.9%	9.8%	12.3%	10.2%

Source: ABS Census of Population & Housing, 2011

Chart 2.1: Shepparton North main trade area - socio-demographic profile, 2011



Source: ABS Census of Population & Housing, 2011

2.9 The preliminary data released by the ABS from the 2016 Census of Population and Housing, for the Shepparton – North SA2 as previously described, shows that in relative terms the Shepparton North area has undergone some changes over the most recent intercensal period which can be described as follows:

- The population of the area has continued to grow at similar rates to the growth achieved in the previous intercensal period, as I have already noted at paragraph 2.5.
- The population of the area has aged slightly on average, with the median age of residents having increased from 37 years to 38 years (by contrast for Victoria overall the median age has remained constant at 37 years over the same period).
- The population has become a little more cosmopolitan in nature, with the proportion of the population born in Australia having reduced over the period from 79.3% to 74.3% (for Victoria the comparable figures were 68.6% at 2011 and 64.9% at 2016).
- The family composition within the Shepparton – North area has changed slightly, with an increase in representation of one parent families, up from 18.8% of all families at 2011 to 19.9% at 2016 – correspondingly, the proportion of couple families with children reduced from 43.8% to 42.3%.
- The level of motor vehicle ownership in the area increased markedly, highlighted by the following:
 - The proportion of dwellings with no registered motor vehicle fell from 9.5% at 2011 (compared with 8.4% of the same date for Victoria) to only 6.7% at 2016 (compared with 6.9% of the same date for Victoria).
 - The proportion of dwellings owning two or more registered motor vehicles increased, from 50.5% at 2011 to 53.4% at 2016.
- The median weekly household income for the Shepparton – North area grew strongly over the intercensal period, from a reported \$684 at 2011 to \$911 at 2016 – an increase of 33%. Over the same period, the increase in median weekly household income recorded for Victoria overall was 25%, while for Australia it was 21%.

- 2.10 The estimates of retail expenditure capacity for the main trade area population which I present below are based on data sourced from MarketInfo, which is developed by Market Data Systems (MDS) and utilises a detailed micro simulation model of household expenditure behaviour for all residents of Australia. The model takes into account information from a wide variety of sources including the regular ABS Household Expenditure Surveys, national accounts data, Census data and other information. The MarketInfo estimates for spending behaviour prepared independently by MDS are used by a majority of retail/property consultants.
- 2.11 Reflecting the socio-demographic profile of the population within the defined main trade area, in particular household income levels, the levels of retail expenditure per person by trade area residents are slightly below the non-metropolitan Victoria estimates, and also below the national Australian estimates. In broad terms, retail expenditure per capita for the main trade area population, at 2015/16 was approximately \$12,600 per annum, and was around 5% below the average for non-metropolitan Victoria and some 8% below the Australia national average.
- 2.12 Table 2.3 presents projections of the estimated retail spending capacity of the main trade area population over the forecast period to 2026. The retail expenditure capacity of the main trade area population, estimated at approximately \$289 million at 2016/17, is projected to increase to \$356 million by 2026. These estimates are expressed in constant 2014/15 dollars (i.e. excluding retail inflation), consistent with the estimates presented in the EIA.
- 2.13 The estimated average annual real growth rate in available trade area retail expenditure, averaging 2.7% for the primary sector and 1.4% for the secondary sector, is driven primarily by the projected growth in population for each area as discussed above, together with estimated real growth in per capita retail expenditure which I expect to average in the order of 1%-1.1% annually over the forecast period.

Table 2.3: Shepparton North main trade area - retail expenditure (\$M), 2015-2026*

Year ending June	Primary sector	Secondary sector	Main TA
2015	198.9	77.7	276.6
2016	204.3	78.7	282.9
2017	209.7	79.6	289.3
2018	215.2	80.6	295.8
2019	220.9	81.7	302.6
2020	226.8	82.7	309.5
2021	232.9	83.9	316.8
2022	239.3	85.1	324.3
2023	245.6	86.3	331.9
2024	252.2	87.5	339.7
2025	258.9	88.8	347.7
2026	265.8	90.1	355.9
<u>Average annual growth (\$M)</u>			
2015-2026	6.1	1.1	7.2
<u>Average annual growth (%)</u>			
2015-2026	2.7%	1.4%	2.3%

*Constant 2014/15 dollars & including GST

Source: MarketInfo

2.14 Table 2.4 presents the retail spending capacity of the main trade area population across key retail categories, as well as the category definitions. Take-home food, grocery and packaged liquor (FLG) expenditure by main trade area residents, which is the key segment of the retail market for supermarkets, is estimated to increase from \$135.3 million at 2016 to \$171.5 million at 2026. Table 2.5 details similar information for the primary sector population.

Table 2.4
Shepparton North main trade area - retail expenditure by category (\$M), 2015-2026*

Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2015	132.2	31.2	25.3	46.8	13.2	20.4	7.5	276.6
2016	135.3	32.1	25.8	47.8	13.5	20.8	7.6	282.9
2017	138.5	33.1	26.3	48.8	13.7	21.2	7.8	289.3
2018	141.7	34.0	26.8	49.8	14.0	21.6	8.0	295.8
2019	145.1	35.0	27.3	50.8	14.2	22.0	8.2	302.6
2020	148.5	36.0	27.8	51.9	14.5	22.4	8.4	309.5
2021	152.1	37.1	28.3	53.1	14.8	22.8	8.6	316.8
2022	155.9	38.2	28.9	54.2	15.1	23.3	8.8	324.3
2023	159.6	39.3	29.5	55.4	15.4	23.7	9.0	331.9
2024	163.5	40.5	30.0	56.6	15.7	24.2	9.2	339.7
2025	167.5	41.7	30.6	57.9	16.0	24.7	9.5	347.7
2026	171.5	42.9	31.2	59.1	16.3	25.1	9.7	355.9
<u>Average annual growth (\$M)</u>								
2015-2026	3.6	1.1	0.5	1.1	0.3	0.4	0.2	7.2
<u>Average annual growth (%)</u>								
2015-2026	2.4%	2.9%	1.9%	2.2%	1.9%	1.9%	2.4%	2.3%

*Constant 2014/15 dollars & including GST
Source: MarketInfo

Table 2.5
Shepparton North primary sector - retail expenditure by category (\$M), 2015-2026*

Year ending June	FLG	Food catering	Apparel	Household goods	Leisure	General retail	Retail services	Total retail
2015	94.1	22.8	18.7	33.8	9.5	14.7	5.4	198.9
2016	96.7	23.5	19.1	34.6	9.8	15.0	5.5	204.3
2017	99.4	24.3	19.5	35.5	10.0	15.4	5.7	209.7
2018	102.1	25.1	19.9	36.4	10.2	15.7	5.8	215.2
2019	104.9	25.9	20.4	37.3	10.4	16.0	6.0	220.9
2020	107.8	26.7	20.8	38.2	10.7	16.4	6.2	226.8
2021	110.8	27.6	21.3	39.2	10.9	16.8	6.3	232.9
2022	113.9	28.5	21.8	40.2	11.2	17.2	6.5	239.3
2023	117.0	29.5	22.3	41.2	11.4	17.6	6.7	245.6
2024	120.2	30.4	22.8	42.2	11.7	17.9	6.9	252.2
2025	123.6	31.4	23.3	43.2	11.9	18.3	7.1	258.9
2026	127.0	32.5	23.8	44.3	12.2	18.8	7.3	265.8
<u>Average annual growth (\$M)</u>								
2015-2026	3.0	0.9	0.5	1.0	0.2	0.4	0.2	6.1
<u>Average annual growth (%)</u>								
2015-2026	2.8%	3.3%	2.3%	2.5%	2.3%	2.3%	2.8%	2.7%

*Constant 2014/15 dollars & including GST
Source: MarketInfo

Section 3: Competition

3.1 Table 3.1 details the provision of retail facilities within the main trade area, as well as major retail centres located beyond the trade area. The previous Map 2.1 illustrates the locations of these various centres.

Table 3.1 - Main Relevant Competitive Facilities

Centre	Retail GLA (sq.m)	Major traders	Dist. by road from subject site (km)
Within trade area			
Shepparton North	4,000	Supa IGA	0.5
Gateway North (Numurkah Rd)	1,500	-	0.5
Numurkah	5,500	IGA, Foodworks	32.0
Outside trade area			
<u>Shepparton CBD</u>	<u>85,000</u>		3.5
• City Central Plaza	10,000	Target	
• Kmart Centre	11,000	Kmart, Coles	
• Other (strip retail)	64,000	Harris Scarfe, Aldi, Dan Murphy's	
Rowe St. East (inc. Shep. Plaza)	12,500	Woolworths	4.5
Shepparton Marketplace	15,500	Big W, Woolworths	6.0
Riverside Plaza	13,900	Coles, Harvey Norman	6.5
Benalla Rd Bulky Goods Precinct	40,000	Bunnings, Forty Winks, The Good Guys	6.5
Mooroopna/Mooroopna North	14,000	Woolworths, Aldi, Coles	7.5
Gateway South (Melbourne Rd)	12,000	-	7.5

Sources: Property Council of Australia; City of Greater Shepparton Commercial Activity Centres Strategy, July 2015;

3.2 The main retail facilities located within the defined main trade area are the following:

- Fairleys Supa IGA supermarket of approximately 3,500 sq.m, with a further 500 sq.m. of other adjoining uses, including a café, is located in Shepparton North, some 500 metres south of the subject site, at the corner of Hawkins St and Numurkah Road.

- A number of food catering stores are located south of Hawkins Street including McDonalds, Subway, Eagle Boys and Crust Pizza.
 - A number of bulky goods retailers are situated in this area, which together form the Gateway North (Numurkah Road) precinct.
 - Numurkah, situated 30 km north of the subject site in Moira Shire, includes two supermarkets/foodstores – IGA and Foodworks – as well as some 40 specialty shops.
- 3.3 The Shepparton CBD is located approximately 3.5 km south of the subject site and extends from Knight Street in the north to Hayes Street in the south. The Shepparton CBD includes approximately 85,000 sq.m. of retail floorspace, with City Central Plaza being the main enclosed centre which is anchored by a Target discount department store. Other major retailers include a Kmart discount department store and a Coles supermarket at the Kmart Centre, as well as Harris Scarfe, Aldi and Dan Murphy's. Shepparton Plaza, which is anchored by a Woolworths supermarket, is located immediately east of the Shepparton CBD on the Midland Highway.
- 3.4 Shepparton Marketplace is the largest enclosed shopping centre in Shepparton and is anchored by a Big W discount department store and a Woolworths supermarket. The centre is located on the southern side of the Midland Highway/Benalla Road, to the east of the Shepparton CBD.
- 3.5 Riverside Plaza is a mixed use centre including a supermarket, specialty shops and homemaker/bulky goods facilities. Expanded in 2015, Riverside Plaza now also includes a 7,400 sq.m Harvey Norman store and a Fun City recreation facility.
- 3.6 The largest concentration of bulky goods facilities in the Shepparton area is located on Benalla Road to the east of Shepparton Marketplace. The precinct includes Home Central, as well as a range of other major retailers such as Bunnings and The Good Guys.
- 3.7 Mooroopna is situated 7.5 km south-west of the subject site and includes an estimated 14,000 sq.m of retail floorspace, including Woolworths, Coles, and Aldi supermarkets.

Future retail facilities

- 3.8 There is a planning permit for additional retail floorspace to be provided as part of a planned redevelopment of Fairleys Supa IGA, for which an application has recently been made to amend the previously approved layout. I understand the original permit was granted in April 2012 for a total of 8,000 sq.m of floorspace. A planning application for a further (Stage 2) expansion of that centre, planned to deliver a total of approximately 14,000 sq.m of retail and commercial floorspace and a new "full-line supermarket" has also recently been lodged, by 18th Pty Ltd on June 16, 2017. However, I am not aware of the proposed timing of such a Stage 2 expansion, or of any anchor (i.e. supermarket tenant) that is proposing to locate there.

Supermarket/foodstore floorspace provision

- 3.9 There are currently three supermarkets/foodstores located within the main trade area – Fairley's Supa IGA in Shepparton North and the much smaller IGA supermarket and Foodworks foodstore in Numurkah. In combination, these three stores provide a total of approximately 5,000 sq.m of floorspace. The main trade area population is estimated at 22,220 in 2015, and projected to increase solidly in the future.
- 3.10 Across the nation, there is an estimated 330 sq.m of supermarket floorspace (defined as food and grocery stores over 500 sq.m in size) provided for every 1,000 residents. In rural and regional Australia, the average provision is noticeably higher than the national average, for a number of reasons. First, the provision of alternative food and grocery shopping destinations available in rural and regional areas is much lower than is the case in the major metropolitan areas (e.g. fresh food markets, specialty food stores). Second, because the concentrations of population are much lower in rural and regional areas, and because supermarket operators still tend to build typically sized stores in order to be able to provide a full range of products, the floorspace provision relative to population tends to be higher. In rural and regional areas, supermarket floorspace provisions in excess of 400 sq.m per 1,000 people are not unusual, and even levels as high as 700 sq.m per 1,000 people or greater have been observed for towns such as Camperdown, Yarrawonga, Mulwala and Ararat.

- 3.11 Using the national average, the estimated main trade area population at 2017/18 (23,120) could potentially support 7,600 sq.m of supermarket floorspace. If a figure of 400 sq.m per 1,000 people were to be applied, the amount of supportable supermarket floorspace would total 9,250 sq.m. By 2026, using the national average, the main trade area population of 25,500 could potentially support 8,400 sq.m of supermarket floorspace, which would increase to 10,200 sq.m of supermarket floorspace if a higher figure of 400 sq.m per 1,000 people were to be applied. In my view, given the nature of the area, the higher of the above levels of provision is the more appropriate one as a broad guide for Shepparton North, in order to effectively meet residents' needs.
- 3.12 Regardless of which figures are adopted, this analysis demonstrates a significant underprovision of supermarket floorspace in the trade area. Future population growth, as planned, will increase the extent of under-provision within the area.

Section 4: Centre retail sales potential and distribution

4.1 In order to be able to consider the question of potential economic benefits and impacts that might arise from the proposed Shepparton North Neighbourhood Centre, the first step is to quantify the level of sales which the proposed centre can reasonably expect to achieve.

4.2 The sales performance of any particular retail facility, be it an individual store or a collection of stores provided in a shopping centre or precinct, is determined by a combination of the following factors:

- The quality of the facility, with particular regard to the major trader/traders which anchor the centre; the strength of the tenancy mix relative to the needs of the catchment which it seeks to serve; the physical layout and ease of use; the level of accessibility and ease of parking; and the atmosphere/ambience of the centre.
- The size of the available catchment which the centre seeks to serve. This factor sets the upper limit of the sales potential able to be achieved by the centre or store.
- The location and strengths of competitive retail facilities and the degree to which those alternative facilities are able to effectively serve the needs of the population within the relevant trade area.

4.3 The key considerations for the proposed Shepparton North Centre are as follows:

- The subject site is very well located on the Goulburn Valley Highway, the main north-south traffic route through Shepparton. The proposed centre would therefore enjoy excellent exposure to passing traffic and would be easily accessible for local residents.
- The available population within the main trade area defined for the Shepparton North Neighbourhood Centre is estimated at 22,220, with over 16,000 residents within the key primary sector. The population of the primary

sector is estimated to grow solidly over the forecast period and reach over 19,100 residents by 2026.

- There is a limited provision of supermarket floorspace within the main trade area, with Fairley's Supa IGA in Shepparton North the only supermarket located within the primary trade area. There are two much smaller stores (IGA and Foodworks) located in Numurkah, some 30 km north of the subject site.

Supermarket

4.4 The key points I have taken into consideration in assessing the sales potential for a supermarket on the subject site are as follows:

- Supermarkets generate almost all of their sales from the take-home food, grocery and packaged liquor (FLG) retail expenditure category, as detailed in Section 2 of this report. The primary sector population will provide the majority of the sales support for the proposed supermarket at the subject site.
- Typically, Australians direct between 65% – 80% of food and grocery spending to supermarkets and major foodstores (i.e. grocery stores greater than 500 sq.m). This ratio varies across locations dependent upon a number of factors, the most important being the provision of supermarkets and foodstores within the particular area or region, as well as the socio-demographic profile of the population. The likely share directed to supermarkets would be at the higher end of this range for the Shepparton North trade area, which is typical in regional towns and rural locations where there are more limited provisions of fresh food options, such as food markets and food specialty stores, as compared to major cities, and where income levels are also generally lower.
- There are currently three supermarkets/foodstores located in the main trade area – the Supa IGA supermarket in Shepparton North and the IGA and Foodworks stores in Numurkah. The current provision of supermarket floorspace in the trade area is estimated at 215 sq.m per 1,000 sq.m, which is well below the national average of 330 sq.m per 1,000 residents, and further below the more typical, and generally considerably higher, levels of provision evident in provincial towns and cities.

- 4.5 The estimation of sales potential for the proposed supermarket firstly considers the appropriate expenditure category, which is the take-home food and packaged liquor (FLG) market. The typical proportion of this expenditure directed to supermarkets is then assessed. Finally, the market shares of this retail expenditure market are estimated for each sector of the main trade area, while there is an allowance for some business to be captured from beyond the trade area.
- 4.6 The sales potential for **a 3,960 sq.m supermarket (including packaged liquor) at the proposed Shepparton North Neighbourhood Centre at 2017/18 is estimated at \$33 million** (constant 2014/15 dollars and including GST). The estimate of sales potential reflects an initial trading level of approximately \$8,330 sq.m, which is considered a successful initial trading level, particularly in a provincial town.

Specialty floorspace

- 4.7 The indicative plan for the proposed Shepparton North Centre has a provision of 2,030 sq.m of specialty floorspace, which includes provision for a chemist. The types of stores considered supportable at the proposed centre by retail category are as follows:
- Fresh food – a number of fresh food stores are considered supportable including possibly a fresh produce store, a bakery, a butcher and/or a poultry shop.
 - Food catering – two or three food catering outlets are likely to be supportable including a take-away food store, as well as a cafe.
 - General retail – two stores are considered to be supportable in this category including a pharmacy as well as possibly a small discount variety store or a florist.
 - Retail services – a beauty salon/hairdresser and a drycleaner are considered to be supportable.

- 4.8 In addition to retail specialty stores, non-retail tenants, which are destinational in nature, are typically included in the mix at supermarket based centres. A neighbourhood centre of the nature and scale proposed at Shepparton North could support a number of non-retail outlet such as a fitness centre, a medical centre and possibly a real estate agent and/or a travel agent.

Total centre retail sales potential and market shares

- 4.9 Table 4.1 provides the retail sales potential estimated for the proposed Shepparton North Centre. The total retail sales potential of the centre is estimated at \$41 million at 2017/18 (expressed in constant 2014/15 dollars). I have assumed that 80% of the 2,030 sq.m. of floorspace to be provided as "retail specialty" will be leased to retail uses, with 20% as non-retail uses.

Table 4.1: Shepparton North WOW Centre - Potential mix and centre sales by retail category, 2017/18*

Category	GLA (sq.m)	Est. sales potential	
		(\$'000)	(\$/sq.m)
<u>Major tenants</u>			
Supermarket	3,960	33,000	8,333
Retail specialties	<u>2,030</u>	<u>8,000</u>	<u>3,941</u>
Total centre - retail	5,990	41,000	6,845

*Constant 2014/15 dollars & including GST

- 4.10 Table 4.2 presents the estimated centre market shares of available retail expenditure at 2017/18. The estimated market shares of available food and non-food retail spending are calculated based on the following key points:

- The total estimated sales potential of each component of the proposed centre as detailed previously (supermarket and specialty stores) is split into food and non-food sales, taking account of the typical sales distribution for each retailer type.
- The total sales that are expected to be generated by the centre from each trade area sector are then estimated, taking into account the likely shopping patterns of trade area residents.

- iii. The total available retail expenditure within each trade area sector is calculated, based on the MarketInfo estimates (refer Section 2).
- iv. The estimated market shares expected to be achieved by the new centre, of both food and non-food expenditure in each trade area sector, are then calculated by dividing the estimated centre sales from each sector by the projected retail expenditure available in each sector.

4.11 The proposed Shepparton North Neighbourhood Centre is estimated to potentially achieve a 12.5% market share of total retail spending of the main trade area population, comprising an 18.0% share of food spending and a 4.4% share of non-food spending. The majority of centre sales would be drawn from the primary sector (\$29.9 million), with \$7 million estimated to come from the secondary sector. In addition, the proposed centre is estimated to capture \$4.1 million of retail spending from people residing beyond the main trade area.

Table 4.2: Shepparton North WOW Centre - Estimated centre market shares, 2017/18*

Trade area	Retail spend (\$M)			Centre retail sales (\$M)			Market share		
	Food	Non-food	Total	Food	Non-food	Total	Food	Non-food	Total
Primary	127.2	88.0	215.2	25.6	4.3	29.9	20.1%	4.9%	13.9%
Secondary	<u>48.5</u>	<u>32.1</u>	<u>80.6</u>	<u>6.0</u>	<u>1.0</u>	<u>7.0</u>	<u>12.4%</u>	<u>3.1%</u>	<u>8.7%</u>
Main TA	175.7	120.1	295.8	31.6	5.3	36.9	18.0%	4.4%	12.5%
Sales from beyond TA				<u>3.5</u>	<u>0.6</u>	<u>4.1</u>			
Total centre retail sales				35.1	5.9	41.0			

*Constant 2014/15 dollars & including GST
Source: MarketInfo

Section 5: Economic impact considerations

Economic and social benefits

5.1 The proposed Shepparton North Neighbourhood Centre is likely to result in a range of economic impacts. From a trading point of view, impacts may be experienced by some competitive facilities located in the surrounding region, and the likely extent of these trading impacts is considered further later in the report. On the other side of the equation, the proposed development will result in a range of economic benefits, particularly for residents of the main trade area. The key positive impacts will include the following:

1. Addressing the under-provision of supermarket floorspace in the trade area

There is currently a substantial under-provision of supermarket floorspace in the trade area. There is one supermarket located in the growing primary trade area, which has a resident population over 16,000, and two much smaller stores in the secondary sector. The primary sector population alone is considered sufficient to support two supermarkets, particularly given the planned growth to be accommodated within it. The Centres Strategy identifies a need for an expansion of retail floorspace in Shepparton North, to accommodate a second supermarket and supporting retail specialty shops.

2. Serving the future residential growth in Shepparton North

Shepparton North is a major growth area of the regional city. The primary sector population is projected to increase by around 280 residents per year and is estimated to grow to over 19,100 at 2026, an increase of over 3,000 residents over the forecast period. The proposed Shepparton North Centre would be ideally located to service this growing demand, with the subject site located in close proximity to the land planned for future residential development in the surrounding area.

3. Creating a focal point for local residents

Being located at the gateway to the residential growth area of Shepparton North, the proposed Shepparton North Centre, which is to include a major

supermarket and a range of specialty shops and services, will assist in creating a focal point for community activity and interaction in the area, including both existing and future residents in the area.

4. Substantially improving shopping choice and convenience for local residents

The proposed Shepparton North Centre would greatly improve shopping choice and convenience for trade area residents. The centre is proposed to include a new supermarket and a range of supporting specialty stores, and would offer local residents greatly increased choice, convenience and amenity for food and grocery shopping. In particular, local residents would be able to undertake their food and grocery shopping in a modern and easily accessible shopping centre.

5. Creation of additional employment opportunities

The proposed Shepparton North Centre would create a number of additional jobs, both for the construction and related industries during the construction phase, and ongoing jobs when the centre is completed. The additional employment creation is discussed further below.

Employment stimulus

5.2 The methodology used in estimating the number of potential new jobs at the centre, as set out below, is regularly used in retail economic impact assessments. The purpose is to provide a general indication of the number of jobs potentially created from the development.

5.3 Table 5.1 details the employment likely to be created by the proposed Shepparton North Neighbourhood Centre. Based on the amount and nature of floorspace to be included in the proposed development, I estimate that approximately 280 ongoing jobs would be created by the proposed retail development.

Table 5.1: Shepparton North WOW Centre - Estimated centre employment levels

Type of use	Estimated employment per '000 sq.m	Shepparton North	
		GLA (sq.m)	Employment (persons)
Supermarket	40	3,960	158
Specialty shops	60	<u>2,030</u>	<u>122</u>
Total centre¹		5,990	280
Net increase²			266

1. Excludes non-retail components

2. Net increase includes an allowance for reduced employment levels at impacted centres, estimated at 5% of the total increase

- 5.4 As the retail expenditure generated by the trade area population increases, new retail developments will provide new job opportunities that will not necessary impact on the number of jobs at existing centres. Nevertheless, it may be argued that some job losses will occur at other centres as a result of the proposed Shepparton North Neighbourhood Centre. In estimating the net employment opportunities, I have allowed for 5% of the additional employment that is likely to be created at the future centre to be absorbed in job losses at other centres, resulting in a projected net employment increase of 266 jobs.
- 5.5 The proposed Shepparton North Centre will also create a number of new jobs during the construction and related industries during the construction phase, and for the economy generally once they are completed. Table 5.2 provides an estimation of both direct and indirect employment that would arise from the proposed Shepparton North Neighbourhood Centre. Based on the estimated construction costs of the project of \$10 million, I consider that during the construction period of the project approximately 43 direct jobs would be created.
- 5.6 Further jobs in the broader community would also be created from supplier induced multiplier effects during this period (based on the appropriate ABS input/output multipliers). Estimates of job numbers quoted include both full-time and part-time positions.

Table 5.2 Proposed development - estimated total employment creation

Original stimulus	Direct employment (long-term)	Direct employment (const'n period)	Supplier employment multiplier effects	Total	
Centre employment ¹	266		106	373	
Construction of project (\$16m. est. capital costs)		68	109	178	Job years ²
Total	266	68	216	551	

* Employment totals include both full-time and part-time work

1. Indicates the estimated number of net additional ongoing jobs as a result of the proposed development

2. Indicates the estimated number of jobs over the life of the construction project, for the equivalent of one year

Consideration of trading impacts

- 5.7 The purpose of an impact assessment is to provide guidance as to whether or not there is likely to be a net community benefit or disbenefit from any proposed development. In particular, if there is a real possibility of some existing facilities potentially being impacted to such a degree that they may be lost to the community and if the service or services provided by those facilities are not at the very least replaced by the proposed new facilities, then a community disbenefit could result.
- 5.8 In order to understand whether any particular centre may be impacted to the extent that its continued viability may be in question, I have estimated specific retail impacts that I expect across the surrounding competitive network if the proposed supermarket based development at Shepparton North were to proceed as planned.
- 5.9 These estimates provide indications as to whether the scale of the proposed retail development is reasonable and whether any surrounding centres are likely to be at risk to the extent that the community would suffer a net disbenefit, attributable to the proposed retail development. In considering likely trading impacts on any individual centre or individual retailer, it is my view that such estimation can only realistically expect to provide a broad indication of likely outcomes, since there are many factors which can change in response to any new retail development, and which will have a bearing on the consequent outcomes. The competitive

response of each relevant centre or trader is one such factor, as are further redevelopments/improvements which one or more of the competitive network of centres might implement.

5.10 The following factors are typically of relevance/importance when assessing the potential impacts of a new supermarket based development on each existing facility or centre:

- The distance of the (impacted) centre, or retail precinct, by road, from the proposed development.
- The size of the centre or precinct, in terms of total retail floorspace.
- The amount of supermarket floorspace, and brands of those supermarkets.
- The role and function of the centre or precinct.
- Relative accessibility and relative convenience compared with the proposed retail development.
- The estimated performance of the centre/precinct (in current sales) and future performance (in the impact year), accounting for any future developments in the region that may also impact on the future sales of existing centres.
- The share of available expenditure which the centre/precinct attracts from the identified main trade area of the proposed development. A centre may not be situated in the identified trade area of the proposed development but its main trade area may extend to include parts, or all, of the trade area. For example, the Shepparton CBD serves all of Shepparton and a broad surrounding area, including the catchment defined for the proposed new centre at Shepparton North, but in a very different manner to a small, local centre.

5.11 The following key principles are then relied on when assessing the dollar (and percentage) impacts that are likely to be absorbed by existing facilities/centres:

- The greatest impacts are typically absorbed by the closest comparable centres/stores. For example, everything else being equal, a new Woolworths supermarket is generally likely to impact the closest nearby Woolworths supermarket to the greatest extent, followed by impacts on other comparable large supermarkets (e.g. Coles), and at the lower end of the spectrum, by smaller scale supermarkets/food stores, which serve much more limited roles.
- Impacts on small scale, local supermarkets/food stores, tend to be relatively smaller in scale, as these stores normally attract a small market share of available main trade area expenditure and perform a different role and function in the hierarchy, often serving the local walkable catchments surrounding them, and/or serving more specialised/discerning needs (e.g. a small Foodworks foodstore).

5.12 It is my opinion, therefore, that a number of factors need to be taken into account in determining the likely broad trading impacts and subsequent consequences arising from the proposed centre on other retail facilities in the surrounding region. The following analysis presents an indicative projection of the anticipated impacts on other shopping centres in the surrounding area. Such projections can be considered indicative only for the simple reason that it is very difficult to predict with certainty the precise impact on any one retailer or any other centre that will result from the change of retail structure serving a particular region.

5.13 The impacted centre or retailer has a number of possible actions which it may be able to take that may mitigate the extent of the impact or may eliminate it all together. Expansions and improvements may be undertaken at other centres throughout the region, and all of those factors can change the nature of the impact of the new centre being developed.

5.14 In my view it is much more reasonable for the purposes of impact analysis, therefore, to consider the likely broad changes in competitive circumstances, and in particular the changes in availability of retail spending for competitive centres, that can reasonably be expected to result from the proposed Shepparton North Centre. These broad changes effectively set the market

conditions within which the competitive centres will operate as a result of this development, and reasonable conclusions can then be drawn about the possible impacts, and even more importantly, the possible implications, of these broad changes in market conditions.

5.15 The potential for trading impacts, in my view, should always be balanced against community needs, and should not be able to be used as a means to limiting competition in order to protect established financial positions.

5.16 I consider that under some circumstances, it is strongly arguable that estimated trading impacts are not of great consequence. As an example, in circumstances where

- a. there is a clearly stated strategic objective to provide a necessary/appropriate level of retail facilities to serve a particular area or catchment; and
- b. the existing provision of such facilities is considered to fall short, on any reasonable measure, of the quantum/mix which is required (and supported by relevant strategic documents) for that particular area/region

then an initiative to provide additional facilities in line with the strategic objectives should not raise concerns that could reasonably be argued on trading impact grounds.

The existing facility or facilities under those circumstances are meeting only some of the needs of the relevant population, and additional facilities are both required and supportable to meet the clearly evident gap.

5.17 In my view, the Shepparton North area meets both of criteria (a) and (b) outlined above. As detailed in this impact assessment, strategic planning for the area provides for additional retail facilities such as now proposed at the Shepparton North Centre which is the subject of this report, and the existing (supermarket) facilities available within Shepparton North fall well short of the level required to meet the reasonable shopping needs of local residents.

5.18 Table 5.3 details the estimated trading impacts on retail centres in the surrounding area that can be anticipated following the proposed development of the Shepparton North Centre. The table outlines the estimated sales and potential impacts for each centre located in the main trade area, as well as for the major retail centres located beyond the trade area. All figures are expressed in constant 2014/15 dollars and include GST.

Table 5.3: Shepparton North WOW Centre - Estimated impact on retail centres, 2017/18 (\$M)*

	Est. sales 2014/15	Estimated 2017/18		Impact 2017/18		Change 2015-18 (%)		Estimated 2022/23		Change 2015-23 (%)	
Centre		No dev't	With dev't	\$M	%	No dev't	With dev't	No dev't	With dev't	No dev't	With dev't
Within trade area											
Shepparton North	37	40.0	35.8	-4.2	-10.5%	8.2%	-3.2%	45.7	40.9	23%	11%
Numurkah	<u>31</u>	<u>32.2</u>	<u>31.0</u>	<u>-1.2</u>	<u>-3.7%</u>	<u>3.8%</u>	<u>-0.1%</u>	<u>34.4</u>	<u>33.2</u>	<u>11%</u>	<u>7%</u>
Total within trade area	68	72.2	66.8	-5.4	-7.5%	6.2%	-1.8%	80.1	74.0	18%	9%
Beyond trade area											
Shepparton CBD	408	440.6	419.6	-21.0	-4.8%	8.0%	2.9%	500.9	477.1	23%	17%
Shepparton Marketplace	112	121.0	113.8	-7.2	-6.0%	8.0%	1.6%	137.5	129.3	23%	15%
Shepparton Plaza	49	52.9	49.5	-3.4	-6.4%	8.0%	1.1%	60.2	56.3	23%	15%
Other	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>	<u>-4.0</u>	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>	<u>n.a</u>
Total beyond	n.a	n.a	n.a	-35.6	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Total impacts				-41.0							

*Constant 2014/15 dollars & including GST

Source: City of Greater Shepparton Commercial Activity Centres Strategy, July 2015

5.19 I make the following observations, and draw the following conclusions, from the above analysis:

- The existing Fairleys Supa IGA facility in Shepparton North is estimated to be impacted by an average of 10.5% by the proposed development. With significant population growth occurring in Shepparton North, sales of this facility are estimated to recover quickly. Of course if the centre is remodelled and expanded, as now proposed, then its sales will be considerably increased in any case, either before the new centre is built or after it.
- The closest major centres located beyond the trade area are also expected to experience some trading impacts, including the Shepparton CBD, Shepparton Marketplace and Shepparton Plaza. However, the potential impacts are considered to be well within the reasonable bounds of normal competition and would not threaten the viability of these centres. In fact, sales for these centres are projected to still increase over the period from 2015 to 2018, even allowing for the proposed development at Shepparton North.
- Retail facilities in Numurkah are expected to experience an initial small trading impact, however they will continue to effectively serve the local catchment and the estimated impacts will not threaten the viability of any retail store.
- The information in Table 5.3 also shows the projected situation at 2022/23, i.e. approximately 3-4 years after the Shepparton North Neighbourhood Centre is assumed to have opened. That analysis shows that, after absorbing the one-off impact at 2017/18 which would result from the opening of the new centre, all of the existing retail facilities throughout Shepparton, including at Shepparton North, can reasonably expect to enjoy steady growth in total retail turnover. For the existing Shepparton North facility, for example, real growth of 11% in retail sales is projected in total over the period 2015-2023, while for the Shepparton CBD real growth of 17% is projected over the period.

5.20 The impacts detailed in Table 5.3 above relate to total retail expenditure, not supermarket expenditure. Since the bulk of the estimated \$41 million of retail sales for the new centre will be supermarket sales, it can reasonably be concluded that the order of impacts on the supermarkets at the locations beyond the trade area (Shepparton CBD, Shepparton Marketplace and Shepparton Plaza) will be greater than the figures shown in Table 5.3. At Shepparton North, however, the impact on the supermarket will not be greater than the estimates shown in Table 5.3, since almost all the estimated sales for the existing facility at Shepparton North are supermarket sales (including packaged liquor).

5.21 I consider that there cannot be a reasonable argument made that any existing retail facilities within Shepparton, including those at Shepparton North, will face any threat to their long term sustainability as a result of this proposed new development. For context, Table 5.4 below shows the current and projected future populations and retail expenditure levels, expressed in constant 2014/15 dollars, for the City of Greater Shepparton.

Table 5.4: City of Greater Shepparton: Population and retail expenditure

Trade area	2015/16	2017/18	2022/23
Population*	65,010	66,690	70,950
Retail spend per capita** (\$)	12,753	12,965	13,563
Total retail spend** (\$M)	829.1	864.6	962.3

*As at June

**Constant 2014/15 dollars & including GST

Source: ABS Census 2011; DTPLI, Victoria In Future 2015; MarketInfo

5.22 The information in Table 5.4 above highlights the following:

- At 2015/16, the 65,010 residents of the City of Greater Shepparton spent an estimated \$829 million on retail goods.
- By 2017/18, that figure is projected to increase, in real terms, by approximately \$35 million, to \$864.6 million.
- By 2022/23, the available expenditure is projected to increase to approximately \$962 million, in constant 2014/15 dollar terms – some \$133 million greater than the current level.

5.23 The proposed Shepparton North Centre will therefore account for less than 5% of the total available retail expenditure of City of Greater Shepparton residents at 2017/18. Put another way, the estimated \$41 million of retail turnover to be achieved by the new centre will be less than one-third of the projected real growth in retail expenditure by residents of the City of Greater Shepparton between 2015/16 and 2022/23.

Some case study analysis

5.24 There are many examples of situations where a major chain supermarket has opened near an existing independent supermarket, such as IGA, and the independent supermarket continues to trade sustainably following the opening of the new supermarket. One such example is discussed below in detail - Camperdown in Victoria – where, prior to development of the Woolworths supermarket, it was claimed the incumbent independent operator would disappear as a consequence of the expected impact.

5.25 Two other examples are also shown, where small regional towns have supermarket floorspace provisions which include substantial independent operators co-existing with chain stores. In both of those examples quoted - Maryborough and Ararat - the independent and chain supermarkets have operated together for many years.

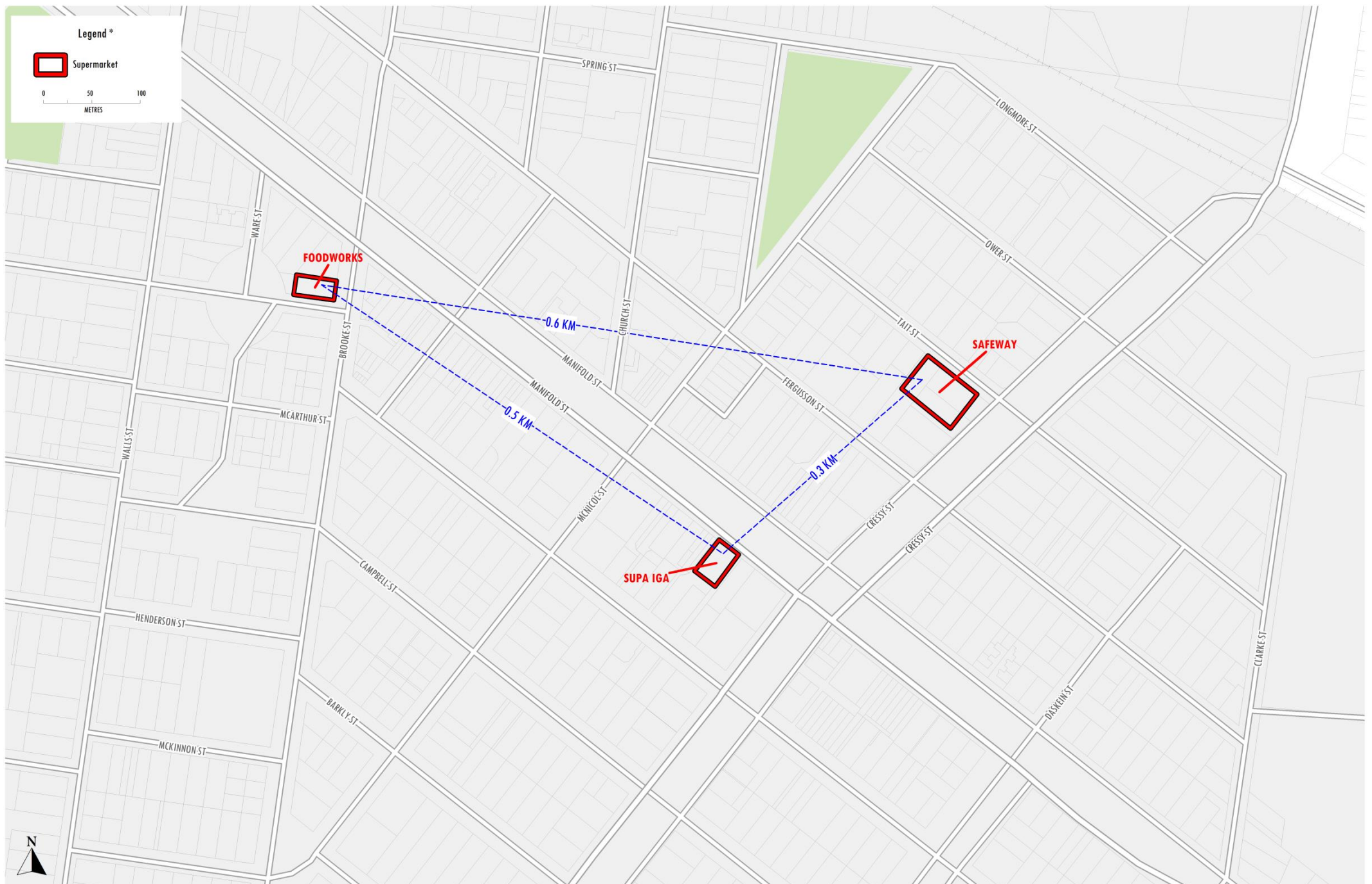
5.26 In each of the examples discussed, the catchment population of the relevant town is comparable to or less than the population of the primary sector defined for the proposed Shepparton North Shopping Centre.

Camperdown

- 5.27 Camperdown is a small town located in western Victoria. Camperdown is somewhat comparable to the situation in Shepparton North, primarily because a new Woolworths supermarket was added at Camperdown in 2004 at a location approximately 300 metres from an already existing Ritchies Supa IGA supermarket (approximately 1,600 sq.m in size). Also within Camperdown, which is a small town, there was an existing smaller Foodworks foodstore (approximately 800 sq.m), situated approximately 500 metres from the Ritchies Supa IGA and 600 metres from the site for the proposed new Woolworths store.
- 5.28 Map 5.1 shows Camperdown and the surrounding area, as well as the defined Camperdown study area. In 2004, when the new Woolworths supermarket was built, the population of the Camperdown study area was 10,780. Map 5.2 shows the local context of the town including the locations of the three supermarkets.
- 5.29 Not too far from Camperdown are two other towns – Cobden and Terang. The Ritchies Group also operates an IGA supermarket of some 1,200 sq.m in Cobden, while a further IGA supermarket (approximately 1,000 sq.m) operated by a separate group, is also provided at Terang.
- 5.30 The Woolworths proposal was the subject of an Independent Panel at the time, at which The Ritchies Group appeared and provided expert evidence claiming, among other things, that there would be a catastrophic result on the Ritchies businesses if the new Woolworths supermarket were to proceed. In the event, the new Woolworths store duly opened, and eleven years later both independent supermarkets continue to operate in Camperdown, as do the independent stores at both Cobden and Terang.



Map 5.1: Camperdown
Study area



Map 5.2: Camperdown
Site location

5.31 I conducted a detailed post-implementation review of the situation at Camperdown in February 2006, approximately 19 months after the new Woolworths supermarket had opened. As it happened, the manager of the Ritchies IGA supermarket had recently appeared in the local newspaper, and publicly indicated as follows:

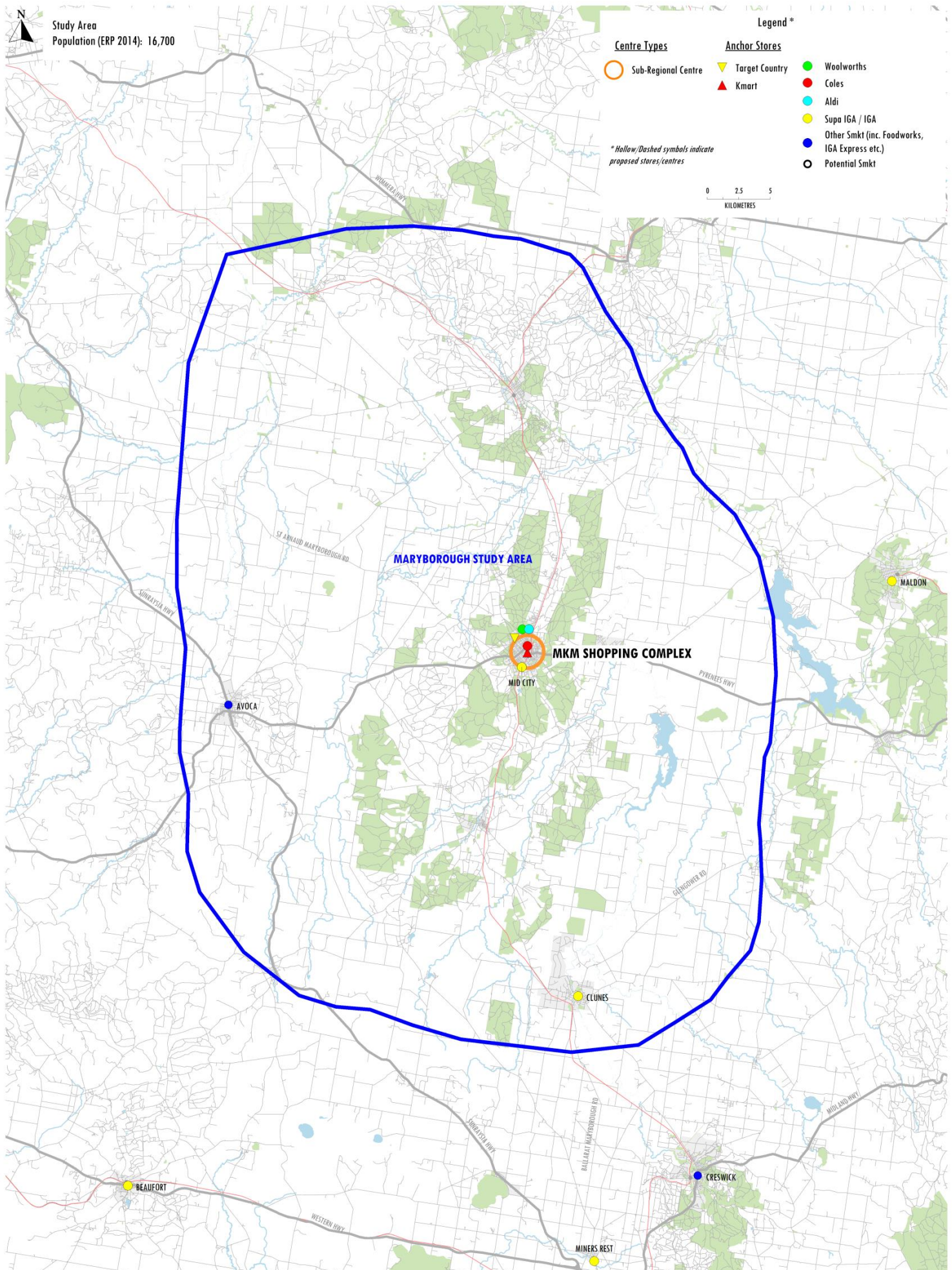
- The Ritchies Supa IGA store had initially been impacted, as also, to a lesser degree, had the Ritchies store at Cobden and another store at Timboon.
- However, all stores had since recovered most or all of their lost sales and their sales trends were increasing.
- No staff were retrenched, although some natural attrition had occurred.

Maryborough

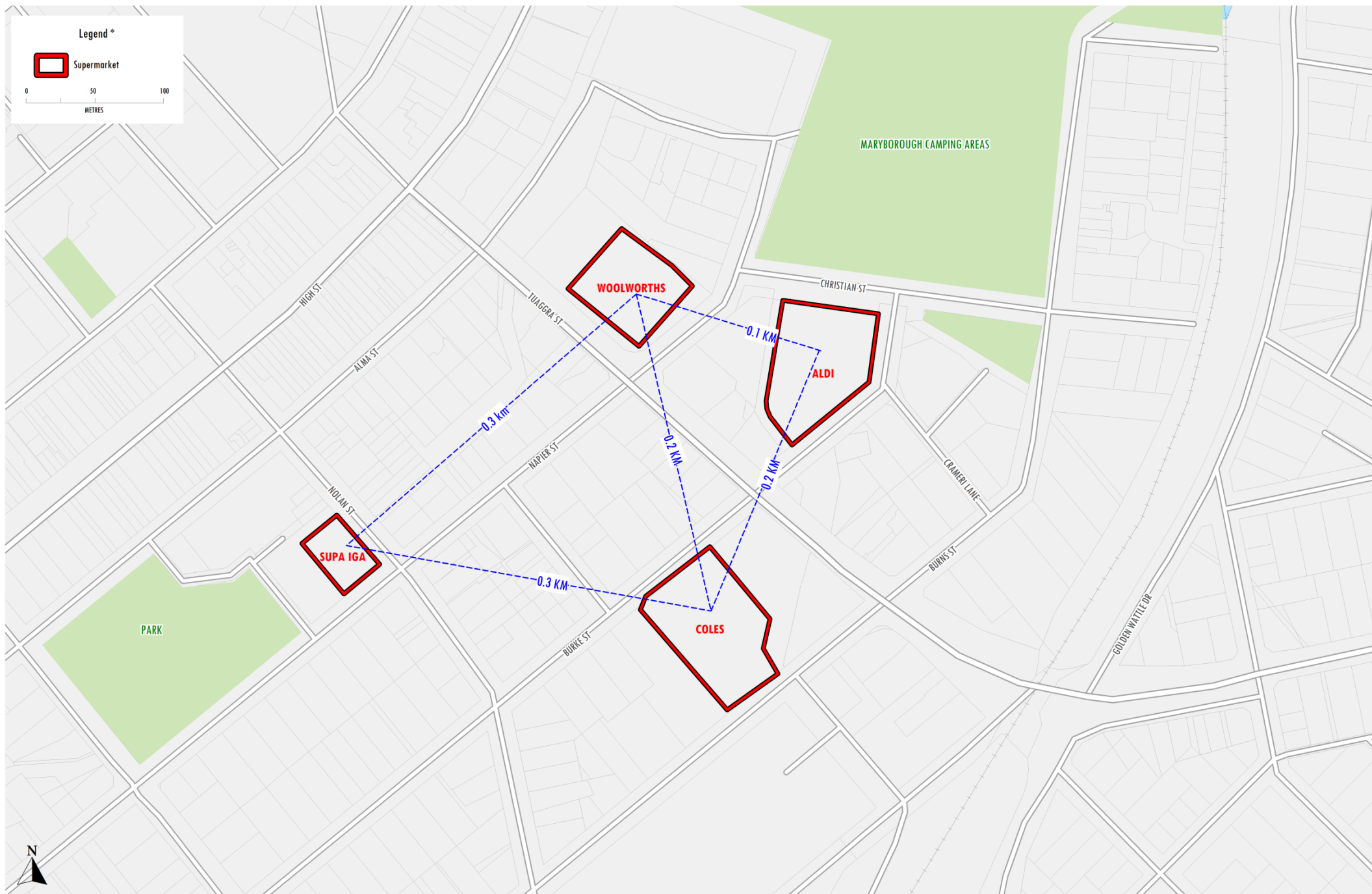
5.32 The town of Maryborough is situated in north-western regional Victoria, with Map 5.3 showing the study area for the town. Although serving a catchment with a population comparable to the population of the primary sector defined for Shepparton North (an estimated 16,700), Maryborough contains all three national chain supermarkets – Woolworths, Coles and Aldi – plus Supa IGA (refer Map 5.4). Between them, the four supermarkets total in the order of 11,000 sq.m of floorspace, far greater than the combination of the existing and proposed supermarket floorspace in Shepparton North.

Ararat

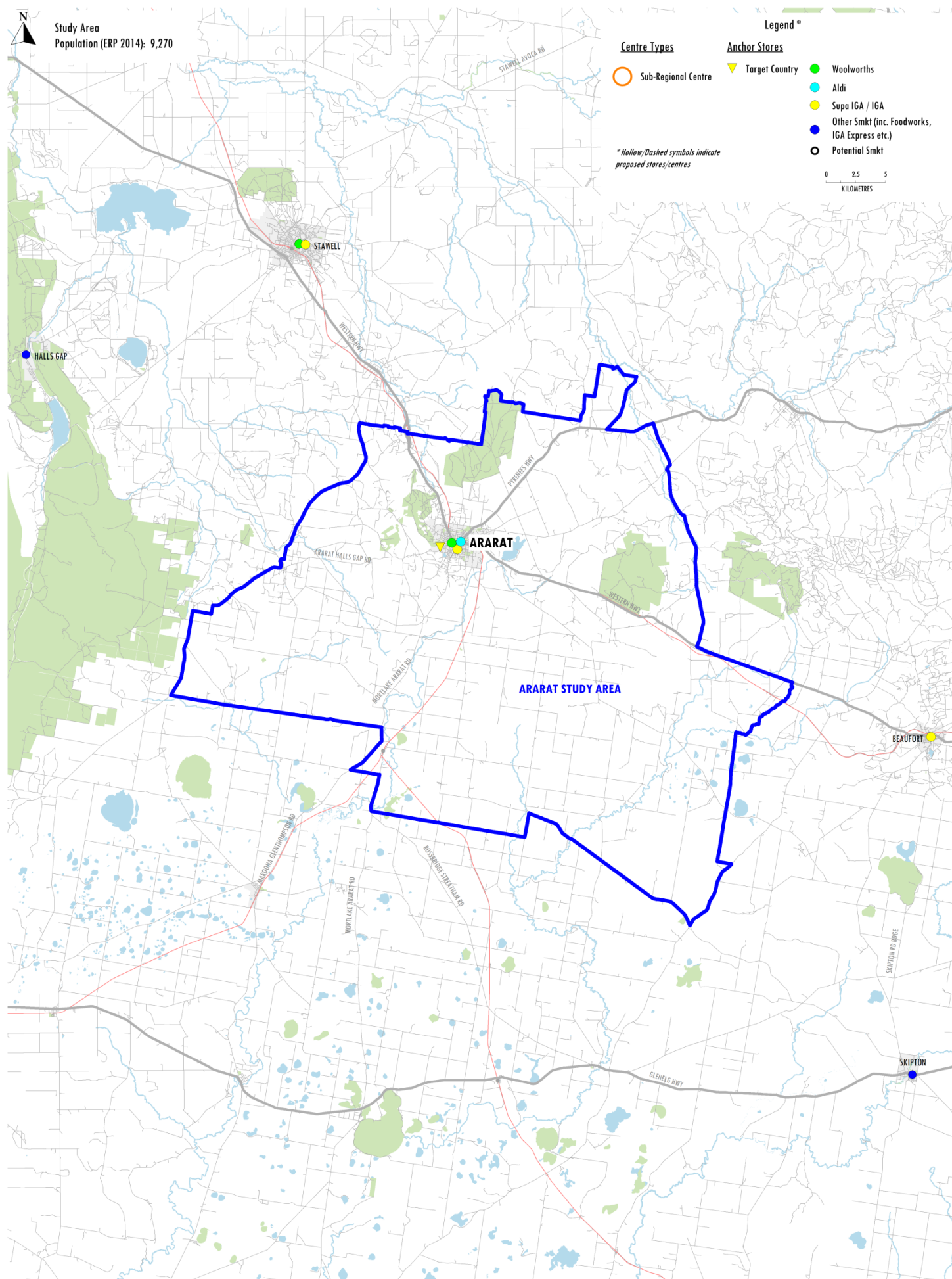
5.33 Ararat is also a small town in north-western Victoria, with the resident population of the defined catchment estimated at 9,270 in 2014. Map 5.5 shows the context in the surrounding area, while Map 5.6 shows the locations of the various supermarkets provided in Ararat. There are three supermarkets in the town – Woolworths, Fishers IGA and Aldi – with the total provision of supermarket floorspace in the town estimated at 8,080 sq.m.



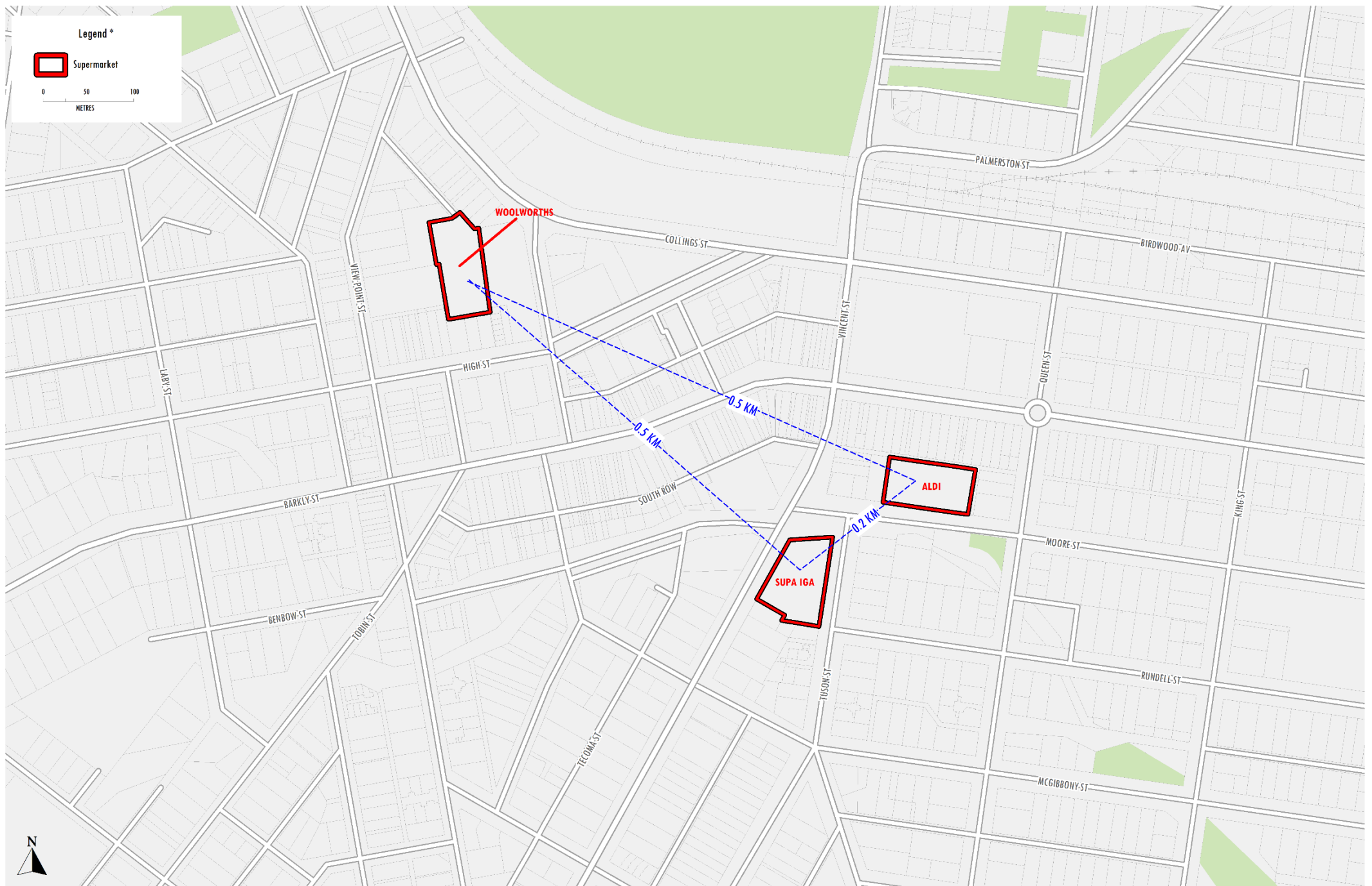
**Map 5.3: Maryborough
Study area**



Map 5.4: Maryborough
Site location



Map 5.5: Ararat
Study area



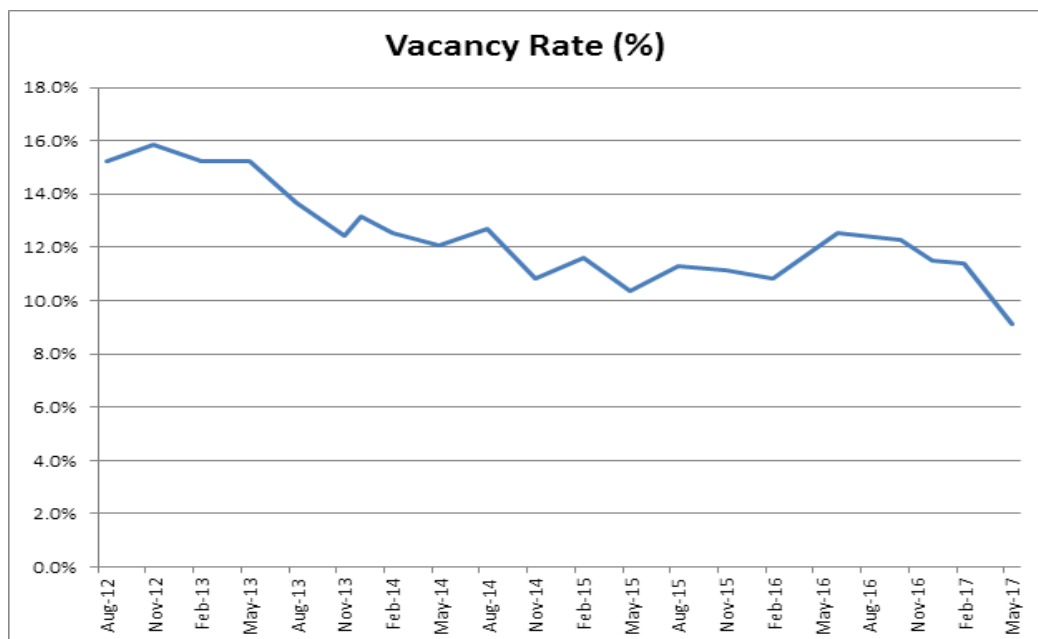
Map 5.6: Ararat
Site location

Potential impacts on the Shepparton CBD

5.34 The Shepparton CBD comprises a number of enclosed shopping centres and an extensive provision of strip retail facilities, mostly situated between Sobraon Street in the south and Nixon Street in the north. The performance of the Shepparton CBD over recent years has been mixed, and there is currently a number of vacant shopfronts in the CBD.

5.35 The Greater Shepparton Council has been working on improving the Shepparton CBD for a number of years, and the Shepparton CBD Revitalisation continues to be one of the "Priority Projects" for the Council. The project seeks to transform the Shepparton CBD into a *modern, lively and desirable retail and lifestyle precinct*. The project involves the creation of a piazza style town square, improving Maude Street Mall, proving direct access between the Shepparton Railway Station and the CBD, as well as upgrading the streetscape, parking and general amenity of the area. The ongoing revitalisation of the CBD will assist existing businesses as well as attract new businesses to the area.

5.36 Over the past few years, based on discussions that I have recently conducted with Mr Tim Russell, the Place Manager for the City of Greater Shepparton, there has been noticeable improvement in the strength of the CBD as a shopping destination, including a significant reduction in the rate of vacancy of retail and commercial premises within the CBD, shown in the chart below, sourced from Council.



- 5.37 The existing vacancies, the number of which has reduced significantly particularly over the past year, tend to be focused in parts of the CBD which suffer most from vehicular traffic, and which are least conducive to pedestrian amenity. Roadwork infrastructure which is currently underway (the duplication of Welsford Street to take some of the north-south traffic) as well as the planned bypass of Goulburn Valley Highway, are initiatives to further improve the situation.
- 5.38 Council also invests in promoting activities for the CBD which attract shoppers and visitors, including specific holiday period activities as well as winter and summer markets held in the Maude Street Mall.
- 5.39 Investment in new food & beverage outlet fit-outs has been evident within the CBD over the past few years, and has improved the CBD's offer in that regard. The combination of such investment, together with Stage 1A of the CBD revitalisation project which has been delivered in Vaughan Street, has quite evidently resulted in significant improvement in the amenity of that particular precinct and the level of pedestrian flow within in.
- 5.40 The CBD is also benefiting from increased investment in services over recent years, including a development by the Goulburn Valley Dental Group on Nixon Street as well as the FIX Myotherapy Centre at the corner of Nixon and Corio Streets. The \$73 million State Government redevelopment of the Shepparton Courts, at the corner of High Street and Wyndham Street, is another major investment which is expected to stimulate improvement in the western end of the CBD.
- 5.41 The proposed development at the subject site at Shepparton North will add a supermarket and a limited number of supporting specialty shops, which will serve the convenience shopping needs of local residents. The development will not adversely impact retailers within the Shepparton CBD, as detailed in the previous sub-section, as it will provide for the needs of the growing population of Shepparton North. Local residents will still regularly visit the Shepparton CBD to undertake the bulk of their shopping needs, including close to all of their non-food shopping, and to access the broad range of non-retail facilities in the CBD, as is currently the situation.

5.42 The existing Fairleys Supa IGA centre in Shepparton North has approval to expand to 8,000 sq.m, though now seeking approval to potentially expand to 14,000 sq.m. From the CBD's perspective, if a larger 14,000 sq.m centre were to be approved at the Fairleys Supa IGA site, it would create uncertainty, particularly with regard to the potential uses which might be provided at such a centre, including the mix of majors, mini-majors and specialty shops. A 14,000 sq.m centre has the potential, for example, to adversely impact the Shepparton CBD especially if it were to contain a significant mix of non-food shopping facilities and possibly non-food anchor stores. A considerably larger shopping centre at the Fairleys site offers a greater potential to become a "destinational" centre, potentially serving a large trade area, and therefore also has the potential to have a greater negative impact on the Shepparton CBD, again particularly if it were to contain a significant non-food shopping offer.

Summary and net community benefit

5.43 In summary, the development of the Shepparton North Centre would provide a new neighbourhood centre in Shepparton North, which currently has an underprovision of supermarket facilities. Although its development is likely to have some trading impacts on existing facilities, those adverse impacts will not be such as to threaten any existing facility's ability to continue operating successfully.

5.44 There is a clearly evident gap in the market for a new neighbourhood centre, and especially a new supermarket, at the subject site, and the proposed Shepparton North Centre will service the growing needs of the catchment. The Shepparton North Neighbourhood Centre would also satisfy the community need for greater retail variety, with the centre proposed to include a supermarket and a broad range of other shops and services. The analysis in this report has demonstrated that a range of economic and social benefits are likely to arise from the proposed Shepparton North Centre, including the following:

- Addressing the underprovision of supermarket floorspace in the trade area;
- Serving the future residential growth in Shepparton North;
- Creating a focal point for local residents;

- Substantially improving shopping choice, convenience and amenity for local residents; and
- Creation of additional employment opportunities.

5.45 Furthermore, the proposed development would meet the objectives outlined in the *City of Greater Shepparton Commercial Activity Centres Strategy*, in particular:

- At present, the limited mix of uses in the Shepparton North activity centre is not consistent with the expectations of both planning policy and the general community;
- An increase of 6,000 sq.m in shop floorspace may be supported on land outside the existing Commercial 1 Zone at Shepparton North, which is sufficient to accommodate a second supermarket and supporting retail such as specialty shops; and
- An appropriate site in the area fronting the Goulburn Valley Highway between Ford Road in the north and Hawkins Street in the south can be endorsed for this extension to the Commercial 1 Zone.

5.46 Against these benefits, some impacts are projected on centres in the surrounding area. The potential trading impacts arising from the proposed Shepparton North Centre would be dispersed across a range of retail centres. The potential impacts though would not threaten the ongoing viability of any existing retail centre or retail shop. Therefore, it can be concluded that a net community benefit will result from the proposed development, particularly as the development will provide greatly increased shopping choice for local residents while also creating job opportunities for the local community.

5.47 I note that objections to the proposed development of the Shepparton North Woolworths Centre have been submitted by Metcash Ltd (the owner of the Fairley's land) and also the Centre for Independently Owned Retail Research (CIORR). The Metcash submission makes clear the point that Fairleys IGA is a strong operator, with a wide customer draw: "*Customers are driving past two and three other supermarkets to get to Fairleys...*" (para. 14). Metcash also points out

- 5.48 I consider that the Metcash submission makes no supportable economic case against the proposed development of the Shepparton North Woolworths Centre, but rather shows that the Fairleys IGA supermarket has little to fear from the addition of a second supermarket to Shepparton North.
- 5.49 The objection from the CIORR appears to be focussed primarily on concerns regarding the Shepparton CBD. However, that objection does not provide any cogent analysis to support its propositions, and, in my view, confuses the roles of the Shepparton CBD and the proposed Shepparton North Neighbourhood Centre. I have addressed the matters relating to Shepparton CBD at paragraphs 5.34 – 5.41 previously in this statement. I consider that the Shepparton CBD does have issues that need addressing, including a higher than ideal vacancy rate. Those issues though are being progressively addressed, and improved outcomes for Shepparton CBD are steadily being achieved.
- 5.50 In a city the size of Shepparton, with growth nodes both in the north and south, it is neither reasonable, nor practical, in my view, to prescribe that supermarket food and grocery shopping by a growing population situated at the periphery of the urban area, such as at Shepparton North, must be directed primarily to the CBD. Such an approach would mean greatly reduced convenience, choice and amenity for local residents, especially at peak shopping times, and also lower levels of investment and employment creation for the benefit of the regional economy. In this instance, for example, Woolworths already operates a store in the CD precinct (Shepparton Plaza) as do both Coles and Aldi. In order to meet the needs of the growing population at Shepparton North, clearly none of those operators would choose to do so by building another store in the Shepparton CBD.
- 5.51 The CIORR submission also make a number of, in my view, uninformed claims regarding online shopping, and its consequences for the need for “bricks and mortar” supermarket floorspace, specifically at para. 6.3. Robust data, based on actual credit card transactions from NAB customers, detailing the extent of retail expenditure which is directed online, are readily available, from NAB's Online Retail Sales Index (NORSI). The March 2017 edition of that publication shows that in Australia approximately 7.3% of retail expenditure is directed online, across all categories.

5.52 A more detailed breakdown of the data further shows, however, that only a negligible proportion of food and grocery expenditure is directed online by Australian consumers – just 1.5% of total sales recorded by major supermarkets, including Coles, Woolworths and Aldi. When allowance is made for the fact that no online sales are made by the vast majority of all other fresh food and grocery outlets (including independent supermarkets, specialty food stores, fresh food markets etc.) it can be concluded that less than 1% of total food and grocery expenditure by Australians is conducted online.

Appendix 1:

Curriculum Vitae

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Qualifications

- Bachelor of Arts (Hons.),
University of Melbourne
- Master of Arts,
University of Melbourne

Tony graduated with Honours and Masters Degrees in Economics and Mathematics from the University of Melbourne, where he also taught Economics and Statistical Methods for a number of years.

In 1982 he commenced work as a consultant in the then emerging field of retail and property economics, and for the past 35 years he has provided independent analysis and advice to shopping centre owners and developers, retailers, service providers and public authorities. Over that time Tony has had the opportunity to work extensively with most of Australia's shopping centres and retail precincts, and also most of the country's major retailers, participating first hand in the development and evolution of the Australian retail sector, and particularly the shopping centre industry.

As a micro-economist, Tony's emphasis in his work over the past four decades has been on the ever changing needs and wants of the consumer, which philosophically he has always regarded as being the essential underpinning of economic analysis for the retail sector.

Tony has worked across all parts of Australia and New Zealand, and has provided advice in relation to virtually every significant activity centre location in both countries. The range of projects has included CBD properties; super regional centres; regional and sub-regional centres; district and neighbourhood centres; homemaker retail facilities; freestanding stores; and all other retail formats, as well as commercial and industrial precincts.

Tony has also advised extensively on optimal retail and related services provisions to support major education and health facilities, including universities and hospital/health precincts.

Tony appears regularly as an independent expert in state planning courts and tribunals across all states of Australia and in New Zealand, including:

- The Administrative Appeals Tribunal (AAT) of Australia;
- Independent Ministerial Panels and VCAT in Victoria;
- The Land and Environment Court of New South Wales;
- The Planning and Environment Court of Queensland;
- The State Administrative Tribunal in Western Australia;
- The Environment, Resources and Development Court of South Australia;
- The Liquor Licensing Court of South Australia;
- The Petroleum Products Retail Outlets Board of South Australia;
- The Resource Development Planning Commission in Tasmania; and
- The Environment Court of New Zealand.

He has also appeared regularly as an independent expert in federal parliamentary inquiries, including the Joint Parliamentary Inquiry into the Australian Retail Sector (Baird Inquiry); in ACCC hearings, including the Inquiry into the Competitiveness of Retail Prices for Standard Groceries in 2008; as well as Federal and County Court hearings.

He is also a regular conference speaker and columnist in retail industry publications.