

18 May 2018

Our Ref: 18-103 AK

Director
Employment Policy and Systems
Department of Planning and Environment
320 Pitt Street
Sydney NSW 2000

RE: PLANNING FOR THE FUTURE OF RETAIL - DISCUSSION PAPER

Thank you for the opportunity to comment on the Department of Planning and Environment's *Planning for the Future of Retail - Discussion Paper*. This submission has been prepared by City Plan Strategy and Development on behalf of Kaufland Australia.

Kaufland is the world's fourth largest retailer, operating more than 1,230 stores in Germany, the Czech Republic, Poland, Bulgaria, Croatia, Romania and Slovakia with more than 150,000 employees across Europe. Kaufland are currently seeking a major presence in Australia. They have purchased sites in Victoria and South Australia for new supermarkets. They are now actively looking to acquire sites in New South Wales.

Kaufland's mission is to provide high quality products at an affordable price. To achieve this, Kaufland have developed a standard floorplate for their stores, which is designed to accommodate approximately 60,000 items. Land must therefore be of an appropriate size and permit sufficient floor space to accommodate the gross leasable retail area, in addition to back of house facilities and other speciality offerings.

Australia has one of the most concentrated food retail industries in the world, controlled by two major retailers. Greater flexibility is required to encourage new entrants, such as Kaufland, into the retail industry in order to increase competition, reduce the cost of living and promote economic activity and new employment opportunities.

1. Executive Summary

We support the proposed amendments and reform directions for the proposed NSW Retail Strategy that would improve the planning framework for retail land uses. In particular, we support:

- The need for a State-wide retail planning policy to reduce barriers to entry, costs and complexity;
- The introduction of a new definition for 'neighbourhood supermarket' to allow this use in the B1 Neighbourhood Centre zone;

- Replacement of the current definition of 'bulky goods premises' with a new definition to be known as 'specialised retail premise', to reflect the nature of contemporary large-format retailing; and
- Opportunities to introduce 'open zones' to increase flexibility of permitted uses, particularly for evolving retail formats.

In addition, as outlined in this submission, we believe that greater competition could be achieved through:

- **The introduction of additional new land use definitions**, including small, medium, large and warehouse supermarkets, with appropriate locational criteria to increase the supply of land for new and emerging retail uses; and
- **Greater flexibility within the planning system**, to encourage innovation and opportunities for the industry, to rapidly adapt to economic and demographic conditions.

2. Current Competitive Environment and Role of Planning

The Australian Productivity Commission released a report in 2011 titled *Economic Structure and Performance of the Australian Retail Industry*. This report *"found that planning guidelines on where retailers can locate are extremely complicated, and often prescriptive and exclusionary. In effect, they make it difficult for some businesses to find suitable land and enter the market, and prevent the market from allocating land to its most valued uses."*

From a planning perspective, it is acknowledged that appropriate controls are required to manage development, based on locational characteristics e.g. smaller neighbourhood centres should only be permit smaller supermarkets. Planning controls should not however, limit competition. This should be determined by the needs of a local community and market conditions.

Competition is generally greater when similar retail offerings are located close together. The location of retail uses such as supermarkets, is an important factor in creating a competitive economy. For consumers, competition can encourage a greater selection of goods and services at a lower price. For businesses, competition can encourage innovation, leading to different ways goods and services can be delivered, an increased customer base and as a result higher profit margins.

"Australia is one of the two most concentrated food retail industries in the world – only New Zealand's industry is significantly more concentrated. In Australia the two major chains account for around 80% of grocery sales".¹

The introduction of a new supermarket into a local economy provides more than just groceries to a community. New supermarkets have the potential to offer local and macro economic benefits including:

- **Enhanced customer access to a wider range and higher-quality food products**, arising from greater competition within the supermarket industry;
- **Reduced cost of living for local residents** by offering lower prices, which allows local customers to have greater control over household food costs. This is particularly true with the introduction of larger supermarkets which experience greater scale economies compared to smaller retail offerings;

¹ "The Australian Grocery Sector: structurally irredeemable", The State of Competition (2013)

- **Improved overall attractiveness of a locality**, helping to attract residents, visitors and workers to an area, whilst increasing the value of real estate in the vicinity. As a result, the increase in patronage and value of a locality could attract other retail businesses in the vicinity, overall providing an increase to economic activity;
- **Increased direct and indirect jobs** (e.g. suppliers and logistics) for both skilled and unskilled members of the local community; and
- Generation of **additional tax revenue**.

3. Recommendations

To deliver the benefits identified above, the retail and supermarket industry must have sufficient flexibility to rapidly respond to the changing economic and demographic conditions. Such flexibility can be limited by restrictive development standards such as permissible or prohibitive land uses, floor space ratios and maximum building height controls.

Strategic planning needs to ensure that there is sufficient zoned land, of an adequate size and with appropriate land uses and development controls to allow for new retail offerings and to promote innovation in the industry.

To achieve this, the following recommendations are proposed for your consideration:

3.1 New Land Use Definitions

New supermarket definitions should be introduced to allow a variety of different sized stores, in a broader range of zones.

Smaller supermarkets should be encouraged within neighbourhood and local centres to provide convenience retail to a local community.

Larger supermarkets are currently only permitted in larger centres. This arrangement sees an increase in traffic and large delivery trucks entering into the centres, putting a strain on the local infrastructure network. Larger supermarkets should therefore be permitted in a range of business zones where there is sufficient transport to cater for the additional vehicular and pedestrian patronage.

Large warehouse type supermarkets generally have the same requirements as “bulky goods premises”. Whilst individual items are not bulky, individual shops are bulky, requiring convenient parking, loading and circulation space, handling and exposure and access to major arterial road corridors.

Ongoing consultation to develop appropriate criteria should occur, to ensure this scale of development does not substantially impact on the supply of viable industrial and employment land. We would appreciate the opportunity to be involved in the development of any criteria.

Table 1: Proposed Definitions

Definition	Land Uses	Location	Zones	Size (GFA)
Small-Scale Supermarkets	Convenience/ daily shopping	Close to public transport nodes or within neighbourhood centres	B1 Neighbourhood Centre B2 Local Centre	<1,500 sqm
Medium-Large Scale Supermarkets	Typical supermarket formats	Centre-based or main roads and vehicle oriented	B3 Commercial Core B4 Mixed Use B5 Business Development B6 Enterprise Corridor	1,500 - 4,000 sqm
Warehouse/ Innovation Supermarkets	Large-format retail with a mix of product lines for primarily large weekly purchase	Main roads and vehicle oriented	B5 Business Development B6 Enterprise Corridor B7 Business Park IN1 General Industrial	Over 4,000 sqm

3.2 Open Zones and Innovation in Retail Provision

Population growth, rising real disposable incomes, and innovation and change within the retail sector have required businesses to rapidly adapt.

A mechanism is required to provide flexibility for the retail sector to respond to changing economic and demographic conditions, without restrictive legislative requirements.

The retail industry is one of Australia's key employers and drivers of economic activity. Supermarket chains such as Kaufland, employ approximately 80-100 staff per store. Appropriate legislative mechanisms are therefore recommended to encourage a competitive market, greater economic activity, upfront investment and the creation of ongoing employment.

The discussion paper proposes new "open zones" to provide greater flexibility and enable retail developments to be assessed on their merit, particularly when considering evolving retail formats. We strongly support this approach, as it will allow the retail industry to efficiently respond to market conditions.

4. Conclusion

The NSW planning system does not currently allow sufficient flexibility to facilitate the introduction of new retail offerings and supermarkets into the NSW markets.

Whilst we support the general principles and directions of the Discussions Paper, we believe the proposed recommendations are insufficient to address the current situation.

Greater flexibility is required to encourage innovation, promote economic activity, improve the cost of living and to create new employment opportunities. These recommendations support the approach outlined in The Australian Productivity Commission's report titled *Economic Structure and Performance of the Australian Retail Industry*.

We welcome the opportunity to continue engagement on this subject and seek an opportunity, on behalf of Kaufland, to assist the Department of Planning and Environment on this important policy development. As a new entrant to the market, Kaufland can provide significant insights based on their overseas experience.

Should you have any questions regarding this submission, please do not hesitate to contact me on (02) 8270 3500 or davidr@cityplan.com.au

Yours sincerely,

A handwritten signature in black ink, appearing to be 'David Ryan', with a stylized loop and a trailing line.

David Ryan
Executive Director