

Planning for the Future of Retail

Submission to the NSW Department of Planning and
Environment
June 12, 2018

Innovation, the retail industry and contemporary regulations

The Australian Chamber of Commerce and Industry (Australian Chamber or the Chamber) welcomes the opportunity to respond to the NSW Department of Planning and Environment's (DPE) discussion paper on 'Planning for the Future of Retail'.

Our focus is deliberately narrow to ensure attention is drawn to areas the Australian Chamber believes are of national importance.

Our specific interest in this instance relates to regulatory reform and planning measures. These measures are critical in order to promote competition and productivity – not only for Sydney and NSW, but also nationally.

Planners and policy makers must pay close attention to definitions used in rules, regulations and legislation to ensure they don't inhibit innovation, competition, productivity or stand in the way of changing consumer preferences and structural change.

In that respect we are concerned that the focus of the "Planning for the Future of Retail" report is skewed toward one concept only. The traditional centre based model and the emphasis on 'high density mixed use centres' in particular. We would counsel that the DPE focus more closely on the recommendations of the REAC¹ report. We would further note that the discussion paper appears to be built around an incomplete understanding of agglomeration that doesn't fully account for diseconomies of scale.

The high density mixed use model is appropriate in some instances, but it is not always appropriate - and a key drawback of any plan (and regulation) that promotes and actively favours higher density living only, discourages flexibility of land use - a critical ingredient for productive and innovative cities.

Consequently, the Chamber recommends a more holistic approach that recognises the changing structure of the economy, technological advances and changes in consumer preference.

As the DPE has noted, the retailing experience is evolving. There are a number of factors that are rapidly changing the retail industry, such as technology, new business models and the increased use of big data/analytics.²

¹ Retail Expert Advisory Committee Independent Recommendations Report, June 2017

² NAB, The Future of Retail, September 2017, <https://business.nab.com.au/wp-content/uploads/2017/09/The-future-of-retail-September-2017.pdf>

All of these factors are revolutionising the consumer shopping experience and require businesses in the retail industry to be increasingly flexible in delivering retailing that consumer's value.³ It is important that government planning and regulation properly support and enable this process.

Planning regulations must not needlessly hinder the expansion or growth of business – or swim against the tide of changing consumer preferences.

Planning regulations that are too prescriptive, inflexible or focussed on one preconceived growth model, particularly one that is based on an overly narrow interpretation of sustainable development principles (such as the 'high density mixed use' model favoured by the DPE) - can only result in outcomes that hinder innovation. They will negatively affect the ability of firms to rapidly respond to changing technology or consumer preferences.

The decline of America's shopping malls are a perfect case study. American consumers increasingly shop online **and at "big box" (large format) retailers**.

This trend undermines the assumption expressed on page 28 of the report that "most retail will remain well suited to traditional centre based development".

This model is important certainly. We don't suggest it isn't and we are not advocating against it or discouraging it. We merely suggest that it would be a mistake to focus only on this model, at the expense of others, when making plans for future growth. Especially when consumer spending patterns suggest a different trend is emerging. Plans and regulations must support the more traditional model but also the development of new models.

While the DPE's plan discusses or notes alternative formats, these conversations relegate, whether intentionally or not, these other formats to a secondary or a more experimental status.

The Australian Chamber otherwise commends the DPE's proposed change to the definition of 'bulky goods premises' to the proposed 'specialised retail premises'. This definition is more harmonised with other states and is a great example of DPE supporting jurisdictional consistency, while promoting diversity of retail land use.

The Australian Chamber continues to advocate for the harmonisation of rules, regulations and definitions where appropriate. Harmonisation of rules, regulations and definitions not only benefits Australian businesses, but also government agencies that administer these regulations.

The Australian Chamber has consistently supported a more flexible approach to zoning and planning regulation where suitable. This is particularly important as the population of New South Wales, and Sydney specifically, continues to grow.

Industrial and commercial land supply is increasingly constrained in densely populated centres. This is partly a function of the fact that land supply under current infrastructure is limited. Competition over land use is therefore intensifying and has contributed to the evolution of unnecessary constraints on planning and zoning. Removing unnecessary constraints on planning and zoning regulations, as well as other anti-competitive or confusing measures, are critical for the successful development and transformation of Australia's retail industry.

The removal of unnecessary constraints on planning and zoning regulation will facilitate new development in retail land use and increases competitive opportunities for retailers. It is vital that planning definitions and policies be fit for purpose, reflect the changing needs of the broader society, and are consistent with best practice in other jurisdictions.

³ Grewal, D., Roggeveen, A., Nordfalt, J. (March 2017), The Future of Retailing, Journal of Retailing, Vol. 93, Issue 1, pp 1-6



Working for business. Working for Australia

About the Australian Chamber

The Australian Chamber of Commerce and Industry speaks on behalf of Australian Businesses at home and abroad.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, making us Australia's most representative business organisation.

Telephone | 02 6270 8000 Email | info@australianchamber.com.au

Website | www.australianchamber.com.au

ABN 85 008 391 795 © Australian Chamber of Commerce and Industry 2018