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5 December 2011

**SELECT COMMITTEE ON A.C.T. SUPERMARKET  
COMPETITION POLICY**

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Dear Sir/Madam

**I wish to submit my opinion and experience with the Supermarket Competition Policy as it stands now with particular focus on two of the terms of reference and its interpretation in the real world situation of the Kambah Group Centre Draft Master Plan.**

Tzanetos Family Group are the Crown lessees of Block 5 Section 346 Kambah. Block 5 is currently subleased to Woolworths, who operate a 1,611m<sup>2</sup> supermarket from the site. The sublease concludes in 2014 and we anticipate re-subleasing the site either to the existing tenant or to an alternative supermarket operator. Outside of being commercial property owners, the family have been in the grocery retail sector since the 1970's as operators of the once Kambah Shoprite to the once Chisholm Supabarn.

We have since 2006, pursued a direct sale application for Blocks 53 and 17 Section 246 Kambah (located north and south of Block 5 respectively). Acquisition of these blocks and their consolidation with Block 5 would facilitate a 3,500m<sup>2</sup> (or thereabouts) supermarket. The ACT government has been provided with information demonstrating that the proposal could be accommodated whilst addressing car parking, traffic and access and significant tree issues. The direct sale application has been placed on hold pending the outcome of the master plan process even though it was literally days away from being approved.

## Impacts on the retail hierarchy

It is pertinent to emphasise that whilst a discrete centre, Kambah sits within a hierarchy of commercial centres. The development of Kambah, its role in the community, and private sector investment decisions, both past and present, reflects an understanding of the hierarchy as promulgated by the Territory Plan. Private sector investment decisions, both past and present, have been made on the basis of this understanding.

The Territory Plan sets out a range of objectives for group centres. Objective (d) of the Group Centres Development Code is of particular relevance to further discussion. It reads:-

- d) Support a competitive and sustainable retail sector within the ACT, encourage investment, and expand local employment opportunities.

It is important to note that group centre catchments extend beyond the boundaries of the suburb in which they are located, and sit within the catchment of town centres. Similarly, local centre catchments sit below group centre catchments. Group centre catchments therefore interface with one another, as illustrated by the attachment to this letter. This demonstrates that a nominal 2km catchment for Kambah overlaps and interfaces with the Wanniasa and Mawson group centre catchments. It is also likely that Erindale, which is one of the most successful group centres in Tuggeranong, exerts a draw. In a similar vein, there are six local centres located within Kambah. Residents located between any of these group and local centres may choose to visit one in preference to another, reflecting the desirability of the offer available. The Territory Plan anticipates and promulgates competition between and within each level of the hierarchy. We note that the recently released Commercial Centres Policy Review Discussion Document proposes a competition test for development in group centres, making this relationship explicit.

The appropriate scale of supermarkets within retail centres has been the subject of much recent discussion. The recently approved Giralang development, permitting a major supermarket in a local centre of 5,800m<sup>2</sup> GFA, is likely to set a precedent for the redevelopment of other local centres. The ACT government has announced pre-commitments for a 3,800m<sup>2</sup> supermarket in Casey Group centre and a 3,400m<sup>2</sup> supermarket in Kingston. We note that Casey, as an outer Canberra suburb, is likely to maintain a similar profile to Kambah in terms of m<sup>2</sup> retail provision per head of catchment population.<sup>1</sup> The recent opening of Costco has further altered the dynamic of the grocery sector and the ACT Supermarket Competition Policy Implementation Plan recognises that market and competition signals are demanding larger format supermarkets relative to the overall size of centres. Within this context the existing Kambah supermarket, at 1,600m<sup>2</sup>, does not reflect existing supermarket trends or government led grocery competition initiatives.

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<sup>1</sup> Our analysis indicates that group centers in Canberra fall into three 'tiers' based on the m<sup>2</sup> of floorspace relative to catchment population. The group centres towards the outer suburbs (Charnwood, Chisholm, Kambah, Wanniasa, Conder, Kaleen, Kalwell, Hawker, Curtin) support approximately 0.5m<sup>2</sup> GFA per person within their trading catchment. Group centres in more central locations (Kippax, Cooleman Court, Mawson, Erindale and Jamison) support between 1.0 – 2.0 m<sup>2</sup> per person. Those in Inner North and Inner South Canberra (Dickson, Kingston and Manuka) have higher ratios reflecting significant office components and proximity to transport routes and employment nodes.

## **The impact of the policy on operators and consumers**

The Kambah Draft Master Plan along with others such as Erindale and Dickson have proposed a second supermarket for the group centres. Dickson's obviously in need of a second supermarket with its current full line Woolworths over trading and one of the most successful in the country on top of the population growth with all the apartments and urban infill going on. Erindale already has a full line supermarket and is the most successful group centre in Tuggeranong.

However the Kambah draft master plan proposes releasing Blocks 53 and 17 Section 346 and part of their adjoining roads for development. Block 17 is to be released for large scale retail or mixed use development with an active frontage. Block 53 is to be released for a second supermarket. The master plan opens the door for the possibility of separate sale of both blocks to third parties which would preclude the proposed expansion of the existing supermarket. This is untenable and would artificially and significantly restrict the ability of the existing supermarket to remain viable given the proximity of other full line supermarkets at other group centres.

The master plan does not preclude the direct sale of Section 17 to facilitate an expansion of the existing supermarket. However, preliminary design investigations have demonstrated that the direct sale of Block 17 for this purpose would only facilitate a small (1,100m<sup>2</sup>) expansion to the existing supermarket, resulting in a 2,650m<sup>2</sup> supermarket. This is far smaller than those being promoted by government pre-commitments in other comparable group centres, and would not facilitate a full line supermarket commensurate with current trends or consumer expectations.

Similarly, the separate sale of Block 53 and its surrounding roads would only facilitate a small (around 2,000m<sup>2</sup>) supermarket. It is unlikely that this use would be viable or attractive to an alternative supermarket operator, given the requirement to provide basement car parking to offset lost surface car parking and meet new demands.

Implementation of the master plan would result in Kambah having two small supermarkets, neither of which would be sufficiently large to meet consumer demands or would align with recent government decisions regarding supermarket provision. These two supermarkets would not only compete against one another (with a limited product range), but would compete against full line (3,000m<sup>2</sup>+) supermarkets located in nearby group centres and, over the lifetime of the master plan, smaller (1,500m<sup>2</sup>) supermarkets in local centres. Whilst cognisant of the Government's desire to promote greater competition, the master plan proposals will not achieve this. Rather it will condemn Kambah to a suboptimal level of grocery provision over a 30 year timeframe, and will render it uncompetitive with other group centres which draw on the same catchment.

Introducing a second supermarket would also draw the focus of the centre away from the central plaza. This is already a worrying factor for small specialty retailers and their land lords as noticed with the their response to Erindale's Master Plan (front page Southside Chronicle 18<sup>th</sup> October 2011).

## Conclusion

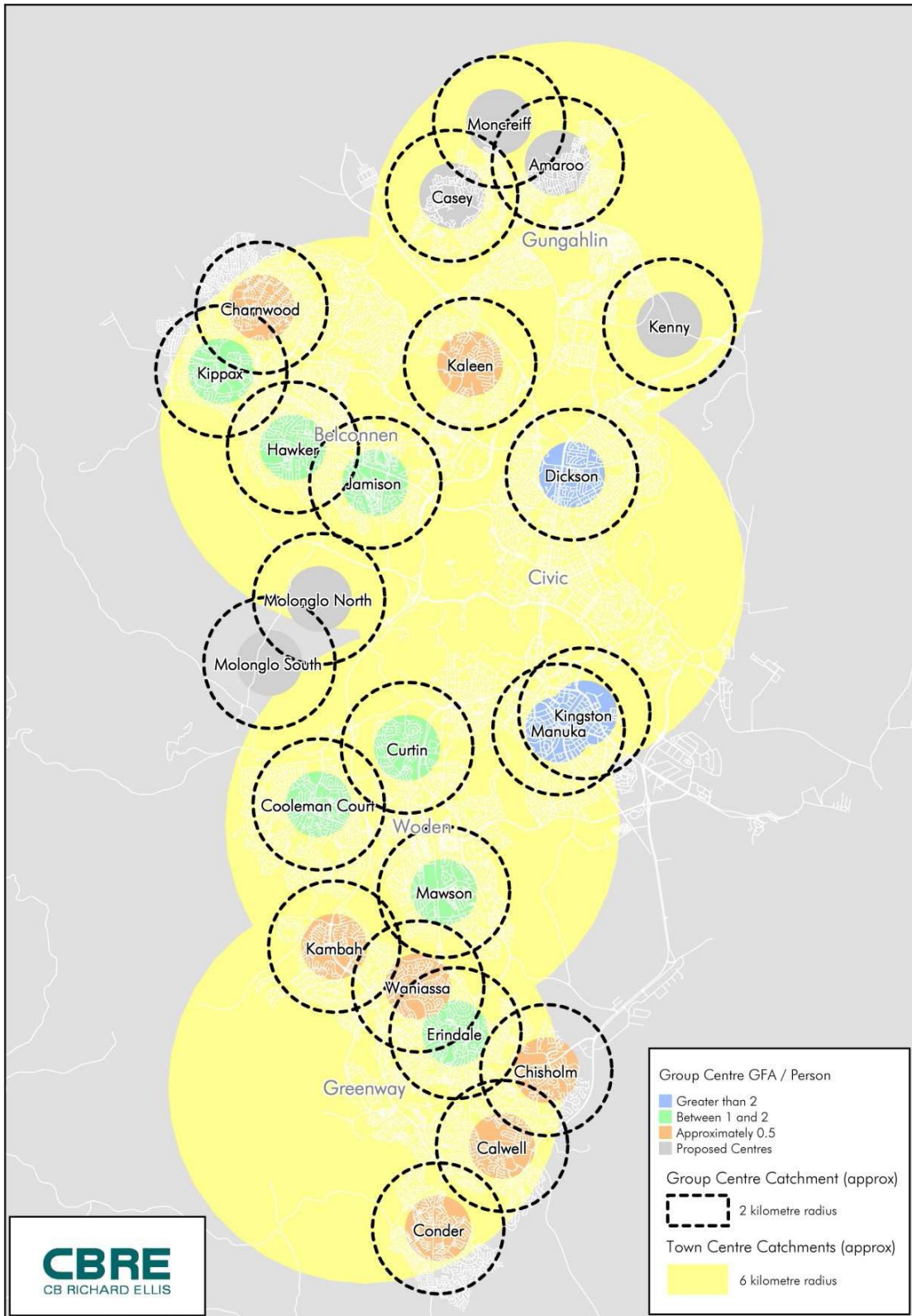
To conclude; whilst acknowledging the desire to introduce greater competition in supermarket retailing at the group centre level, the master plan and its direct influence from the Super Market Competition Policy, as it stands, would dilute the ability of Kambah to compete with other group centres. The provision of two smaller supermarkets, neither of which would meet modern consumer expectations or reflect recent government initiatives to promote competition, will artificially stifle the ability of Kambah to meet the expectations of the Territory Plan. The Supermarket Competition Policy as it stands is influencing planners a great deal almost to the point of a tunnel vision mentality of competition equals more supermarkets. This is not always the case as shown by the introduction of Costco. When talking groceries, size does matter. The bigger the supermarket the lower the margins need to be and consequently the lower the prices for consumers which is the ultimate goal here.

I wish to propose to the committee that policy be steered towards more flexible choices of either enlarging existing supermarkets or when space is not directly available only then think about introducing a second supermarket if necessary at all. I know as a consumer I would prefer my local shops to have one large full line supermarket with plenty of variety rather than two small IGAs.



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# Interface of group center catchments





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# Supermarket opposition

## Businesses could be driven out

By Peter Reynolds

A NUMBER of Erindale businesses have voiced their opposition to the establishment of a second supermarket in the group centre, saying it could drive them out of business.

The draft Erindale Group Centre Master Plan proposes a supermarket to be established over part of the shopping centre's carpark.

The bus stop is also planned to be moved from Comrie Street to McBryde Crescent.

Erindale Meats owner Corey Kite said he was fearful for the future of his business if a second supermarket was established in Erindale.

"If they put a new supermarket out where the car park is at the moment, it will really hurt business. It will drag all the customers out of the shopping centre," he said.

"In the centre here, people have to walk past all the smaller businesses to get to Woolworths, so we are able to get some customers that way. If this new supermarket is approved, people will either pull up in their cars or hop off the bus and be able to go straight into the new supermarket."

Mr Kite said there was already an oversupply of supermarkets in Tuggeranong and questioned the need for another. "Within a 10 minute drive, there are major supermarkets at Chisholm, Calwell, Lanyon, the Hy-



Erindale Meats owner Corey Kite along with other Erindale business owners are concerned about the impact of a second supermarket planned for Erindale Group Centre.

Picture: Elesa Lee

perdome, Kambah and Wanniasa," he said.

"For a population that really isn't growing, I think that's too many."

"If they are going to expand the centre, they should be looking to

include more specialty stores, more of what we don't already have."

Local Liquor director John Krnc said a study needed to be done on retail space in Canberra before any more supermarkets were given the green

light to proceed. "We should stop all further land sales in group centres until we get a revised inventory of retail space. I think we have an oversupply of supermarkets as it is without more coming on board," he said.

"These bigger guys open up and just dominate the market. This will cause a lot of damage to the local centre if it goes ahead."

As well as not encouraging the flow of people into the shopping centre, Mr Krnc said the placement of the bus stop on McBryde Crescent didn't make sense traffic-wise.

"It's an absolute dog's breakfast getting in and out of the centre at the moment, and moving the bus stop to McBryde Crescent is just going to make the traffic problems there worse," he said.

Michel's Patisserie manager Freya Crickmore said she didn't think Erindale would be able to sustain two supermarkets and planners' time would be better spent fixing the traffic and parking problems before any grand expansion plans were considered.

An Environment and Sustainable Development Directorate spokeswoman said the inclusion of another large retailer in the master plan was on the understanding the centre would grow and evolve in the future.

"Allowing space for additional retail activity will allow for growth to occur in the future when the market demands," she said.

She said the proposed movement of the bus stop in Erindale was primarily to give travellers better access to the shopping precinct.

"All options [for the placement of bus stop] are being considered with a decision yet to be made as consultations with stakeholders are still taking place," she said.

The Erindale Group Centre draft master plan will be released in November for public comment for six weeks.

The master plan will then be revised before it is submitted to the ACT Government for endorsement in April 2012.

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