

Select Committee on the ACT Supermarket Competition Policy
Legislative Assembly for the Australian Capital Territory
GPO Box 1020, Canberra ACT 2601

By email committees@parliament.act.gov.au

15 November 2011

Dear Sir / Madam

Submission: ACT Supermarket Competition Policy

Argos Pty Ltd, as a major lessee of properties in the Mawson Group Centre, Kaleen South Local Centre and Watson local centre, have a strong interest in the future development of commercial centres within Canberra.

We wish to make the following submission for consideration by the committee. We would also welcome the opportunity to appear before the committee to further expand on our comments should that opportunity be available.

1. The operation of the policy as it interacts with the planning system

We acknowledge that the territory Plan outlines the formal policy framework for the administration of planning in the ACT and reflects the strategic directions set by the government and the community. Integral to the commercial planning aspects of the plan is the establishment of a formalized hierarchy of commercial / retail zoning throughout the community (City, Town, Group and local centres).

This hierarchy has served the ACT community well for decades and in respect of our suburban centres is widely accepted as effectively and appropriately managing and balancing competing commercial investments and developments, with nearby residential areas.

The Territory Plan has provided the basis for ensuring appropriate commercial investment occurs within suburban centres and companies, like Argos Pty Ltd, have relied upon the planning provisions of the Territory Plan to initiate such investment and carry the associated risks.

The ACT planning system addresses the allocation and use of land. In a perfect market the planning system would not be required to address competition requirement. We recognize that the ACT Government has established the Supermarket Competition Coordination Committee (SCCC) to support the implementation of the Martin Report recommendations, monitor the implementation of policy, consult with industry stakeholders and report to the Government annually on progressing in implementing further supermarket competition in the ACT. Whilst a laudable initiative, this cannot address issues arising from the policy itself, or its relationship of the policy with the land use planning regime.

It is our opinion that the policy neither recognises nor, despite its reference to land use, is recognised by the Territory Plan. The recently released Commercial Zones Policy review seemed to be driven by the ACT government Supermarket Policy, and not a full review of the function and purpose of the different centres in the ACT retail hierarchy.

As a result of ACT Government's implementation of the Martin Report, it is our understanding that the major supermarket chains have and will continue to exploit the lack of a comprehensive approach to competition issues through the planning system as a means of either maintain or increasing their market share.

Recently one of the majors has used and exploited the Local Centre Policy to establish stores at Bonner, Dunlop and Giralang local centres, thereby opening up a new tier of 'majors' competition and in turn redefining in our what constitutes a local centre.

We also understand that another retailer has submitted direct sale applications for sites at Kambah, Erindale, Weston Creek and Kippax group centres, and are using the ACTPLA Master Planning Process of group centres to incorporate second full line supermarkets to be operated by them.

We do not support the piece meal approach or retailers using the planning process to drive market share objectives and where additional development opportunities, particularly for major supermarkets, are introduced in the absence of supporting analysis.

These actions have not and will not increase competition, but, if they proceed to approval, will further entrench the existing duopoly and result in the following:

- Substantially decreasing the market share of local independent supermarket operators, local independent suppliers, as well as independent small businesses to compete;

- Result in poor Urban Planning outcomes;
- Create an oversupply of supermarket space in the ACT, effectively closing the operation of independent supermarket businesses; and
- Impact on the overall financial viability of local and group centres.

The Territory plan should ensure that there are no adverse affects to the overall function of the group and local centres in terms of economic, social, traffic and parking and urban design impact. This provision currently exists and it is critical that it remains.

The policy approach to suburban centres cannot be a 'one size fits all approach' The best planning outcomes can only occur through consideration on a case by case approach considering the demographics, as a catchment population vary across the different centres.

We consider this 'case by case approach' is best achieved through the preparation of Master Plans including retail catchments analysis for each of the centres.

The master Plan approach rather than the 'generic' broad-scale zoning changes is also the best approach to address the fragmented ownership that occurs in some centres, such as Mawson. Many of the local group centres in Canberra have fragmented ownership, which makes it very difficult to achieve synergies, from a planning, and retail perspective. In such circumstances it is difficult to align viable commercial inputs and outcomes, differing and competing interests and a simple zoning approach cannot achieve the best outcome for the centre.

Successful outcomes such as the Jamison centre have only been achieved because they are driven by one party. This should not be confused or seen as a model which could be delivered across all centres, as it is not achievable due to fragmentation of ownership.

2. The Appropriateness of Settings as it applies to ACT Government Direct Sales, Group Centres and Local Centres

Group Centres

It is our opinion that with the exception of Dickson and possibly Weston Creek there is no other group centre other than Dickson that can sustain two full line supermarkets. Manuka, which is considered one of Canberra's largest group centres had both Coles and Woolworths trading in the centre with Woolworths eventually closing.

We understand that ALDI has also recently refused two direct sales of land in group centres.

The introduction of another second full line supermarket into group centres will only lead to an oversupply of supermarket retail space and result in the closure of surrounding small businesses and the existing supermarket whilst taking away further market share away from surrounding Group and Local Centre independent supermarkets which may eventually lead to their closure.

It is clear that the population within catchment of many Canberra urban areas, has reduced over the last few decades and there is no obvious scope to increase population density and hence catchment population. However, the overall provision of retail floor space in higher order centres such as (Woden, Civic) has increased dramatically. This coupled with longer trading hours in those centres has placed significant pressures on the viability of the lower order centres, such as Mawson.

There may be group centres in Canberra which may however support two retailers, such as Dickson and Weston. However, we submit that this further demonstrates the need for the policy review to consider each centre on a case-by-case basis. The Dickson and Weston centres are effectively small 'town centres' (Weston being the only major centre in Weston creek, and Dickson being the only major centre in Inner north Canberra) and their catchments are large enough to support two major supermarkets. Neither centre is in close proximity to a town centre that which draws customers.

Both Weston and Dickson have the capacity for the existing major supermarket to absorb the reduced market share from additional development; other centres such as Mawson do not. Its existing market capacity is far lower than those of say Dickson and Weston.

Any future consideration and or expansion of existing centres need to ensure parking needs are retained, both in number of spaces and proximity to major retail entry points. Existing car parking controls specific to centres, should require that any future development on existing car parks retains the existing level of surface car

parking, accommodates on-site additional demand for car parking that is generated by the development, ensures that car parking remains available for convenient public access and complies with parking and vehicular access general code.

It is our strong opinion that Canberra does not have the population or the projected population growth sufficient to support a market or centre that has two major retailers.

Local Centres

Local centres are defined in the Territory Plan relative to local residents (within the immediately surrounding suburb) convenience needs.

It is important to note that the term 'convenience retail or 'convenience shopping' in planning has a specific meaning. It means a relatively small shop tailored to meet the daily (ie, milk, bread and newspaper) needs of a local community.

Any direct sales entertained in local centres must be for a purpose commensurate with the role of that centre in the hierarchy. Group and local centres need convenient access and need to differentiate themselves from the Town Centres.

We strongly support the existing Territory Plan hierarchy and consideration of alternative centre uses on a case by case basis. We do not support the concept of major retailers being located in local centres.

The size and scale of a supermarket in local Centres should be consistent to that of a convenience/local supermarket in the ACT. Its size and scale should not be that of a large format or full line supermarket. Typically a convenience/local supermarket in the ACT, in most local centres is below 1,000m.

Local centres with small supermarkets also encourage scope for other small businesses opportunities/outlets which are less likely to occur if the centre is dominated by a large national supermarket.

The introduction of a full line supermarket at one local centre (Giralang for example) would impose major constraints and anti-competitive levels of competition which would be seriously detrimental to all of the traders at other local centres in surrounding suburbs (e.g. Kaleen Local centre).

We are extremely concerned that proposed developments (such as that proposed by the Giralang local Centre) directly contradicts the established retail hierarchy upon which the ACT planning framework has been based and which as we owners have invested against for a considerable period.

The (Local centres Zone-CZ4) objectives in the Territory Plan state:

- a. Provide for convenience retailing and other accessible, **convenient** shopping and community and business services to meet the **daily needs** of local residents.
- b. Ensure the mix of uses is **appropriate to this level of the commercial hierarchy** and enable centres to adapt to changing social and economic hierarchy and enable centres to adapt to changing social and economic circumstances.

We support the planning intentions for local centres as outlined in the discussion paper that states CZ4 Local Centre Zone is intended for local shops, non retail commercial and community uses, service stations, and restaurants to service a local community. Residential uses may also be permitted.

We strongly believe that the establishment of major full-line supermarkets within local centres is not consistent with the existing local centre policy or with the above statement of intention for Local centres. The proposed local centre policy will re-define and change the fundamental objectives of the existing local centre across Canberra with serious consequence.

Whilst rejuvenation of many local centres (including Giralang Centre) has long been desired by the community, alternative development proposals, such as a residential mixed use development, with modest commercial opportunities would be more in keeping with the status of the local centres as a 'local' facility.

In the Giralang case we understand that such a mixed -use proposal was well advanced and would have (and still would be) the appropriate outcome for the site. This is a concept we strongly support. We consider that local centres should service the local community without impacting adversely to surrounding centres. The size of a local supermarket needs to meet the local needs, appropriate size and scale. A full line supermarket such as Woolworths requires a greater catchment than just the local suburb for it to be viable.

3. Impacts on the retail hierarchy

The structure of urban development in the ACT is predicated on a hierarchy of commercial centres, as expressed through the Territory Plan. The hierarchy derives from a logical spatial analysis process which has sought to locate different scales of centre appropriately relative to their catchment, whilst ensuring the most efficient provision of infrastructure (including public transport), social services and retail offer. A cursory examination of the positioning, layout and access provisions of local centres to group centres and then town centres, with Civic as the metropolitan node, clearly reflects this hierarchy as it has been implemented across the Territory.

As an example, group centres are well positioned relative to arterial roads for accessibility purposes (both car and bus), whereas local centres are positioned within the immediate neighbourhood that they serve. As a consequence, group centre scale development is not typically appropriate in a local centre location, due to the traffic impacts relative to the road network that serves them. This relationship can be also been seen when considering the provision of infrastructure, social services and so forth.

Within this context it is appropriate to ensure that the social and community provision of a centre is appropriately scaled relative to its retail offer. These activities mutually reinforce one another, and contribute to the long term sustainability, viability and vitality of a centre. The Territory Plan Community and Recreational Facilities Location Guidelines General Code sets out the locational requirements for a broad range of community assets, and states that 'community facilities generally should be located near retail centres in a position that is relatively central to their long term catchment and at a level of the urban hierarchy that is appropriate to their size and scale'.

Until recently the commercial centre hierarchy has been well understood and supported by both planning policy and development application decisions. Even relatively recent policy documents (such as the concept plans released for new Gungahlin local centres) demonstrate a consistent approach to the scale of local centres. It was consequently considered to be a robust basis for investment decisions. However more recent planning decisions, purportedly made in line with the Supermarket Competition Policy have blurred the line between local and group centres, with what has previously been understood to be group centre scale development approved (and facilitated by direct sales) in local centres.

A continuation of this policy approach will ultimately result in a loss of investor confidence, the decentralisation of group centre functions to local centres, and a lessening of the community, infrastructure and efficiency dividends arising from the hierarchy. Increased retail development in local centres will inevitably reduce the competitiveness of other competing local centres, and detract from the viability of

group centres. A reduction in investor confidence will reduce ongoing investment in maintenance and upgrades of existing centres, thus hastening decline.

Should the integrity of the hierarchy be further undermined by the loss or decentralisation of retail facilities, the policy imperative of co-location of community assets would also be undermined, thereby reducing community convenience and benefit. In the case of Kaleen, the loss of the anchor supermarket as a result of competing local centre development could ultimately result in the loss of a post office, banking facilities, aged care facilities, sports and community centres and places of worship. This would further undermine the ability of the centre to fulfil its role, while also compromising the robustness of the wider hierarchy by perverting the direction of trade and reducing transport planning outcomes arising from linked trips.

Accordingly, we make the following recommendations.

Recommendation 1

We strongly support the existing Territory Plan hierarchy and consideration of alternative centre uses on a case by case basis. We do not support the concept of major retailers being located in local centres.

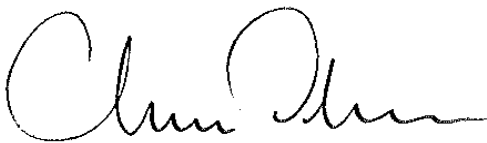
Recommendation 2

The Territory plan should ensure that there are no adverse effects to the overall function of the group and local centres in terms of economic, social, traffic and parking and urban design impact. This provision currently exists and it is critical that it remains.

Recommendation 3

Vary the Supermarket Competition Policy, its Implementation Plan and the Territory Plan to include consistent definitions for supermarket activities in each tier of the commercial centres hierarchy.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Arthur Petsas', written in a cursive style.

Arthur Petsas
Managing Director