

INQUIRY INTO REGIONAL PLANNING PROCESSES IN NSW

Organisation: Large Format Retail Association

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Large Format
Retail Association

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**SUBMISSION FROM THE
Large Format Retail Association (LFRA)**

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Contents

1.0 LARGE FORMAT RETAIL ASSOCIATION (LFRA) OVERVIEW	3
2.0 INTRODUCTION	4
3.0 INQUIRY INTO REGIONAL PLANNING PROCESSES IN NSW	5
4.0 WHAT IS LARGE FORMAT RETAIL?	6
4.1 Characteristics of Large Format Retail Operations	6
4.2 Economic and Employment Generation of Large Format Retail Operations	7
5.0 PLANNING FOR LARGE FORMAT RETAIL IN REGIONAL AREAS	7
5.1 Definition for Large Format Retail Land Uses	7
5.2 Expanded Zoning Permissibility for the Large Format Retail Sector	9
5.3 Enabling Retail Uses Within Enterprise + Business Areas	10
6.0 ENCOURAGING LARGE FORMAT RETAIL WITHIN REGIONAL AREAS	10
8.0 CONCLUSION	10

1.0 Large Format Retail Association (LFRA) Overview

The Large Format Retail Association (LFRA) is Australia's peak body representing the interests of its membership base, being Large Format Retailers, investors, owners, developers and service suppliers. Its vision is to encourage, develop and foster awareness of the Large Format Retail industry in Australia.

Retail members of the LFRA include some of Australia's largest and most respected Large Format Retailers including the 58 individual business brands listed in the following table:

ABS Automotive Service Centres	Fantastic Furniture	PETstock
Adairs	Forty Winks	Pillow Talk
Adairs Kids	Freedom	Plush
Amart Sports	Godfreys	POCO
Anaconda	Goldcross Cycles	Provincial Home Living
Autopro	Guests Furniture Hire	Ray's Outdoors
Autobarn	Harvey Norman	Rebel
Babies R Us	IKEA	Recollections
Baby Bunting	JB Hi-Fi	Sleepys
Barbeques Galore	JB Hi-Fi Home	Snooze
Bay Leather Republic	Joyce Mayne	'SPACE
BCF	Kitchen Warehouse	Spotlight
Beacon Lighting	Le Cornu	Suite Deals
Bedshed	Lincraft	Super A-Mart
Bunnings	Masters Home Improvement	Supercheap Auto
City Farmers	Midas Auto Service Experts	The Good Guys
Costco	Officeworks	Toys R Us
Curtain Wonderland	Original Mattress Factory	Urban Home Republic
Domayne	OZ Design Furniture	Workout World
Early Settler	Petbarn	

The LFRA is supported by its Patron, PwC, and the following 66 Associate members that comprise of Large Format Retail developers, investors, owners and service suppliers:

20 Cube Logistics	CV Signage Solutions	Leedwell Property
ACTON Commercial	Deep End Services	Leffler Simes Architects
ADCO Constructions	DOMÉ Property Group	Mainbrace Constructions
Aeris Environmental	DD Corporate	Major Media
Aigle Royal Properties	Eureka Home Maker Centre	Mc Mullin Group
ALTIS Property Partners	Excel Development Group	Morgans Financial Limited
Arise Developments	Gadens	Newmark Capital Limited
Arkadia	Gazcorp	Nunn Media
Ashe Morgan Harbour Town	G bb Group	Primewest
Aventus Property	Gregory Hills Corporate Park	Ray White Retail
AXIMA Logistics	Griffin Group	Realmark Commercial
AXIOM Properties Limited	HLC Constructions	RPS Australia Asia Pacific
BWP Trust	Humich Group	Savills
Blueprint	Jana Group of Companies	Sentinel Property Group
Brecknock Insurance Brokers	JBA	SI Retail
Burgess Rawson	JLL	StarTrack
CarbonetiX	Johns Lyng Group	Terrace Tower Group
CBRE	JV Property Management	The Buchan Group
CEVA Logistics	Lancini Group of Companies	TIC Group
Colliers International	Lander & Rogers Lawyers	151 Property
Comac Retail Property Group	La Salle Investments	Vaughan Constructions
Cornwall Stodart	LEDA Holdings	Vend Property

The LFRA is a key stakeholder in the planning and zoning laws that affects this sector of the retail industry and is actively involved across Australia in reviews of planning policy and planning regulations that affect the Large Format Retail sector.

In 2015, the Large Format Retail sector generated \$63 billion in sales across Australia, with nearly \$21 billion in sales, or 33%, generated in NSW. This represents 22.7% of total retail sales in NSW, or more than \$1 out of every \$5 in retail transactions in the state.

The Large Format Retail sector directly employs 20% of all people working in the retail industry in Australia. In NSW, the sector generates 132,403 direct and indirect jobs. The sector is forecast to continue to grow, but faces particular challenges to achieve this in NSW where high land and development approval costs result in lower profitability than in most other states.

The Large Format Retail industry in Australia is facing difficulties as a direct result of planning and zoning legislation across Australia.

Of note are the following reviews:

- *'A Review of Competition Policy'* otherwise known as the *'Harper Review'* commissioned by the Federal Government;
- *'Cutting Red Tape'* by the Federal Government;
- *'Costs of Doing Business: Retail Trade Industry'* by the Productivity Commission. This review, was in part, an audit on the implementation of recommendations that were included in the Productivity Commission's 2011 inquiry into the *'Economic Structure and Performance of the Australian Retail Industry'*;
- Productivity Commission's 2011 inquiry into the *'Economic Structure and Performance of the Australian Retail Industry'*;
- Productivity Commission's 2010 *'Performance Benchmarking of Australian Business: Planning, Zoning and Development Assessments'*;
- Productivity Commission's 2007 review into the *'Market for Retail Tenancy Leases In Australia'*; and
- ACCC's 2008 *'Into the Competitiveness of Retail Prices for Standard Groceries'*

The abovementioned inquiries all identified the need to review planning and zoning laws across all jurisdictions in Australia.

The Productivity Commission is currently undertaking a body of research on *'Disruptive Technologies: What do governments need to do?'*

2.0 Introduction

Last year the Large Format Retail Association released an evidence based report on the NSW Large Format Retail sector titled *'Investment + Competition = Jobs'*. The report was produced by planning consultancy firm JBA, with economic input from Deep End Services. The preface of the report was written by Professors Allan Fels AO and David Cousins AM. A copy of *'Investment + Competition = Jobs'* can be downloaded at:

<http://www.lfra.com.au/wp-content/uploads/Investment+Competition=jobs/Large-Format-Retail-in-NSW.pdf>

Findings from *'Investment + Competition = Jobs'* have informed this submission on the inquiry into regional planning processes in NSW.

This submission has been prepared by the LFRA with direct input and advice from planning consultancy firm, JBA, and outlines our response to the inquiry's terms of reference, having particular regard to Large Format Retail uses and how planning for this use is accommodated within regional areas of NSW. This submission highlights the importance of Large Format Retail within the NSW retail sector and broader economy and the role it can play in stimulating economic development within regional areas of NSW. It makes a number of recommendations on improvements that can be made to the strategic and statutory planning system in regional NSW to create greater certainty for Large Format Retail operators. This will encourage increased investment in Large Format Retail operations in regional areas and will support employment and economic growth in these locations.

3.0 Inquiry into Regional Planning Processes in NSW

The State Development Committee is currently conducting an inquiry into regional planning processes in NSW. The Chair of the Committee has stated that:

"...The committee is exploring opportunities to stimulate regional development under the planning framework, including through legislation, policy, strategy and governance....In addition we are looking to identify any constraints to regional development imposed by the planning framework and are interested in hearing solutions to these barriers..."

The following terms of reference have been provided for the inquiry:

- (a) *opportunities to stimulate regional development under the planning framework including through legislation, policy, strategy and governance,*
- (b) *constraints to regional development imposed by the planning framework, and opportunities for the framework to better respond to regional planning issues,*
- (c) *the suitability of a stand-alone regional planning Act,*
- (d) *the effectiveness of environmental planning instruments including State Environmental Planning Policies and Local Environmental Plans (including zoning) to stimulate regional development, and opportunities to improve their effectiveness,*
- (e) *opportunities to increase delegations for regional councils in regard to the planning making processes,*
- (f) *opportunities for strategic planning to assist in responding to challenges faced by communities in regional areas including through Regional Plans,*
- (g) *opportunities for government-led incentives that promote regional development,*
- (h) *pathways to improve decision making processes for regional development proposals, including increasing the use of complying development, improving negotiation processes for voluntary planning agreements, and reducing costs associated with assessment, and*
- (i) *any other related matter.*

4.0 What is Large Format Retail?

4.1 Characteristics of Large Format Retail Operations

The Large Format Retail sector consists of retail businesses predominantly involved in the sale, hire or display of:

- automotive parts and accessories;
- baby and children's goods, children's play equipment and accessories;
- camping, outdoor and recreation goods;
- household appliances, household electrical goods and home entertainment goods;
- electrical light fittings;
- office equipment and supplies;
- sporting, cycling, leisure, fitness goods and accessories;
- animal and pet supplies;
- party supplies;
- floor and window coverings;
- swimming pools and supplies;
- furnishings, bedding and manchester;
- hardware and building supplies;
- garden centres; and
- musical instruments and accessories

There are a number of distinct physical and operational cost characteristics that distinguish Large Format Retail operations from standard retail premises.

Most Large Format Retail businesses sell large bulky items that require large floor plates to display and store goods, and necessitate direct, at-grade access to customers' vehicles for loading. They also rely on good access and exposure to arterial roads for loading requirements and to attract a broader customer base. There is a preference for Large Format Retailers to co-locate within homemaker centres or Large Format Retail Precincts to generate critical mass and establish destination appeal.

The sector's viability relies on low development and occupancy costs to support product margins that are generally much lower than for standard retailers in order to minimise prices for end consumers.

Due to their requirements for large flat sites, most operators are unable to find appropriate sites in or near traditional retail centres because of the dense urban fabric, fragmented land ownership, subdivision patterns and the higher cost of land and rent. Large Format Retail uses are ideally located in proximity to, but not within, traditional retail centres.

Recently, there has been greater demand for Large Format retailers to deliver a broader range of services alongside Large Format Retail uses. This is reflective of trends where customers want a more '*leisure*' experience in shopping trips and is consistent with the trend towards purpose-built Large Format Retail premises and clusters evolving into more of a mixed use retail format which includes non-bulky goods uses. For example,

complementary uses such as cafes, clothing retailing and brand direct retailing are now locating with traditional Large Format Retail clusters.

4.2 Economic and Employment Generation of Large Format Retail Operations

The Large Format Retail sector is an important employment generator, directly responsible for employing and estimated 407,864 (FTE) both directly and indirectly. Specifically in NSW, the Large Format Retail Sector generates 132,403 FTE both directly and indirectly.¹

In 2015, the Large Format Retail sector generated more than \$63 billion in sales. The sector accounts for 22.7% of total retail sales in NSW, or more than \$1 out of every \$5 in sales generated by NSW's retail industry.

Thus, the Large Format Retail sector can be a significant contributor to the delivery of new employment and economic growth, particularly within regional areas of NSW. To support this employment growth, it is recommended that the planning framework for regional areas continues to recognise and plan for Large Format Retail as an important part of the land use framework.

It is essential that the planning for regional areas recognises the significant economic and employment-generating contribution that the Large Format Retail sector makes, and ensures that there is a sufficient supply of appropriately-zoned land in the right locations to support the sector.

5.0 Planning For Large Format Retail in Regional Areas

The LFRA believe that are several initiatives that can further support the delivery of Large Format Retail within regional areas of NSW as set out below.

5.1 Definition for Large Format Retail Land Uses

In 2006, the NSW state government released a standard LEP instrument with a direction that it be adopted across all NSW local councils as the primary statutory instrument for controlling land use and development within each local council area.

Large Format Retail operations fall within the following land use definitions under the standard LEP template:

- bulky goods premises;
- hardware and buildings supplies; and
- garden centres.

Concern is raised with the definition for '*bulky goods premises*' in that it requires the products sold from such premises to be sufficiently bulky to require '*a large area for handling, display or storage*' and '*direct vehicular access to the site of the building or place by members of the public for the purpose of loading or unloading such goods*'.

¹ Deep End Services – LFR Market Size Data for LFRA – Jan 2016

The requirement that **both** elements of the definition to be satisfied is unrealistic and onerous. It does not consider circumstances such as kitchen showrooms where large areas for display are required, but where customers may not necessarily be taking products directly home with them. Nor does it contemplate premises such as carpet showrooms which may be able to hang and stack carpets to minimise display area, but where the products sold are bulky and cumbersome and would necessitate direct access for customer loading.

Prior to February 2011, Large Format Retailers needed to satisfy **either** elements of the definition to fall within the land use definition for *'bulky goods premises'*. In other words, prior to February 2011, a Large Format Retail operator needed to demonstrate that it required **either** a large area for storage, handling or display of its products, **or** direct vehicle access for customers to load products. However, without any consultation, on 23 February 2011, the then NSW Planning Minister amended the definition to require both elements of the definition to be satisfied.

This has created significant uncertainty for retailers and investors in the industry.

Whilst replacing the word *'and'* with an *'or'* in the current definition for *'bulky goods premises'* would, to some extent, remedy the confusion that the 2011 change created, it would not, on its own, provide sufficient regulatory certainty to encourage a significant growth in investment in Large Format Retail operations in regional NSW. It is essential that the land use term be revised so that it is consistent with best practice planning policy in other Australian jurisdictions.

For greater flexibility the provision of a product-based definition for Large Format retailing that bridges the gap between standard retail and *'bulky goods premises'*, *'hardware and building supplies'* and *'garden centres'* is recommended. This could be modelled on the Victorian definition for *'Restricted Retail Premises'* to include a product-based definition, as well as elements of the current definition that allow for the use to be identified by its characteristics. This will allow for the continued emergence of innovative retailing and uses that may not be contemplated at present. The definition for Large Format Retailing in NSW planning policy should read as follows:

"...Land used to sell or hire:

- a) automotive parts and accessories;*
- b) camping, outdoor and recreation goods;*
- c) electric light fittings;*
- d) animal supplies including equestrian and pet goods;*
- e) floor and window coverings;*
- f) furniture, bedding, furnishings, fabric and manchester and homewares;*
- g) household appliances, household electrical goods and home entertainment goods;*
- h) party supplies;*
- i) swimming pools;*
- j) office equipment and supplies;*

- k) *baby and children's goods, children's play equipment and accessories;*
 - l) *sporting, cycling, leisure, fitness goods and accessories; or*
 - m) *goods and accessories which:*
 - i. *Require a large area for handling, display and storage of goods; or*
 - ii. *Require direct vehicle access to the building by customers for the purpose of loading or unloading goods into or from their vehicles after purchase or hire.*
- It does not include the sale of food, clothing and footwear unless ancillary to the primary use..."*

A definition similar to this has recently been adopted in the West Australian planning system, meaning that both Victoria and West Australia have adopted a common and modern approach to defining what Large Format Retailing means that represents best practice planning policy to create certainty and encourage increased investment in the sector. This definition should be adopted for the NSW standard LEP template.

5.2 Expanded Zoning Permissibility for the Large Format Retail Sector

Under the standard LEP template '*bulky goods premises*', '*hardware and building supplies*' and '*garden centres*' are mandatory permitted uses in the B5 Business Development zone. However, some local government areas provide minimal or no areas of B5-zoned land. There is also very little consistency (on a council-by-council basis) as to the permissibility of the above land uses in the following other zones which also provide appropriate locations for Large Format Retail operators:

- Zone B6 Enterprise Corridor
- Zone B7 Business Park
- Zone IN1 General Industrial
- Zone IN2 Light Industrial

To partly address this issue, the NSW Government recently exhibited draft amendments to the standard LEP template which seek to make '*hardware and building supplies*' and '*garden centres*' a mandatory permissible use in the IN1 General Industrial and IN2 Light Industrial zones.

Whilst the LFRA is pleased to see the state government recognising the difficulties that members of LFRA face in securing appropriately zoned land in which to invest, the proposed changes will only benefit a segment of the Large Format Retail sector. However, it the majority of the sector will still be burdened by planning system that has not kept pace with the development of the Large Format Retail sector in NSW. By singling out a small segment of the sector, the NSW government runs the risk of confusing relevant planning authorities such as local councils of the types of Large Format retailing that is supports and seeks to promote investment from.

It is recommended that '*bulky goods premises*', '*hardware and building supplies*', and '*garden centres*' – or a new definition for Large Format Retail - should be made a mandatory permitted use in all of the following zones:

- Zone B6 Enterprise Corridor
- Zone B7 Business Park
- Zone IN1 General Industrial

- Zone IN2 Light Industrial

This will address inconsistencies in the planning system regarding which LEP zones permit Large Format Retail operators. Mandating **all** of the land use definitions for Large Format Retail in the B7 Business Park, IN1 General Industrial and IN2 Light Industrial zones will apply a consistent approach to improve opportunities for businesses to locate in appropriate sites accessible to residents and trades. The implementation of this change alongside a new land use definition for Large Format Retail operations would create certainty for both operators and regulators and encourage significant investment from the Large Format Retail sector in NSW including in regional areas.

5.3 Enabling Retail Uses within Enterprise + Business Areas

The LFRA's report on Large Format Retail in NSW, *'Investment + Competition = Jobs'* highlights the emerging trends in Large Format Retail that is seeing greater demand for traditional retail forms that act as a supporting use alongside Large Format Retail outlets. However, the industry has experienced difficulty obtaining the necessary approvals to deliver this outcome due to the inflexibility of the planning system.

A more flexible planning system would support such uses without necessitating a spot rezoning. This would encourage increased investment and employment growth within regional areas.

To ensure there was no adverse impact on the vibrancy of local centres particularly in regional areas, this ability to provide a limited amount of traditional retailing alongside Large Format Retail operations could be limited to the recommended mandated zones listed in Section 5.2 above.

6.0 Encouraging Large Format Retail within Regional Areas

The LFRA sees a number of opportunities to encourage increased investment in the Large Format Retail sector in regional area of NSW which will encourage employment growth:

- Adopting a new product-based definition for Large Format Retail consistent with the best-practice planning policy approach taken in other Australian jurisdictions;
- Making **all** Large Format Retail land uses a mandated permissible use in the B6, B7, IN1 and IN2 zones under the standard LEP instrument;
- Permitting a limited amount of traditional retailing alongside Large Format Retail uses in the mandated zones.

8.0 Conclusion

Should you wish to discuss any aspect of this submission, please do not hesitate to contact the LFRA's CEO, Philippa Kelly