Australian Competition & Consumer Commission

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16 August 2011

Dear Interested Party

Westfield Group – proposed acquisition of the Karrinyup shopping centre

The Australian Competition and Consumer Commission (**ACCC**) is reviewing the proposed acquisition of 100 per cent of the Karrinyup shopping centre by Westfield Group (the **proposed acquisition**).

Karrinyup shopping centre

The Karrinyup shopping centre is a multi-level regional shopping centre situated approximately 12 km north east of the Perth CBD.

Currently the Karrinyup shopping centre is managed by AMP Capital Shopping Centres and is in effect owned as to two-thirds by UniSuper Limited and one-third by Westfield[1].

As of December 2010 the Karrinyup shopping centre had a gross lettable area of 59 643 metres squared and annual sales of approximately $427 million with 216 retailers including David Jones, Myer, Big W and Woolworths. Notably the Karrinyup shopping centre is only one of two shopping centres in Perth with both a David Jones and Myer.

Westfield Group

The Westfield Group owns and operates shopping centres located in Australia, New Zealand, the United States, the United Kingdom and Brazil.

In the Perth metropolitan area the Westfield Group:

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[1] The WestArt Trust owns 33.33 per cent of the Karrinyup shopping centre. The WestArt Trust is ultimately owned 50 per cent by the listed Westfield Group and 50 per cent by the separately listed Westfield Retail Trust Group.

- has a one-third interest in the target, the Karrinyup shopping centre itself;
- manages and wholly owns Westfield Innaloo and the Innaloo MegaCentre (co-located) (together, **Westfield Innaloo**) in north metropolitan Perth, 3 km south west of the Karrinyup shopping centre;
- manages and has a 50 per cent interest in Westfield Whitford City located in north metropolitan Perth, 9 km north of the Karrinyup shopping centre;
- manages and wholly owns Westfield Carousel, located 12 km south east of Perth's CBD; and
- has a 25 per cent interest in Garden City Booragoon in south west metropolitan Perth (managed by AMP Group).

The ACCC's review

The ACCC is currently considering the proposed acquisition under section 50 of the *Competition and Consumer Act 2010* (the **Act**). Section 50 of the Act prohibits mergers and acquisitions that have the effect, or would be likely to have the effect of substantially lessening competition in a market.

The ACCC is seeking the views of industry participants to enable it to assess the likely effect of the proposed acquisition on competition and invites you to make a submission. **Attachment A** to this letter contains some questions you may wish to address in providing comment to the ACCC. The ACCC would be grateful for your comments and responses by close of business on **2 September 2011**.

Responses may be emailed (preferably in PDF format) to mergers@accc.gov.au with the title 'Submission re Westfield proposed acquisition of Karrinyup' marked attention to Fadi Metanios. Alternatively, responses should be mailed to the above address or faxed to (02) 9231 5652.

If any information provided is of a confidential nature, you can be assured that the details provided by you will be treated confidentially. That is, the ACCC will not disclose the confidential information to the merger parties or other third parties, other than advisors or consultants engaged directly by the ACCC, without first providing you with notice of its intention to do so, such as where it is compelled to do so by law. Please note that any information provided which you believe to be of a confidential nature should clearly by marked or identified as confidential.

If you have any queries in relation to this letter or would prefer to discuss the matter by telephone please contact Fadi Metanios on (02) 9230 9122.

Yours sincerely

Rami Greiss
General Manager
Merger Investigations Branch

Attachment A

Background

1. Please provide a short description of your business or organisation. Please briefly outline any relationship you have with the Westfield Group or the management of the Karrinyup shopping centre.

Questions to retailers

2. Please detail the locations of your stores in the Perth area (if any), how you would categorise their locations (e.g. CBD, regional shopping centre (**RSC**)[2], sub-regional shopping centres[3], small suburban shopping centre or strip shopping area), and the average operating costs per annum, in terms of rentals and outgoings, for each store.

3. If you lease retail space in the Karrinyup shopping centre, please set out your reasons for establishing a store in the Karrinyup shopping centre and, if you moved your store from another location to the Karrinyup shopping centre, where you moved from and your reasons for moving.

4. Please detail the factors you generally consider when making the decision to establish or relocate a store.

5. Please provide an indication of the customer catchment area for each store you operate in Perth.

6. If you are a retailer particularly reliant on customers engaging in comparison shopping (e.g. a retailer of clothing, footwear, jewellery, music, books) please describe the extent to which you consider retail space at the following shopping areas a viable alternative to retail space at the Karrinyup shopping centre and the reasons why the retail space is, or is not, a realistic substitute for retail space at the Karrinyup shopping centre:

   (a) Westfield Innaloo;
   (b) Centro Galleria;
   (c) Westfield Whitford City;
   (d) street-front (or strip) retail space in the Perth CBD or other shopping precincts;
   (e) retail space in shopping complexes in the Perth CBD or other shopping precincts; and
   (f) any other retail space in Perth including retail space south of the Swan river.

   Do you consider retail space at a sub-regional shopping centre a viable substitute for retail space at a RSC such as the Karrinyup shopping centre for your business or organisation?

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[2] Previous cases have identified the broad characteristics of a Regional Shopping Centre is a shopping centre having at lease one genuine department store (approximately 8,000m^2 or more – typically either a David Jones or Myer store), discount department store and supermarket, a range of speciality stores, a minimum size of 30,000m^2 and good parking.

[3] Sub-RSCs generally have a discount department store and a supermarket, plus speciality retailers.

7. If you currently lease retail space at the Karrinyup shopping centre, please indicate the likelihood of you retaining a significant proportion of your existing customer base if you moved to one of the shopping areas identified in paragraph 6 above.

8. As compared to the Karrinyup shopping centre, please outline your view on the competitive position of each of:

   (a) Westfield Innaloo;
   (b) Westfield Whitford City;
   (c) Centro Galleria;
   (d) street-front (or strip) retail space in the Perth CBD or other shopping precincts including retail space north and south of the Swan river; and
   (e) retail space in shopping complexes in the Perth CBD or other shopping precincts including retail shopping complexes and precincts north and south of the Swan river

   having regard to each shopping area's anchor tenants, size, location, catchment area, car parking facilities, road access, retail mix, tenancy turnover, development potential and maintenance issues. For example, please indicate the extent to which you consider Westfield Innaloo to offer comparable access in terms of car parking facilities and road access to the Karrinyup shopping centre.

9. Please provide a summary of the sunk costs (costs you have incurred but will not be able to recover) involved in relocating a store from / to the Karrinyup shopping centre. Please comment on the relevance of such costs to your bargaining position in negotiating an extension or renewal of lease with landlords.

10. Please comment on the extent to which your ability to sell your goods or services online may constrain the ability of landlords to increase rents for retail space.

11. Please provide any other information or comments that you consider relevant to the likely effect of the proposed acquisition on competition.

Questions to shopping centre owners, operators and / or developers

12. Please describe the shopping centres or precincts in the Perth area which are managed or operated by your business or organisation or in which your business or organisation has an ownership interest.

13. Please identify the retail areas that you consider have customer catchment areas that overlap with the customer catchment area of the Karrinyup shopping centre. If you consider the customer catchment area depends on the type of retailer leasing space in the retail area, please identify the customer catchment areas for each different type of retailer.

14. Please identify all major potential developments or redevelopments of shopping centres and precincts in Perth which are expected to take place in the next three to five years that may increase available retail space, particularly those developments which will increase the available retail space suitable for comparison retailers (e.g. retailers selling clothing, footwear, jewellery, music, books).

15. As compared to the Karrinyup shopping centre, please outline your view on the competitive position of each of:

   (a) Westfield Innaloo;
   (b) Westfield Whitford City;
   (c) Centro Galleria;
   (d) street-front (or strip) retail space in the Perth CBD or other shopping precincts including retail space north and south of the Swan river; and
   (e) retail space in shopping complexes in the Perth CBD or other shopping precincts including retail shopping complexes and precincts north and south of the Swan river

   having regard to each shopping area's anchor tenants, size, location, catchment area, car parking facilities, road access, retail mix, tenancy turnover, development potential and maintenance issues. Please indicate the extent to which you consider these shopping areas to provide retailers with alternative retail space to retail space at the Karrinyup shopping centre.

16. To what extent do you expect there to be retail space available at any of the listed shopping areas identified in paragraph 15 above in the next three to five years, and in particular retail space suitable for comparison retailers (e.g. retailers selling clothing, footwear, jewellery, music, books).

17. Please provide any other information or comments that you consider relevant to the likely effect of the proposed acquisition on competition.