



Office of the Director General

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Dear Mr Samuel

Grocery Prices Inquiry – Planning policy in NSW and Submissions by the Urban Taskforce Australia

It has come to the Department's attention that the Urban Taskforce has made a number of submissions to your Commission's Inquiry into the competitiveness of retail prices for standard groceries. This has paralleled an ongoing dialogue between the Urban Taskforce and this Department on several aspects of planning for Sydney in particular and, most notably in relation to your Inquiry, in relation to centres and retailing.

While this dialogue continues and detailed responses are being made to the similar submissions made directly to the Department by the Urban Taskforce, there are some important points I would like draw to the Commission's attention. For the purposes of your Inquiry, these relate to the claims made regarding the content and effect of planning policies relating to retail development in Sydney and NSW and the benefits for the price of goods that are claimed to be possible if those policies were overhauled. Those latter claims are made in the report "Choice Free Zone" commissioned from Professor Allan Fels and colleagues at Concept Economics by the Urban Taskforce and included in its submission to your Inquiry of 19 May 2008.

In brief, the position is that the Urban Taskforce has made a number of fundamental misrepresentations of the content and effect of our policies. These in turn were provided to and, not being in their area of expertise, adopted by Concept Economics for its report. Unfortunately from that misinformed starting point the consultants reached a number of conclusions which are not justified. The advice provided below addresses the key areas rather than the detail of the submissions, dealing firstly with the principal claims re planning policies and then with the claims re benefits for retail prices.

Misrepresentation of NSW planning policy re retail policy

The Urban Taskforce submissions include the following misrepresentations of the content and effect of NSW planning policy. These are based on interpretation of the Metropolitan Strategy for Sydney 'City of Cities' released at the end of 2005, supporting draft Subregional Strategies for the subregions of Sydney progressively released from July 2007, and the Standard Instrument (Local Environmental Plan) Order 2006 (the Standard Instrument). They are:

- **Claim 1: Further retail development will be limited to relatively few, major centres –**
This is incorrect. The Metropolitan Strategy and Subregional Strategies show the location of over 800 existing centres, (27 strategic centres, over 50 town centres, approximately 90 villages, 180 small villages and around 470 Neighbourhood centres), and *all* are encouraged to provide retail to serve their current and expected future populations. In addition, the Strategies incorporate the Structure Plans adopted to guide the expansion of

Sydney into the North West and South West Growth Centres. Those plans propose numerous centres of varying sizes to serve the future population.

In the Strategy documents there is a focus on the 27 strategic centres because of their importance to achieving metropolitan-wide outcomes such as those given Priority status in the NSW Government State Plan (eg E5: Jobs closer to home). A very important role is nevertheless clearly identified for the other types of centres. As a guide for subregional and local planning – the two levels in which local councils play a major role – targets have been provided for growth in the employment capacity in each Local Government Area over the period to 2031.

The effect of these targets is that approximately a quarter of the 550,000 overall growth in employment in Sydney is anticipated to be located in centres other than the strategic centres, as well as in dispersed locations such as schools and hospitals and in mobile jobs such as transport and construction. As retailing is the dominant activity in those centres, this clearly indicates a NSW Government expectation that in the implementation of the Strategies there will be new retail development in a significant number of centres. The process for deciding the scale and distribution of that growth is through subregional and local planning which responds to the pattern of population growth.

- **Claim 2: The planning system imposes a quota on the number of supermarkets** – The Urban Taskforce has interpreted a typology of centre types adopted purely for descriptive purposes as being prescriptive – for example that a description of a town centre as containing, inter alia, one or two supermarkets implies a cap to a maximum of two supermarkets. This is incorrect. The descriptions of centre types in the Metropolitan Strategy and Subregional Strategies are simply to help define a common language. They offer general descriptions of what centres of each type might typically contain, but these are not intended to be used to 'standardise' different places or to limit development or change in these centres. The planning process to accommodate future growth and change will involve assessing supply and demand and ensuring that is providing for.
- **Claim 3: Retail development will be limited to a few zone types** – This view relates to the Standard Instrument. This is a new tool introduced as part of the ongoing reforms of the planning system in NSW which aim to simplify it and make it more transparent and user friendly. As the Standard Instrument is in its initial stages of implementation it is to some extent understandable that the way it operates is not fully appreciated by those not directly involved in its implementation.

The Standard Instrument allows for seven types of Business zones as well as numerous other zones including Residential and Industrial categories. While it mandates the zones which must be used and uses that must be permissible within each zone, the Standard Instrument also allows other uses to be added to those that are permissible. As a minimum, some form of convenience retail development is mandated as permissible in all urban residential zones, five of the seven business zones (and included in the mandated objectives for the other two), and the two most widely used Industrial zones (not mandated in the Heavy Industrial or Working Waterfront zones).

It can be included in the other zones, and it would be expected in some form as determined appropriate to the local circumstances in the other two business zones – these relate to special circumstances of development along heavily trafficked arterial roads, and near more significant centres where provision is being made for specialised retail uses that require a large floor area. Retail development may also be acceptable in out-of-centre locations where a net community benefit is established.

- **Claim 4: No additional centres will be created** – This is incorrect. New centres will inevitably emerge and be added in parts of Sydney as it grows and changes - in particular in areas currently underserved by shops and services. The Subregional Strategies identify

current local centres, but this does not imply that no additional ones can be created. Councils will identify which centres need to grow and where new centres may be required through development of new Local Environmental Plans to implement the Subregional Strategies.

- **Claim 5: Families in the west of Sydney will be disadvantaged because of the need to travel further to shop** – This view flows from the incorrect premise of Claim 1 ie new retail development is to be confined to a few large existing centres in the east of the city and that will mean that the growing needs of the population and workforce of western Sydney will not be able to be met locally. This is the reverse of the policy position. As indicated above, there is a clear strategic direction and expectation in the Metropolitan Strategy and the Subregional Strategies that new retail capacity will be provided for in centres of a variety of types and sizes across the metropolitan area to meet future demand. In addition, it is one of the fundamental structural principles of the Strategies to create a city in which people have better local access to jobs and services, including shopping, to reduce their need to travel.

It should be further pointed out that it has been a long running strategy of planning for Sydney to encourage and facilitate movement of retail development into newly growing areas ahead of the time the market would be likely to act. Retail is the core activity in creating new activity nodes which support early establishment of public transport routes, creation of local job opportunities and making services and shopping more accessible to growing populations. The most recent example of where this has come to fruition through the NSW Government and the private sector working in partnership is the new centre at Rouse Hill, and the approach is being addressed in the implementation of the South West Growth Centre.

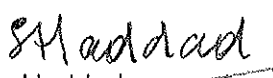
Claims of benefits for retail prices

This claim re savings to be achieved if the planning policies applying to centres and retailing were overhauled is derived from two premises. The first is that the policies restrict the opportunity for new retail development in ways covered by the claims discussed above. The commentary on those claims shows that premise is misplaced.

The second premise is based on the first and assumes that significant increases in productivity can be achieved that will translate into lower grocery prices. The retail sector is already much more competitive and less subject to planning restrictions than used as the starting point of the analysis in the "Choice Free Zone" report. In addition the data available on trends in retail productivity and general market sector productivity in Australia show the claimed gains from planning deregulation are highly unlikely. Analysis of National and State accounts data shows that the Australian retail sector is one of the better performed industries in terms of productivity growth. In the three years to 2006/07, its labour productivity grew by an average of 2.3% per year compared to 1.0% for the market sector. In terms of multifactor productivity, the retail trade sector grew at 0.9% compared to a negative 0.3% decline in the market sector as a whole.

Thank you in anticipation for giving consideration to these comments. I appreciate the limited time before the Inquiry is to report. If you wish to follow-up any of the points raised, please contact my office.

Yours sincerely


Sam Haddad
Director General

4/7/2008.