



Productivity Commission Issues Paper - March 2011
**ECONOMIC STRUCTURE AND PERFORMANCE OF
THE AUSTRALIAN RETAIL INDUSTRY**

SUBMISSION FROM THE
Bulky Goods Retailers Association (BGRA)
3rd June 2011



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1.0 Bulky Good Retailers Association (BGRA) Overview

The Bulky Goods Retailers Association Limited (BGRA) is the national peak industry association whose primary focus is on issues relating to appropriate planning and responsible development of Bulky Goods retailing outlets. Retail members of the BGRA consists of some of Australia's largest and most respected bulky goods retailers including fifty-four individual business brands as follows:

Adairs	Curtain Wonderland	OZ Design Furniture
Anaconda	Dare Gallery	Pet Barn
Auto Pro	Domayne	PETstock
Autobarn	Dreamland	Plush
Baby Bunting	Early Settler	Nick Scali
Barbeques Galore	Fantastic Furniture	Ray's Outdoors
Bay Leather Republic	Forty Winks	Recollections
BCF	Freedom	Regal Mattress
Beacon Lighting	Goldcross Cycles	Repco
Bedshed	Guests Furniture Hire	Sleepy's
Betta Electrical	Harvey Norman	Snooze
Bev Marks Australia	IKEA	Sofas 2 Go
Bunnings	JB Hi-Fi	Space
Carpet Choice	Joyce Mayne	Spotlight
Chemist Warehouse	Le Cornu	Suite Deals
City Farmers	Lincraft	Super A-Mart
Clive Anthony's	Officeworks	Supercheap Auto
Clive Peeters	Original Mattress Factory	The Good Guys

The BGRA is supported by the following Associate members who comprise of Bulky Goods developers, owners, service suppliers and agents:

ABN Group	Environmental Earth Services	Primewest Management
APP	DD Corporate	PROBUILD
Arise Developments	Folkestone Limited	Realmark Commercial
Arkadia Property Services	Gadens Lawyers	Savills
AXIMA	GTA Lawyers	Terrace Tower Group
AXIOM Properties Limited	HWL Ebsworth Lawyers	The Belgrave Group of Companies
BB Retail Capital	InterfaceFLOR	The Buchan Group
Blueprint	Jones Lang LaSalle	The Planning Group
Brecknock	ISPT	VALAD Property Group
Burgess Rawson	Leffler Simes Architects	Vaughan Constructions
Cardno	Major Media	Vend Property
CB Richard Ellis	McKenzie Hall	Venture Property Services
Century Funds Management	McMullin Group	Visy Recycling
CEVA Logistics	Mirvac	Norton Rose
Charter Hall Group	Northern Territory Airport Corp	Lander & Rogers
Colliers International	Bunnings Wesfarmers Property Trust	
Cornwall Stodart		

Our representation is extremely diverse. The BGRA clearly represent the interests of large national bulky goods retailers, but we also represent the interests of small retailers as many of our members have franchised businesses.

The BGRA is a key stakeholder in planning and zoning laws that regulate this market sector. Consequently, we are actively involved across Australia in numerous reviews of planning policy and planning regulations that affect our industry. We are a keen observer of the recent findings of the Productivity Commission's Inquiry into Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments, the Market for Retail Tenancy Leases in Australia and the Australian Competition & Consumer Commission Grocery Price Inquiry into the Competitiveness of Retail Prices for Standard Groceries. These three inquiries noted the need to review planning and zoning laws. The Bulky Goods industry in Australia is also facing difficulties as a direct result of planning and zoning legislation across Australia. This is particularly relevant in relation to Land Use Definitions and the current trend in Activity Centre Policy. These issues are discussed in detail in this submission.

2.0 Response to Key Issues

The BGRA has undertaken a review of the Productivity Commission Issues paper dated March 2011 and has considered its key issues. We provide the following submission which is structured around some of the key issues raised that we believe are most relevant to our industry.

2.1 Trends in retail trade and drivers of structural change – retail activity and developments in the retail industry

KEY ISSUES

To what extent is current retail performance a result of structural rather than cyclical change? If it is structural change what are the implications and evidence of this?

Have sectors within retail been affected differently, depending on whether they sell items considered to be discretionary consumption by households? Have the sales of durable goods (the purchases of which can be deferred) differed from the sales of non-durable goods such as groceries?

How is the structure and character of the retail industry likely to change in the next 20 years?

What factors are likely to drive changes in the structure of retailing in the next 20 years?

Which retail models are likely to survive and which are likely to struggle given current industry trends?

Bulky Goods/Homemaker Retail is a well-established retail sector that has evolved from the underlying structural change in retail as sub-sectors have emerged as consumer preferences have changed. The evolution of the bulky goods sector is documented within the Productivity Commission's recent benchmarking report on Planning, Zoning and Development Assessments (2011).

The bulky goods retail sector is thriving and recent figures for the financial year ending 30th June 2010 from economic consultancy Deep End Services estimate that the sector now represents 21.3% of all retail sales or a massive \$58.1 billion annually, and is second only to the food sector which has sales of almost \$77 billion annually.

The BGRA has charted the size and reach of bulky goods retailing in the first survey since the sector emerged 23 years ago. The Australian Bulky Goods Directory 2010/11¹, identifies 134 operating bulky goods centres around the country with a total floor space of 2.61 million square metres.

¹ BGRA and Deep End Services (2010) The Australian Bulky Goods Directory 2010/2011

For each centre, the report details ownership, management and tenancies. Another 27 centres are under development and will add 645,000 sq. m of retail floor space including the giant Harvey Norman/IKEA in Springvale, Victoria which will become the nation's largest bulky goods centre. This floor area will continue to expand as Woolworths moves into retail hardware. Bulky goods precincts have also sprouted in capital cities, with precincts at Underwood-Slacks Creek in Brisbane, Osborne Park in Perth and Auburn in Sydney. These add another 2 million sq. m of retail space to the bulky goods inventory. The bulky goods sector had grown as new products and retail formats emerged and it now represents almost 30% of all retail floor space in Australia.

The BGRA estimates that direct employment in Australia in the bulky goods retail sector amounts to more than 173,000 full-time equivalent jobs. The multiplier effect of this employment generates an additional 215,000 full-time equivalent jobs in the supply of goods and services.

The Bulky Goods/Homemaker Retail market has, in recent times, been the fastest growing sector in the retail market. Economic research undertaken by Deep End Services estimates that the Bulky Goods retail sector has grown on average 3% greater per annum for the past 6 years compared with the remainder of the retail market. This can be attributed to a variety of reasons including:

- The increase in demand for 'do-it-yourself' home improvement products brought about by the strong growth in the Australian economy and the recent property boom;
- The technology revolution has provided a substantial increase in new consumer products and the obsolescence of traditional household goods;
- The emergence of the internet and particularly online shopping has increased access to retail goods and services;
- Shopping has evolved into a leisure and lifestyle experience for many Australian families, particularly in relation to household goods expenditure;
- Increased supply of Bulky Goods/Homemaker Retail facilities and the provision of choice, convenience and competition provided by this increase in supply;
- The emergence of the green market due to climate change and the drought.

The market for Bulky Goods/Homemaker Retail products is estimated to continue its current strong growth, particularly in response to the planned increase in population and number of new households planned for Australian capital cities up to 2030.

A tabulated summary of the key economic research is included in this section of the submission.

Bulky goods retail market

Australia

2001- 2012

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	8,568	15,646	16,421	16,098	16,270	16,993	-
Furniture, furnishings, floor coverings & electric light fittings	7,220	11,194	10,807	10,837	11,341	12,374	-
Household appliances & electrical goods	5,339	8,946	9,190	9,671	9,995	10,609	-
Hardware and landscaping supplies	4,626	6,666	7,164	7,448	7,514	7,869	-
Bedding, manchester & window coverings	2,507	3,480	3,523	3,537	3,601	3,824	-
Automotive parts & accessories	1,830	2,514	2,633	2,826	2,988	3,205	-
Other bulky goods*	4,925	6,969	7,336	7,736	8,216	8,833	-
Total bulky goods	35,015	55,415	57,074	58,152	59,925	63,707	-
Total retail	167,137	254,909	269,497	273,489	285,666	302,717	-
Bulky goods proportion of total retail (%)	20.9%	21.7%	21.2%	21.3%	21.0%	21.0%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	9.0%	5.0%	-2.0%	1.1%	4.4%	1.1%
Furniture, furnishings, floor coverings & electric light fittings	-	6.5%	-3.5%	0.3%	4.7%	9.1%	4.6%
Household appliances & electrical goods	-	7.7%	2.7%	5.2%	3.3%	6.1%	4.9%
Hardware and landscaping supplies	-	5.4%	7.5%	4.0%	0.9%	4.7%	3.2%
Bedding, manchester & window coverings	-	4.8%	1.2%	0.4%	1.8%	6.2%	2.8%
Automotive parts & accessories	-	4.6%	4.7%	7.3%	5.7%	7.3%	6.8%
Other bulky goods*	-	5.1%	5.3%	5.4%	6.2%	7.5%	6.4%
Total bulky goods	-	6.8%	3.0%	1.9%	3.1%	6.3%	3.7%
Total retail	-	6.2%	5.8%	1.5%	4.5%	6.0%	4.0%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods retail market
New South Wales
2001- 2012

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	2,817	4,790	4,812	4,659	4,603	4,733	-
Furniture, furnishings, floor coverings & electric light fittings	2,494	2,961	3,226	3,335	3,424	3,686	-
Household appliances & electrical goods	1,739	2,822	2,962	3,081	3,141	3,292	-
Hardware and landscaping supplies	1,448	1,750	1,828	1,878	1,861	1,920	-
Bedding, manchester & window coverings	879	1,098	1,145	1,155	1,162	1,219	-
Automotive parts & accessories	694	889	894	960	1,000	1,061	-
Other bulky goods*	1,636	2,013	2,025	2,138	2,232	2,365	-
Total bulky goods	11,707	16,322	16,893	17,208	17,423	18,277	-
Total retail	58,516	83,381	88,134	88,730	91,899	95,147	-
Bulky goods proportion of total retail (%)	20.0%	19.4%	19.2%	19.4%	19.0%	19.0%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	7.9%	0.5%	-3.2%	-1.2%	2.8%	-0.6%
Furniture, furnishings, floor coverings & electric light fittings	-	2.5%	8.9%	3.4%	2.7%	7.7%	4.5%
Household appliances & electrical goods	-	7.2%	5.0%	4.0%	2.0%	4.8%	3.6%
Hardware and landscaping supplies	-	2.7%	4.5%	2.7%	-0.9%	3.2%	1.6%
Bedding, manchester & window coverings	-	3.2%	4.3%	0.9%	0.6%	4.9%	2.1%
Automotive parts & accessories	-	3.6%	0.6%	7.4%	4.2%	6.1%	5.9%
Other bulky goods*	-	3.0%	0.6%	5.6%	4.4%	6.0%	5.3%
Total bulky goods	-	4.9%	3.5%	1.9%	1.3%	4.9%	2.7%
Total retail	-	5.3%	4.9%	0.7%	3.6%	4.6%	2.9%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

**Bulky goods retail market
Victoria
2001 - 2012**

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	2,074	3,708	3,722	3,730	3,850	4,014	-
Furniture, furnishings, floor coverings & electric light fittings	1,729	2,708	2,486	2,523	2,713	2,958	-
Household appliances & electrical goods	1,301	2,135	2,131	2,336	2,465	2,615	-
Hardware and landscaping supplies	1,115	1,763	1,810	1,921	1,966	2,052	-
Bedding, manchester & window coverings	649	926	863	864	892	946	-
Automotive parts & accessories	399	590	592	642	696	748	-
Other bulky goods*	1,125	1,630	1,638	1,759	1,912	2,050	-
Total bulky goods	8,392	13,461	13,242	13,775	14,493	15,384	-
Total retail	39,859	61,742	63,591	66,324	70,042	73,874	-
Bulky goods proportion of total retail (%)	21.0%	21.8%	20.8%	20.8%	20.7%	20.8%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	8.7%	0.4%	0.2%	3.2%	4.3%	2.5%
Furniture, furnishings, floor coverings & electric light fittings	-	6.6%	-8.2%	1.5%	7.5%	9.1%	6.0%
Household appliances & electrical goods	-	7.3%	-0.2%	9.6%	5.5%	6.1%	7.1%
Hardware and landscaping supplies	-	6.8%	2.7%	6.1%	2.3%	4.4%	4.3%
Bedding, manchester & window coverings	-	5.2%	-6.8%	0.1%	3.3%	6.1%	3.1%
Automotive parts & accessories	-	5.8%	0.4%	8.4%	8.4%	7.4%	8.1%
Other bulky goods*	-	5.4%	0.5%	7.4%	8.7%	7.3%	7.8%
Total bulky goods	-	7.0%	-1.6%	4.0%	5.2%	6.1%	5.1%
Total retail	-	6.4%	3.0%	4.3%	5.6%	5.9%	5.1%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

**Bulky goods retail market
Queensland
2001 - 2012**

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	1,702	3,324	3,524	3,388	3,447	3,644	-
Furniture, furnishings, floor coverings & electric light fittings	1,338	2,696	2,514	2,452	2,569	2,838	-
Household appliances & electrical goods	1,066	1,798	1,820	1,877	1,950	2,095	-
Hardware and landscaping supplies	851	1,317	1,360	1,371	1,381	1,460	-
Bedding, manchester & window coverings	418	653	685	695	716	772	-
Automotive parts & accessories	371	448	475	498	530	578	-
Other bulky goods*	1,051	1,535	1,627	1,673	1,789	1,943	-
Total bulky goods	6,797	11,771	12,006	11,954	12,382	13,329	-
Total retail	31,603	50,914	54,419	54,032	56,379	60,295	-
Bulky goods proportion of total retail (%)	21.5%	23.1%	22.1%	22.1%	22.0%	22.1%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	10.0%	6.0%	-3.9%	1.7%	5.7%	1.1%
Furniture, furnishings, floor coverings & electric light fittings	-	10.5%	-6.8%	-2.5%	4.8%	10.4%	4.1%
Household appliances & electrical goods	-	7.8%	1.2%	3.1%	3.9%	7.4%	4.8%
Hardware and landscaping supplies	-	6.4%	3.3%	0.7%	0.8%	5.7%	2.4%
Bedding, manchester & window coverings	-	6.6%	4.9%	1.5%	3.0%	7.8%	4.1%
Automotive parts & accessories	-	2.7%	6.0%	4.9%	6.4%	8.9%	6.7%
Other bulky goods*	-	5.6%	6.0%	2.8%	6.9%	8.6%	6.1%
Total bulky goods	-	8.2%	2.0%	-0.4%	3.6%	7.6%	3.5%
Total retail	-	7.1%	6.9%	-0.7%	4.3%	6.9%	3.5%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

**Bulky goods retail market
Western Australia
2001- 2012**

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	934	1,893	2,220	2,124	2,209	2,406	-
Furniture, furnishings, floor coverings & electric light fittings	768	1,299	1,236	1,164	1,248	1,412	-
Household appliances & electrical goods	583	1,112	1,113	1,117	1,163	1,279	-
Hardware and landscaping supplies	593	883	1,001	1,005	1,032	1,123	-
Bedding, manchester & window coverings	263	412	403	382	392	432	-
Automotive parts & accessories	168	247	289	325	346	383	-
Other bulky goods*	584	942	1,101	1,155	1,237	1,371	-
Total bulky goods	3,893	6,787	7,363	7,271	7,628	8,406	-
Total retail	16,129	26,085	28,363	27,593	29,211	31,996	-
Bulky goods proportion of total retail (%)	24.1%	26.0%	26.0%	26.4%	26.1%	26.3%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	10.6%	17.3%	-4.3%	4.0%	8.9%	2.7%
Furniture, furnishings, floor coverings & electric light fittings	-	7.8%	-4.8%	-5.9%	7.3%	13.1%	4.5%
Household appliances & electrical goods	-	9.7%	0.1%	0.3%	4.2%	9.9%	4.7%
Hardware and landscaping supplies	-	5.8%	13.4%	0.4%	2.7%	8.8%	3.9%
Bedding, manchester & window coverings	-	6.6%	-2.2%	-5.2%	2.7%	10.2%	2.4%
Automotive parts & accessories	-	5.7%	17.0%	12.2%	6.5%	10.8%	9.8%
Other bulky goods*	-	7.1%	16.9%	4.9%	7.1%	10.8%	7.6%
Total bulky goods	-	8.3%	8.5%	-1.2%	4.9%	10.2%	4.5%
Total retail	-	7.1%	8.7%	-2.7%	5.9%	9.5%	4.1%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods retail market
South Australia
2001 - 2012

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	567	967	1,138	1,175	1,162	1,168	-
Furniture, furnishings, floor coverings & electric light fittings	492	894	773	756	757	795	-
Household appliances & electrical goods	356	525	573	614	620	635	-
Hardware and landscaping supplies	347	520	698	760	767	785	-
Bedding, manchester & window coverings	177	234	258	262	262	269	-
Automotive parts & accessories	112	207	243	263	274	284	-
Other bulky goods*	268	475	558	610	636	668	-
Total bulky goods	2,319	3,821	4,241	4,440	4,478	4,603	-
Total retail	12,073	18,541	20,646	21,768	22,624	24,024	-
Bulky goods proportion of total retail (%)	19.2%	20.6%	20.5%	20.4%	19.8%	19.2%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	7.9%	17.6%	3.3%	-1.1%	0.5%	0.9%
Furniture, furnishings, floor coverings & electric light fittings	-	8.9%	-13.5%	-2.3%	0.2%	4.9%	0.9%
Household appliances & electrical goods	-	5.7%	9.1%	7.2%	1.0%	2.3%	3.5%
Hardware and landscaping supplies	-	5.9%	34.3%	8.9%	0.9%	2.3%	4.0%
Bedding, manchester & window coverings	-	4.1%	10.3%	1.5%	0.0%	2.6%	1.4%
Automotive parts & accessories	-	9.1%	17.8%	8.1%	4.0%	3.9%	5.3%
Other bulky goods*	-	8.5%	17.6%	9.2%	4.3%	5.0%	6.1%
Total bulky goods	-	7.4%	11.0%	4.7%	0.9%	2.8%	2.8%
Total retail	-	6.3%	11.4%	5.4%	3.9%	6.2%	5.2%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods retail market

Tasmania

2001- 2012

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	193	420	417	405	396	407	-
Furniture, furnishings, floor coverings & electric light fittings	152	229	196	206	215	237	-
Household appliances & electrical goods	119	225	249	270	272	288	-
Hardware and landscaping supplies	112	187	191	206	210	224	-
Bedding, manchester & window coverings	45	59	64	65	65	68	-
Automotive parts & accessories	35	62	62	61	63	67	-
Other bulky goods*	114	183	181	185	191	204	-
Total bulky goods	770	1,366	1,360	1,397	1,412	1,495	-
Total retail	3,620	5,611	5,996	6,164	6,989	6,821	-
Bulky goods proportion of total retail (%)	21.3%	24.3%	22.7%	22.7%	22.1%	21.9%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	11.7%	-0.7%	-2.8%	-2.4%	2.9%	-0.8%
Furniture, furnishings, floor coverings & electric light fittings	-	6.0%	-14.4%	4.9%	4.8%	10.0%	6.5%
Household appliances & electrical goods	-	9.5%	10.7%	8.3%	0.9%	5.7%	4.9%
Hardware and landscaping supplies	-	7.6%	1.7%	7.6%	2.1%	6.6%	5.5%
Bedding, manchester & window coverings	-	3.9%	8.5%	1.6%	-0.4%	5.5%	2.2%
Automotive parts & accessories	-	8.5%	-0.4%	-2.6%	4.1%	6.9%	2.7%
Other bulky goods*	-	7.0%	-1.1%	2.4%	2.9%	6.8%	4.0%
Total bulky goods	-	8.5%	-0.4%	2.8%	1.0%	5.9%	3.2%
Total retail	-	6.5%	6.9%	2.8%	3.7%	6.8%	4.4%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods retail market

ACT

2001- 2012

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	195	372	411	421	409	415	-
Furniture, furnishings, floor coverings & electric light fittings	179	330	259	261	267	265	-
Household appliances & electrical goods	121	211	215	233	242	255	-
Hardware and landscaping supplies	110	163	189	212	206	209	-
Bedding, manchester & window coverings	55	70	76	84	82	85	-
Automotive parts & accessories	36	47	52	57	58	61	-
Other bulky goods*	108	136	150	164	167	175	-
Total bulky goods	804	1,329	1,352	1,438	1,432	1,486	-
Total retail	3,489	5,216	5,451	5,589	5,708	5,911	-
Bulky goods proportion of total retail (%)	23.0%	25.5%	24.8%	25.8%	25.1%	25.1%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	9.7%	10.6%	2.4%	-2.8%	1.4%	0.3%
Furniture, furnishings, floor coverings & electric light fittings	-	9.1%	-21.5%	0.9%	2.2%	6.8%	3.3%
Household appliances & electrical goods	-	8.3%	1.9%	8.8%	3.8%	5.4%	5.9%
Hardware and landscaping supplies	-	5.8%	15.8%	12.4%	-3.1%	1.8%	3.5%
Bedding, manchester & window coverings	-	3.5%	8.6%	10.3%	-1.8%	3.5%	3.9%
Automotive parts & accessories	-	4.0%	10.5%	10.1%	2.8%	4.8%	5.8%
Other bulky goods*	-	3.4%	10.3%	9.1%	2.2%	4.5%	5.3%
Total bulky goods	-	7.5%	1.7%	6.0%	0.0%	3.8%	3.2%
Total retail	-	5.9%	4.5%	2.0%	2.6%	3.6%	2.7%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

**Bulky goods retail market
Northern Territory
2001- 2012**

BGRA bulky goods categories	2001	2008	2009	2010	2011	2012	2009-12
<u>Sales (Y/E June) (\$m) (incl GST)</u>							
Home entertainment goods	86	172	177	195	194	206	-
Furniture, furnishings, floor coverings & electric light fittings	68	77	117	140	148	163	-
Household appliances & electrical goods	54	118	127	143	142	151	-
Hardware and landscaping supplies	50	84	87	94	92	97	-
Bedding, manchester & window coverings	21	28	29	30	29	31	-
Automotive parts & accessories	16	24	25	20	20	22	-
Other bulky goods*	39	55	56	52	53	57	-
Total bulky goods	334	558	618	674	678	727	-
Total retail	1,838	2,718	2,896	3,320	3,419	3,649	-
Bulky goods proportion of total retail (%)	18.2%	20.5%	21.3%	20.3%	19.8%	19.9%	-
<u>Average annual change (%)</u>							
Home entertainment goods	-	10.5%	2.8%	10.0%	-0.5%	6.4%	5.2%
Furniture, furnishings, floor coverings & electric light fittings	-	1.8%	51.9%	19.9%	5.3%	10.5%	11.7%
Household appliances & electrical goods	-	11.8%	7.6%	12.7%	-0.9%	6.5%	6.0%
Hardware and landscaping supplies	-	7.6%	4.0%	8.3%	-2.0%	4.9%	3.6%
Bedding, manchester & window coverings	-	4.2%	3.6%	3.9%	-2.2%	6.4%	2.6%
Automotive parts & accessories	-	6.6%	2.6%	-20.2%	2.4%	7.7%	-4.2%
Other bulky goods*	-	4.9%	2.6%	-7.9%	2.3%	7.3%	0.4%
Total bulky goods	-	7.6%	10.8%	9.1%	0.6%	7.2%	5.6%
Total retail	-	5.8%	6.5%	14.6%	3.0%	6.7%	8.0%

* Other bulky goods comprises:

- Office equipment & supplies
- Camping and sporting equipment
- Swimming pools, equipment & accessories
- Baby equipment & accessories
- Equestrian & pet supplies

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods retail market growth

Summary by state

2001 - 2012

State	2001	2008	2009	2010	2011	2012	2009-12
<u>Bulky goods sales - average annual change (%)</u>							
NSW	-	4.9%	3.5%	1.9%	1.3%	4.9%	2.7%
Victoria	-	7.0%	-1.6%	4.0%	5.2%	6.1%	5.1%
Queensland	-	8.2%	2.0%	-0.4%	3.6%	7.6%	3.5%
WA	-	8.3%	8.5%	-1.2%	4.9%	10.2%	4.5%
SA	-	7.4%	11.0%	4.7%	0.9%	2.8%	2.8%
Tasmania	-	8.5%	-0.4%	2.8%	1.0%	5.9%	3.2%
ACT	-	7.5%	1.7%	6.0%	0.0%	3.8%	3.2%
NT	-	7.6%	10.8%	9.1%	0.6%	7.2%	5.6%
Australia bulky goods	-	6.8%	3.0%	1.9%	3.1%	6.3%	3.7%
Australia total retail	-	6.2%	5.8%	1.5%	4.5%	6.0%	4.0%
Australia bulky goods as % of total retail	20.9%	21.7%	21.2%	21.3%	21.0%	21.0%	-

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods retail market

Employment by state

June 2009

State	Bulky goods sales (\$m)	Estimated floorspace (\$qm)	Direct FTEs (No.)	Indirect FTEs (No.)	Total FTEs (No.)
New South Wales	16,893	5,118,975	51,190	63,578	114,767
Victoria	13,242	4,012,869	40,129	49,840	89,969
Queensland	12,006	3,638,087	36,381	45,185	81,566
Western Australia	7,353	2,231,152	22,312	27,711	50,023
South Australia	4,241	1,285,210	12,852	15,962	28,814
Tasmania	1,350	412,017	4,120	5,117	9,237
ACT	1,352	409,695	4,097	5,088	9,185
Northern Territory	618	187,257	1,873	2,325	4,199
Total	57,074	17,295,281	172,953	214,807	387,760

Assumptions:

Average trading level = \$3300 per sqm

Direct employment rate = 1 FTE / 100 sqm

Indirect employment ratio = 1.242 FTE for every 1 direct FTE

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

Bulky goods and total retail market

Definitions

A national bulky goods categorisation has been adopted from the BGRA constitution.

The following items have been matched to ABS HFCE National Accounts categories (or part thereof) to determine historical and forecast retail market sizes.

BGRA bulky goods categories	National accounts category
Home entertainment goods	Audio visual equipment
Furniture, furnishings, floor coverings & electric light fittings	Furniture & floor coverings
Household appliances & electrical goods	Household appliances
Hardware and landscaping supplies	Household tools and Flowers & garden supplies
Bedding, manchester & window coverings	Household textiles
Automotive parts & accessories	Motoring goods
Other bulky goods comprises:	
- Office equipment & supplies	Newspapers, books & artists goods
- Camping, sporting & swimming pool equipment	Other major durables for recreation
- Baby equipment & accessories	Personal effects
- Equestrian & pet supplies	Pet foods & pet products

A similar approach is adopted in assessing historical and forecast total retail market sizes

Source: Deep End Services; BGRA; Australian Bureau of Statistics; Access Economics (as at November 2009)

2.2 Other issues impacting on the performance and efficiency of the industry - Planning and zoning regulation

KEY ISSUES

How do the different ways that states and territories determine the size and number of activity centres impact on retailing? Are the definitions of centres unnecessarily constraining different types of retailers?

The Productivity Commission's recent benchmarking report on Planning, Zoning and Development Assessments (2011) has detailed the different ways that states and territories determine the size and number of activity centres and the impact on all types of retailing, including bulky goods retail.

As noted in the Commission's report, state and territory governments across Australia are undertaking or implementing similar planning policy generally based on the identification of "Activity Centres" and encouraging increased density of development within those centres. The BGRA generally supports strategic planning policy based on "Activity Centres"; we consider it to be a sound basis to plan for growth of capital cities.

Currently, the potential to locate bulky goods retail uses within Activity Centres is extremely limited due to escalated land values and the lack of sites capable of accommodating large building footprints. Current planning policy, however, strongly discourages out-of-centre development. The BGRA acknowledges that activity centres are the primary location for core retailing, and concurs that, where possible and where suitable sites are available, that bulky goods retail can appropriately locate within activity centres. However the scarcity of land within activity centre boundaries results in the prioritisation of highest and best land uses (including core retail and residential development) which often leaves little room for bulky goods retail. It is clear that suitable sites for bulky goods retail must also be found outside of activity centre locations.

However, the current trend in Activity Centre planning policy is to discourage all Out-of-Centre retail development. This has inadvertently created a policy "void" in relation to the development of Bulky Goods Retailing in Out-of-Centre locations. This gives rise to ongoing uncertainty in our industry and is constraining the development of Bulky Goods retailing.

Bulky Goods Showrooms have traditionally located in clusters on Edge and Out-of-Centre locations, predominantly on major arterial roads for the following reasons:

- Existing Planning Policy has facilitated and encouraged this use by providing appropriately zoned land for development to occur. In doing so, it must be considered proper and orderly planning policy to locate Bulky Goods Showrooms on Edge and Out-of-Centre locations.
- Bulky Goods Showrooms require access for consumers travelling by car; exposure for business identification signage and large land parcels to yield large single level floor plates.

The objectives of Activity Centre Policy need to recognise that land located within Activity Centres is a finite resource, and should be prioritised for highest priority uses that are essential to provide a vibrant Activity Centre in its own right. Planning policy that seeks to restrict development in Out of-Centre locations is not sustainable. In seeking to control Out-of-Centre development, the focus must be directed to land-uses which would detrimentally affect the viability and sustainability of activity centres if they were to be located Out-of-Centre.

Bulky Goods Retailing is an existing lawful and legitimate use in Edge and Out-of-Centre locations and new Planning Policy must maintain this position. There is no evidence to suggest that Bulky Goods Retailing is adversely affecting existing Activity Centres.

The current trend towards restriction of Out-of-Centre development will create the following affects if it is not revised:

- Unsustainable development pressure on Activity Centres in terms of increased density & vertical scale, increased traffic congestion etc;
- General stifling of any and all development outside of Activity Centres;
- Failure to provide the required retail floor space to cater for the anticipated population growth;
- Failure to provide benefit to consumers in terms of choice, convenience and competition;
- Provide unfair advantage to existing shopping centre owners who control existing land supply within Activity Centres.

Currently in most states and territories, the vast majority of established Homemaker Centres are not recognised within any Activity Centre network. In a number of cases these centres enjoy comparable access to public transport as other 'traditional' activity centres and indeed function as legitimate retail destinations with broad community appeal. Lack of clarity around the status and strategic role of these centres within the activity centre network results in an ad hoc and inconsistent approach to their treatment, and the land use decision making within them.

The BGRA believes there is merit in affording recognition to existing, well established Homemaker Centres within the network of Centres, where they have evident potential to fulfil key imperatives of state planning policy in relation to public transport integration, design and community place making.

2.3 Other issues impacting on the performance and efficiency of the industry - Planning and zoning regulation

KEY ISSUE

Which retail activities would be most/least likely to benefit from a broadening of zone definitions, as suggested by the Productivity Commission (2011), which expands the range of sites available for commercial activity?

Bulky Goods Retailing is a legitimate form of retailing that is separately defined in all State and Territory planning schemes across Australia. Common to all planning laws across Australia, is the premise that Bulky Goods Retailing is a separate category of retailing distinct from other types. Based on this separate definition, Bulky Goods Retailing has to date been able to locate on land that is zoned for purposes other than core Retail/Shops including lower order Business/Commercial and Industrial zoned land.

As there is a concentration of ownership of major shopping centres in Australia, a small number of companies control the vast majority of shopping centre retail floor space. Shopping centres are principally located in established centres where land for expansion of retail floor space is scarce. The supply of new retail floor space within existing shopping centres is also limited on the basis that the development potential of existing centres is constrained by current operations and existing leases with tenants.

In comparison, the ownership of bulky goods/homemaker retail facilities is more widely diversified. Bulky goods/homemaker centres are principally located on 'edge' or 'out-of-centre' locations where land for expansion and new development is more readily available.

The retail tenancy market is currently regulated and constrained by State and Local Government planning regulations that differentiate between various retail categories and the locations that these different categories can operate.

- Retail categories are regulated by a variety of separately defined land use terms i.e. shop, bulky goods retail, trade supplies etc;
- Location is regulated by land zonings under which different retail categories are permissible or prohibited i.e. Business, Commercial, Industrial and Residential Zonings and hybrid categories within this hierarchy.

The combination of both constrains access to the supply of retail goods by the consumer.

In relation to bulky goods/homemaker retailing there are wide ranging inconsistencies between the States in relation to both of these key regulations. This results in uncertainty and contributes to in-efficiencies in the operation of national businesses. In recent years there has been a significant increase in legal disputes arising from these inconsistencies.

The Productivity Commission's recent benchmarking report on Planning, Zoning and Development Assessments (2011) makes a detailed analysis of these issues and suggests (p 44) that if the prescriptiveness of zones and allowable uses were significantly reduced — particularly those relating to business definitions and/or processes — it would facilitate new retail and business formats to locate in existing business zones without necessitating changes to council plans to accommodate each variation in business model.

These changes would increase competition by allowing a wider range of businesses and developers to bid for the same land, better harness the market in allocating land to its most valued use, and cater much more easily for innovations in business and service delivery without requiring rezoning.

The BGRA wish to present a recent example of the broadening of land use and zone definitions, as suggested in the Commission's recent benchmarking report, which expands the range of sites available for commercial activity, including bulky goods retail.

On 25 January 2011, the NSW Department of Planning released amendments to the Standard Instrument via the Standard Instrument (Local Environmental Plans) Order 2011 (the amending order). The amending order contains significant changes to the NSW government's policy on retail, including bulky goods retail.

The amending order introduces a new definition of 'commercial premises' which means 'business premises', 'office premises', or 'retail premises', and which also expands and clarifies the definitions of 'business premises', 'office premises', and 'retail premises' to ensure these terms are industry group terms and not limited.

The old definition of retail premises was:

retail premises means a building or place used for the purpose of selling items by retail, or for hiring or displaying items for the purpose of selling them by retail or hiring them out, whether the items are goods or materials (or whether also sold by wholesale).

The new definition of retail premises is:

retail premises means a building or place used for the purpose of selling items by retail, or hiring or displaying items for the purpose of selling them or hiring them out, whether the items are goods or materials (or whether also sold by wholesale), and includes any of the following;

- (a) bulky goods premises,
- (b) cellar door premises,
- (c) food and drink premises,
- (d) garden centres,
- (e) hardware and building supplies,
- (f) kiosks,
- (g) landscaping material supplies,
- (h) markets,
- (i) plant nurseries,
- (j) roadside stalls,
- (k) rural supplies,

- (l) shops,
- (m) timber yards,
- (n) vehicle sales or hire premises,

but does not include highway service centres, service stations, industrial retail outlets or restricted premises.

Note. Retail premises are a type of commercial premises—see the definition of that term in this Dictionary.

Essentially the amended definition of “retail premises” means that wherever “retail premises” is permitted with consent, then “bulky goods premises” and many other broader retail types are also permissible.

The BGRA had previously recommended to the NSW Government that the definition of “retail premises” be expanded and clarified to overcome concerns that the Department’s policy left some forms of “retail premises” very open to interpretation, and specifically whether that term included other categories of retail that are separately defined e.g. “bulky goods premises”. The clarification of the “retail premises” definition within the Standard Instrument is a big step forward to improve planning for all categories of retailing and retail property development, including bulky goods premises.

The amending order also included:

- Changes to the B5 Business Development Zone which now specifically includes provisions for bulky goods in its objectives.
- Changes which mandate “bulky goods premises” as “permitted with consent” in four (4) standard zones. This includes the B2 Local Centre zone (as a “commercial premises”), B3 Commercial Core zone (as a “commercial premises”), B4 Mixed Use zone (as a “commercial premises”) and B5 Business Development zone (specifically mandated as “bulky goods premises”);
- New definitions of “garden centres”, “hardware and building supplies”, “landscaping material supplies” and “plant nurseries” as “permitted with consent” in three (3) standard zones. These new definitions better define the product range offered by such outlets.

Previously “bulky goods premises” had been omitted altogether as an objective in any zones within the standard land use tables in NSW. This enabled NSW councils to form their own policies in response to this land use and led to considerable uncertainty within the industry due to differing planning approaches to bulky goods retail adopted across council areas.

The new B5 Business Development zone is now the specific zone in NSW which councils can use to encourage and facilitate bulky goods development. And the amending order provides a clear mandated zone objective in terms of encouraging the development of bulky goods retailing in this zone. This is a significant step towards councils adopting a consistent approach to bulky goods development in new Local Environmental Plans (LEPs) across NSW, while still allowing local councils to respond to local needs and guide preferred development outcomes.

The mandating of “bulky goods premises” as permissible with consent in four (4) standard business zones across NSW has enabled the expansion of the range of sites available for commercial retail activity (via the broadening of the meaning of “retail premises”) in all levels

of centres. This will also facilitate new retail formats to locate in existing business zones without necessitating rezonings and other changes to council plans to accommodate various business models, and ensures that there will be no zoning barriers for any retail format. Essentially the broadening of the meaning of retail premises is a considerable step towards greater flexibility and competitive neutrality across the retail sector as a whole by eliminating inconsistencies in retailer definitions or differences between councils on which activities are allowed in particular zones.

For the flexible zoning approach in NSW to be successful, it is reliant upon the completion by NSW councils of the Standard Instrument LEP program. In addition, the adoption of the NSW draft centres policy (released in 2009 but not yet government policy) and the new Metropolitan Strategy for Sydney to 2036 will provide local councils with the desirable hierarchy of centres and associated land supply and employment targets to sustain these centres. Notably the NSW draft centres policy² suggests that 'generally a single 'zone' should be applied across the whole centre to provide certainty and flexibility for the market to respond to demand. The mix of uses within a centre is usually best left to market forces.'

It is also noted that the new Victorian government will be reviewing planning zones to ensure that their uses and definitions are still relevant.³

The BGRA support an expansive rather than a restrictive approach to zoning across all states and territories that makes allowance for the evolution of the retail industry as a whole.

2.4 Other issues impacting on the performance and efficiency of the industry - Retail trading restrictions

KEY ISSUES

Given the experience of the ACT and the Northern Territory with fully deregulated retail trading hours, what would be the implications of removing all retail trading restrictions in other Australian jurisdictions?

The Productivity Commission's recent benchmarking report on Planning, Zoning and Development Assessments (2011) considers the issue of land supply for various commercial uses and notes that factors outside the planning system can have a significant effect on the supply of land for different uses. For example non-planning regulations, such as restrictions on retail trading hours, limit the use of land or render its zoned use unviable. There is also a direct impact on the consumer through the restriction in choice, competition and convenience.

The BGRA advocate for full de-regulation of trading restrictions across all states in Australia as there is an indisputable net community benefit to be gained by the increase in choice, competition and convenience associated with the increased trading hours. This is particularly relevant to the bulky goods retail sector and the merchandise sold in bulky goods outlets.

² NSW Department of Planning (2009)

³ Victorian Liberal Nationals Coalition Plan for Planning (2010)

Bulky goods retailing is different to 'everyday needs' retailing typically associated with grocery and convenience goods shopping. Bulky goods retailing typically involves a large purchase (ticket) value; a planned and considered purchase usually undertaken by the family rather than individuals; an infrequent purchase; the need to undertake comparison in terms of merchandise type and relative costs. These unique attributes of bulky goods retailing result in demand from consumers for the shopping activities to be undertaken at times out of normal trading hours, including evenings and on weekends. Therefore, bulky goods retailing is ideally suited to weeknight and weekend trading to allow flexibility, increased opportunity and convenient access for consumers.

In response to the Western Australian Government's Issues Paper (October 2010), in relation to whitegoods and other consumer durables, which raised the issues of Sunday trading in Western Australia, the BGRA advocated the need for the full de-regulation of trading restrictions consistent with other states in Australia. However the BGRA supports the Government of Western Australia in its proposal to undertake incremental reforms to "progressively simplify the regime regulating trading hours". The BGRA consider the current proposal to permit trading in 'whitegoods' and certain other 'bulky' or 'durable consumer goods' to be a logical next step in the reform process. It is also an important step forward in recognising the importance of bulky goods retailing to the Western Australian economy and for consumers in general. There are significant benefits to consumers to be derived from the proposed changes including increased access, choice, competition and convenience.

The Western Australian proposal to permit Sunday trading in 'whitegoods' and other 'bulky' goods is forecast to result in a significant increase in business activity and employment. Deep End Services has analysed the store sales data for two of the larger BGRA members with mature store networks in Australia. The data shows that these retailers recorded sales increases in South Australia of 5-10% more than in the balance of Australia in the twelve months after the introduction of extended hours trading in South Australia in late October 2003. Such an increase is consistent with the experience in Victoria after the introduction of extended hours trading in that state in 1996.

The estimated impact of the extended trading hours in the Western Australia proposal to permit Sunday trading in 'whitegoods' and other 'bulky' goods has been calculated for the financial year 2011/2012 assuming the extended trading hours are implemented on 1 July 2011. The forecast sales in this financial year under the current trading regulation is \$8.4 billion. Allowing for a 5-10% increase in sales directly arising from the extended trading hours the revised forecast sales revenue would be approximately \$8.8 – \$9.2 billion. This represents increased sales of \$400 - \$800 million. The corresponding increase in employment arising from the combined effect of increased sales and one additional trading day is estimated to be approximately 1,210 - 2,420 full time equivalent (FTE) jobs directly and a further 1,210 - 2,420 (FTE) indirectly.

2.5 Other issues impacting on the performance and efficiency of the industry - **Other regulatory burdens imposed on the retail industry - Duplication and inconsistency of regulation between jurisdictions**

KEY ISSUES

Has progress in reaching agreement to, and implementing, relevant COAG regulatory reforms been adequate? If not, what can be done to facilitate more rapid progress in addressing regulatory cost burdens associated with jurisdictional inconsistencies and overlaps?

The BGRA notes some key recommendations for regulatory reform arising from the Productivity Commission's Inquiry into The Market for Retail Tenancy Leases in Australia (2008), the Australian Competition and Consumer Commission (ACCC) Inquiry into the Competitiveness of Retail Prices for Standard Groceries (2008), and the Productivity Commission's recent benchmarking report on Planning, Zoning and Development Assessments (2011). Whilst acknowledging that the subject of the first two inquiries was not directly related to Bulky Goods Retailing, some common themes emerge in all three inquiries that are applicable across all retail industry sectors.

The Productivity Commission Inquiry into The Market for Retail Tenancy Leases in Australia (2008) recommends (Recommendation 8):

"While recognising the merits of planning and zoning controls in preserving public amenity, States and Territories should examine the potential to relax those controls that limit competition and restrict retail space and its utilisation."

Section 9.4.3 of the ACCC Inquiry into the Competitiveness of Retail Prices for Standard Groceries (July 2008) notes:

"...The ACCC recommends that all appropriate levels of government consider ways in which zoning and planning laws and decisions in respect or retail of individual planning applications where additional retail space for the purpose of operating a supermarket is contemplated should have specific regard to the likely impact of the proposal on competition between the supermarkets in the area. Particular regard should be had to whether the proposal will facilitate the entry of a supermarket operator not currently trading in the area..."

In reaching this recommendation the ACCC commented that:

"...However, as noted, zoning and planning regimes, including existing centres policies, act as an artificial barrier to new supermarkets establishing in areas, thereby potentially impacting on competition between supermarkets to supply consumers. In particular, such policies, by limiting opportunities for new developments, contribute to increasing the level of concentration in the retail grocery sector..."

It is noted that these two inquiries did not take account of the significant shift in consumer patterns via the introduction of a new competitive element in the marketplace, being online retailing.

However, coupled with the Productivity Commission's recent benchmarking report on Planning, Zoning and Development Assessments (2011), these three inquiries make consistent recommendations for major changes to zoning and planning regimes across all states and territories to enhance competition. But to date there has been no demonstrable action taken by the Council of Australian Governments (COAG), to implement these recommendations (although there have been some modest initiatives in some jurisdictions).

The BGRA also wish to draw the Commission's attention to the work being undertaken to harmonise code based assessment for commercial and industrial development via COAG.

The Local Government and Planning Ministers' Council endorsed in late 2008 a National Development Assessment (DA) Reform Program, consisting of five projects designed to highlight the way forward in DA reform including national planning principles and harmonised code-based development assessments for single residential dwellings. Each project was led by one jurisdiction, with New South Wales responsible for developing code-based assessment for single dwelling houses.

In December 2009, COAG agreed implementation plans for these reforms and commissioned a further report from NSW on extending code-based assessment to residential multi-unit and commercial and industrial buildings by early 2010. At its meeting in February 2011, COAG welcomed the completion of a number of milestones, including:

- Implementation of code based assessment for single residential dwellings implemented in all States and Territories;
- National planning system principles have been agreed and implemented by all States and Territories;
- A framework has been developed to measure the benefits of current and future planning reform initiatives and all jurisdictions have agreed to use methodology to assess the benefits of any new national reform initiatives; and
- The first National Report on Development Assessment Performance 2008-09 has been delivered.

At its meeting in February 2011, COAG agreed to refer remaining DA reforms, including extension of code based assessment to industrial and commercial development and multi-unit development to the Ministerial Council for Federal Financial Relations in line with COAG's 19-20 April 2010 decision that the Ministerial Council will examine all current and future work in other COAG processes that will impact on housing supply and affordability. The Ministerial Council will now review the merits of remaining DA reforms as they relate to enhancing housing supply and affordability, and will report back to COAG in mid-2011 on the best way of ensuring a cohesive national approach to further development assessment reform.

The BGRA strongly support code based assessment of commercial and industrial development, including all forms of retail premises including bulky goods premises, and recommend the urgent completion of the COAG work to implement code based assessment for commercial and industrial development in all States and Territories.

The prioritisation of this work also accords with the Commission's support of the Development Assessment Forum's recommendations to stream development into assessment 'tracks' (exempt, prohibited, self assess, code assess, merit assess and impact assess) that correspond with the level of assessment required to make an appropriately informed decision. This both speeds up most development assessments, and releases assessment resources to focus on those proposals which are particularly technically complex or have significant impacts on others.

By way of an example of a successful model scheme, the NSW Government's introduction of the NSW Commercial and Industrial Code in 2009 as a new part of the State Environmental Planning Policy (Exempt and Complying Development Codes) 2008 (Codes SEPP) is a code based assessment scheme applying to existing commercial and industrial development, including retail premises plus bulky goods premises.

The NSW Commercial and Industrial Code has simplified the process for approving a change of use, minor external works and internal alterations to some existing commercial and industrial premises, including retail premises plus bulky goods premises. Under the Codes SEPP, certain development types are either exempt development or complying development.

The NSW Commercial and Industrial Code has thus enabled many forms of retail development, including bulky goods retail, to achieve swifter development approvals where the proposed development has minimal environmental impact because complying development applications must be determined within 10 days. Where a proposed development is classified as exempt development, no planning approval is required.

Currently, most NSW councils require a Development Application (DA) to be submitted when a new tenant moves into a retail location. This is despite, in many cases, few structural changes being required to house the new tenant.

Thus the new tenant is required to submit a DA to council, which then subjects the application to a merit-based assessment. For example, if a bulky goods retail tenant leaves and is replaced by another bulky goods retail tenant, the council subjects the DA to the same level of scrutiny as would be received by an application for a new building.

In addition, the DA process can take many weeks to proceed to a conclusion, so while the new tenant is paying for the use of the premises, they are prevented from opening while they await a decision by council.

The NSW Commercial and Industrial Code is designed to offer retail, office and industrial tenants an alternative approval option, one which is designed to provide a rapid and cost effective alternative to the DA process, while ensuring that all applications must meet a set of clear and consistent criteria, based on State-wide standards.

Rather than using the current DA process, tenants will be able to seek an approval via a Complying Development Certificate (CDC) or even as exempt development.

Under the complying development process, an accredited certifier or council officer will undertake an assessment of the proposed development, evaluating how it matches a

standards-based 'checklist' for that development type. If the development meets all of the specified criteria, then a CDC is normally issued within 10 days, allowing any work required to start sooner and the tenant to commence trading much earlier. This will result in tenants being aware of what standards they must meet to obtain approval to proceed and will result in much faster approvals for applicants who comply with the NSW Commercial and Industrial Code standards.

If the proposed work is of a low impact nature and meets the appropriate standards in the NSW Commercial and Industrial Code, it may be able to proceed as exempt development, requiring no additional planning approval, saving tenants and property owners even more time and money.

The Property Council of Australia has suggested⁴, based on consultation with their members, that significant cost savings are possible to businesses that utilise the NSW Commercial and Industrial Code to obtain a CDC, as opposed to seeking approval via a DA for small scale development such as internal fit-outs and changes of use.

In particular, the largest savings will come from the faster approval process, which results in the ability of business to commence trading in their new premises sooner. Currently the delays inherent in the DA system mean that a tenant, having signed a lease, then has to pay rent for premises in which they cannot operate, in some cases for several months, resulting in significant costs to business. The NSW Commercial and Industrial Code will reduce this 'dead money' by enabling faster approvals and earlier commencement of trading.

The amount that can be saved depends on the type of tenant that is seeking approval to operate. The key savings for the following categories are:

Retail (non-food)

Project: Fit-out valued at \$150,000 (110m²)

Indicative assessment cost - Council: \$2,400

Indicative assessment cost - Certifier: \$1,900

Cost saving on assessment: \$500

Processing time - Council: 4 to 8 weeks (average 4 weeks/28 days)

Processing time - Certifier: 10 days

Time saving: 18 days (on 4 week/28 day average)

Potential early rent commencement savings: \$4,500+ (based on \$250/day).

Retail (food)

Project: Fit-out valued at \$150,000 (110m²)

Indicative assessment cost - Council: \$2,900

Indicative assessment cost - Certifier: \$1,900

Cost saving on assessment: \$1,000

Processing time - Council: 5 to 9 weeks (average 5 weeks/35 days)

Processing time - Certifier: 10 days

Time saving: 25 days (on 5 week/35 day average)

Potential early rent commencement savings: \$6,250+ (based on \$250/day)

⁴ NSW Department of Planning (5/8/2009) *Cost savings and the NSW Commercial and Industrial Code*

Commercial office

Project: Fit-out valued at \$100,000 (100m²)

Indicative assessment cost - Council: \$2,200

Indicative assessment cost - Certifier: \$1,900

Cost saving on assessment: \$300

Processing time - Council: 4 to 12 weeks (average 4 weeks/28days)

Processing time - Certifier: 10 days

Time saving: 18 days (on 4 week/28 day average)

Potential early rent commencement savings: \$3,420+ (based on \$190/day)

Industrial

Project: Fit-out valued at \$1,000,000 (10,000m²)

Indicative assessment cost - Council: \$9,000

Indicative assessment cost - Certifier: \$7,000

Cost saving on assessment: \$2,000

Processing - Council: 12 to 26 weeks (average 12 weeks/84 days)

Processing - Certifier: 10 days

Time saving: 74 days (on 12 week/84 day average)

Potential early rent commencement savings: \$74,000+ (based on \$1,000/day)

Potential early rent commencement savings for the fit-out of bulky goods premises (which tend to be a floor plate of between 1,000-3,500 m²) have not been quantified by the Property Council. However the BGRA estimate these would be equivalent to the cost saving for a small industrial fit-out, with a potential cost saving in excess of \$30-40,000+ per project given the average cost of bulky goods premises fit-out and the current average time-frame for council assessment of bulky goods premises in NSW.

With an emphasis in the NSW Commercial and Industrial Code on Building Code and Australia certification standards, there seems to be significant opportunity for COAG to facilitate more rapid progress in developing code based assessment for Commercial and Industrial development across all states and territories. The use of certification by local council and private certifiers, is a significant aid to enable straight forward commercial development, including retail premises and bulky goods premises to overcome the delays and complexity of the planning approval system.

3.0 Conclusion

The BGRA welcomes this opportunity to contribute to the Productivity Commission for this project.

The BGRA is a key stakeholder in planning and zoning laws that regulate the retail market sector. Consequently, we are actively involved across Australia in numerous reviews of State Government planning policy and planning regulations that affect our industry.

The BGRA welcomes further consultation with the Productivity Commission in relation to this review and would be pleased to discuss any issues raised in further detail.

Please contact the undersigned regarding any aspect of this submission.

Philippa Kelly
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