

**Office of the Director General**

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11/08772

**Attention Ms Maggie Eibisch**  
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Dear Mr Kirby

I refer to the Productivity Commission Issues Paper: *Economic Structure and Performance of the Australian Retail Industry* (March 2011).

Comments from the NSW Department of Planning and Infrastructure are attached along with a completed Productivity Commission Submission Sheet.

Thank you for the opportunity to comment.

Yours sincerely

SIGNED

Sam Haddad  
**Director General**

## **NSW DEPARTMENT OF PLANNING AND INFRASTRUCTURE (DP&I)**

### **Background**

- Retail development plays a significant role in shaping the form and function of urban areas. The amenity provided by centres which offer a broad range of retail services, provides locally accessible jobs and can help to make adjacent higher density residential development a viable and attractive form of housing.
- In Sydney, the concentration of new housing development within the walking catchments of centres should strengthen the viability of both mall and street-front retail premises within centres.
- The *Metropolitan Plan for Sydney 2036* contains a centres hierarchy – but makes clear that centres will need to grow and change (and new centres emerge) over time.
- Any move to broaden zone definitions should be balanced with the broader societal benefits – beyond competition in the retail industry – that come from being able to control the location of landuses through more specific definitions.
- A key issue for the draft NSW Centres Policy is the need for planning for centres that can grow to meet demand and the benefits of directing development to them.

### **The role of retail activity in shaping urban areas**

The Issues Paper notes (p1) that retailing is an important economic activity as it provides the interface between the production and distribution of goods and services and their consumption by the Australian community. The Paper also notes that retail accounted for 4.3 per cent of Australian GDP in 2009-10.

Retail activity which occurs in a physical sense (as distinct from that which occurs online) also plays an important role in shaping the built form of urban areas. Retailing in the form of shops and restaurants generates human activity around transport movements, and the services provided by retail activity contribute to the amenity of an area. Locations which offer a broad range and variety of retail services are typically dynamic places which serve as a focus for other services – such as public transport, community services, entertainment and recreation.

In simple terms, retail activity plays a significant role in generating a “critical mass” of human activity to make nearby services and facilities viable and our towns and cities thrive.

### **Metropolitan Plan for Sydney 2036 and NSW Regional Strategies**

In NSW, the benefits of clustered retail activity have been recognised in successive metropolitan plans for Sydney and in our Regional Strategies for high growth areas.

The *Metropolitan Plan for Sydney 2036* (Metropolitan Plan) is based upon a ‘City of Cities’ concept (p24) – which describes a compact, multi-centred and connected city structure, enabling people and businesses to spend less time travelling to access work, services, shops or regional facilities. This promotes productivity and better infrastructure utilisation; reduces car use, energy use and emissions; and supports a more active and healthy lifestyle.

Unique amongst Australian cities, Sydney has a large number (greater than 20) of urban centres which each provide in excess of 10,000 jobs (Metropolitan Plan p135) –

including centres such as Parramatta, Bondi Junction, Liverpool, Bankstown, Blacktown and Chatswood. The Metropolitan Plan refers to such centres as Strategic Centres – and they are the centres in which the NSW Government has a particular strategic interest.

A significant factor in the success of these centres, and which allows them to operate as service hubs for their respective regions – is the clustering of retail activity. Most of Sydney's large shopping malls, for example, are located in urban centres serviced by the rail network. The Metropolitan Plan seeks to continue to locate commercial development (which includes retail premises, business premises and office premises) in the central part of existing or planned centres (p62), and notes that by providing adequate capacity for commercial development within centres, pressure for such development to occur in out-of-centre locations can be reduced.

Providing capacity for retailing which requires large floor areas, and which is not easily accommodated within existing centres, has been a particular challenge for urban planning. The Metropolitan Plan (p62) recognises that retailing which requires large floor areas, such as bulky goods premises, cannot always be readily accommodated in existing centres. In such cases, provision should be made for the clustering of such premises in new locations – rather than being dispersed throughout the urban area.

Outside Sydney, the clustering of retail premises in regional centres is also important for maintaining the strength and productivity of those centres.

## **Issues Paper**

### **Section 2 – Trends in retail trade and drivers of structural change**

*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?*

Section two of the Issues Paper describes developments in the retail industry. It notes the decline of high street retailing and rise of the shopping mall in the 1950s and 1960s, and the subsequent 'fight back' of high street shopping in inner city areas since the 1990s coinciding with gentrification and redevelopment. The Paper notes that retail outlets such as cafes, restaurants, niche bookshops and household goods suppliers are now part of the attraction of inner city living.

Within Sydney, the pattern of retail development is likely to be affected by the location of new housing. The Metropolitan Plan aims to locate 80 per cent of the 770,000 new dwellings required within the walking catchments of centres (in the five years to 2008/09, approximately 60% of new dwellings in Sydney were located in centres – Department of Planning and Infrastructure 2010a). New dwellings will be focussed within the walking catchments of centres, particularly those that are well serviced by public transport. Importantly, the concentration of new residential development in centres is likely to provide improved trading conditions for both mall and street-front retail premises within those centres.

In Sydney, the 'fight back' of high street shopping is not contained to the inner city. In the western suburbs, in Parramatta (identified in the Metropolitan Plan as Sydney's

second CBD), Church Street has become a focus for a vibrant restaurant and cafe precinct which adds considerably to the amenity of the area, particularly during the evenings. Moreover it has been recognised as having played a significant part in the re-positioning and revitalisation of that important Regional City.

In the north-west of Sydney, the new urban centre of Rouse Hill has been designed and developed around a traditional main-street urban form with “high street” retailing. In other parts of Sydney, such as Cabramatta and Bankstown, diverse main-street shopping precincts provide a focus for community activity, and significantly enhance the residential amenity of adjacent neighbourhoods.

This concentration of retail activity in centres, and the amenity provided by that activity, makes higher density residential development in existing centres more attractive – with new residents more likely to “trade off” the smaller size of an apartment (compared to a detached house) with the benefits that come from proximity to a vibrant centre providing a range of retail and other services and well designed public domain.

### **Issues Paper**

#### **Section 5 – Other issues impacting on the performance and efficiency of the industry**

*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?*

Apart from the Metropolitan Growth Centres, NSW does not determine the size and number of centres, but instead identifies the current hierarchy of centres in order to guide future growth and infrastructure planning and the need to establish new centres. The Growth Centres, which lie to the NW and SW of Sydney, are being planned and developed systematically to help meet Sydney’s housing and employment needs. As such, precinct planning for these areas identifies a range of interconnected centres from local in scale to new major centres to guide the location and phasing of development and infrastructure provision.

For the rest of the Sydney Metropolitan Region, the hierarchy of centres is outlined in the Metropolitan Plan – as summarised in table B1, below. Appendix 4 of the Metropolitan Plan provides a more detailed description of the typical characteristics of each centre type. Subregional strategies (of which there are ten, all in draft form) apply this hierarchy to centres in each subregion, and identify the location of centres. For areas outside Sydney, the Regional Strategies apply a similar hierarchy.








	CENTRE TYPE	BRIEF DESCRIPTION	APPROX WALKING CATCHMENT
<b>STRATEGIC CENTRES</b> The NSW Government has a strategic interest in the strength of these centres and leads their planning in conjunction with local government	<b>GLOBAL SYDNEY</b> 	<b>Central Sydney &amp; North Sydney</b> Primary focus for national and international business. A cultural, recreation and entertainment destination for the Sydney region	<b>2 km</b>
	<b>REGIONAL CITIES</b> 	<b>Parramatta, Liverpool &amp; Penrith</b> Operate as the 'capitals' of their regions, and contain a full range of services and activities	<b>2 km</b>
	<b>MAJOR CENTRES</b> 	The main shopping and business centres for their subregions	<b>1 km</b>
	<b>SPECIALISED CENTRES</b> 	Perform vital economic and employment roles across the metropolitan area. Include major airports, ports, hospitals, universities and clusters of research and business activities	<b>1 km</b>
<b>LOCAL CENTRES</b> Planning of these centres is led by local government in conjunction with the NSW Government	<b>Town Centres</b> 	A large group of shops and services	<b>800 m</b>
	<b>Villages</b> 	A group of shops and services for daily shopping	<b>400-600 m</b>
	<b>Neighbourhood Centres</b> 	A small group of shops and services. The smallest recognised centre type in this hierarchy	<b>150-200 m</b>

TABLE B1 CENTRE TYPES

In any review of documentation on the planning of centres, material on the strategic role of centre types needs to be distinguished from the zonings that may be used to give effect to those roles. The descriptions of different centre types in the Metropolitan Plan (in relation to such characteristics as the number of supermarkets) supersede those limited to *existing* centre characteristics included in the 2005 Metropolitan Strategy – which were misrepresented by some practitioners as prescribing or limiting the future composition of the centre types.

The Metropolitan Plan also makes clear (at action B1.1) that centres will need to grow and change over time. Application of the centres hierarchy does not mean that centres will be prevented from further development.

*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?*

The Department has responded to this matter, and related issues, in its response to the Productivity Commission 2011 Research Report, *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments*.

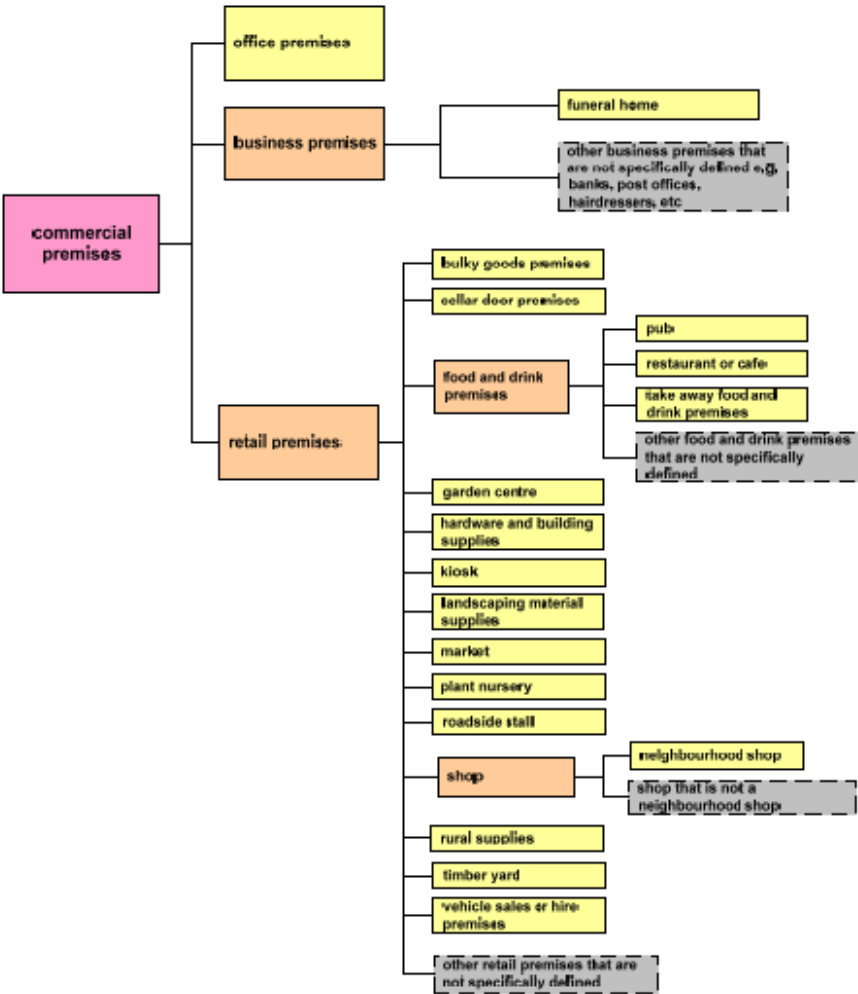
Any move to broaden land use definitions must be balanced with the broader societal benefits that come from being able to guide the location of particular landuses. Landuse definitions in NSW are contained in the Standard Instrument (Local Environmental Plans) Order 2006.

*LEP Practice Note PN 11-003 - Preparing LEPs using the Standard Instrument: definitions*, describes the relationship between different landuse definitions. The extract

below shows that there is a range of definitions for retail premises. This recognises, for example, that a “pub” operates differently from a “restaurant or cafe”. The range of landuses means that it is possible to allow restaurants in a particular location without necessarily allowing pubs. Accordingly, having a range of definitions for retail premises allows for the location of retail premises to respond to a range of competing priorities.

# COMMERCIAL PREMISES – RETAIL

LAND USE terms WITHIN commercial premises group term



LAND USE terms OUTSIDE commercial premises group term

Examples:

highway service centre	industrial retail outlet	restricted premises	service station
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## **References**

Department of Planning 2010a, *MDP 2008/09 Report: Metropolitan Development Program – Residential Forecasts 2008/09 – 2017/18*, Department of Planning, Sydney.

Department of Planning 2010b, *Metropolitan Plan for Sydney 2036*, Department of Planning, Sydney.

Department of Planning 2011, *LEP Practice Note PN 11-003 - Preparing LEPs using the Standard Instrument: definitions*.