

Dear Sir / Madam

**Re: Economic Structure and Performance of the Australian Retail Industry, Draft Report July 2011**

Thank you for the above report. It provides valuable insights into the retail industry. I agree with many points made however I write this submission to point out that I think the report has an omission in that it fails to identify that:

- **Retail investment and floorspace development over the past five years or so has overshot demand for retail goods.**

There appears to be simply too much floorspace and too many shops to meet the market demand in some key retail locations at the current time. This is of course variable by location and retail sector but on aggregate the issue of over-investment is not assessed in the draft report.

The over-investment topic may be missed perhaps in part due to opinion that planning and zoning is restrictive and as such over-supply is not possible. Further to that point, the report's evidence to support the statements on planning and zoning is theoretical and qualitative. No compelling measureable evidence is provided.

It would be possible to assemble data on retail investment and development in relation to market size in the main retail locations and assess impacts. If that is done, over-supply could well jump out as a factor. This could then lead into questions like: Who is driving the space and business development? On what basis have the investment decisions been made? What impact has over-investment had on the retail sector as a whole? How long will it take for demand to catch up to supply?

As an example in inner Melbourne, a prime retail market, the following developments have opened in recent years in a context where the City of Melbourne already had about 600,000 square metres of retail space: South Wharf DFO, Harbour Town Docklands, Costco Docklands, Spencer Street Retail, QV City, Victoria Gardens Richmond, various big box stores and on it goes.

The market for some of those investments always appeared questionable, and perhaps the investors assumed demand and per capita spending would move to a high growth trend. That has not happened and the result appears to be too much space to sustain strong retail business performance across the board in a generally tough climate.

I suggest that this gap be explored and assessed fairly without a starting assumption of investment constraint due to planning and zoning.

Kind regards  
Alex Hrelja  
8 August 2011