



Hawkesbury City Council

Attachment 2 & 3 to item 275

AT - 2
Economic Impact Assessment
(Don Fox Planning)

AT - 3
Review of Economic Impact
Assessment Report (SEMF)

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planning consultants

Incorporating
Hirst Consulting Services

Economic Impact Assessment



Proposed ALDI Store at Mulgrave

Prepared for: Steiner Richards
Project No: 7128A
Date: August 2008



SCANNED

Economic Impact Assessment
Proposed ALDI Store at Mulgrave

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- 1 Estimated Catchment Area of Mulgrave ALDI

1 Introduction

DFP (incorporating Hirst Consulting Services) has been commissioned to undertake an economic retail impact assessment of a proposed ALDI store at Mulgrave. The site is located off Curtis Road, adjacent to Hungry Jacks. The property has frontage to Winford Drive and Grier Crossing.

The purpose of this report is to identify potential economic impacts which may result from establishment of an ALDI store in this location.

This report will therefore discuss the following aspects:

- Characteristics of an ALDI store;
- Identification of an estimated catchment area and the population characteristics of that area, including population projections;
- The extent of potential retail expenditure from the catchment area;
- Retail facilities in the area, specifically supermarket facilities;
- The balance between existing supermarket floorspace and the identified expenditure potential;
- An assessment of the proposal in terms of the retail network;
- An assessment of the impact of the proposed store having regard for:
 - Contribution to regional sales;
 - Benefits of the store;
 - Source of sales;
 - Impacts on supermarkets in the area; and
 - Relationship with the Windsor town centre.

This report compares the expenditure directed to supermarkets and food stores throughout the local area with that required to support a new ALDI food store, because such expenditure is likely to derive from the same elements of household expenditure. Our use of calculated "supermarket expenditure" is therefore a convenient way of assessing potential expenditure in this context.

2 Characteristics of an ALDI Store

An ALDI store is a grocery store which is significantly different to traditional food stores or supermarkets. It is important to recognise the differences in any discussion of an ALDI proposal.

The key characteristics of an ALDI store are:

Product Lines

ALDI product lines include some 700 of the most often used products by the average household. Major chain supermarkets can sell up to 30,000 items. ALDI product lines are designed to cover most of the items on an average weekly local grocery shopping list. However, an ALDI store is not a one-stop shop like major chain supermarkets in that it does not carry a wide range of specialty items.

Store Size

ALDI's preferred size is approximately 1,500 square metres of total floor area of which the selling area is usually about 950 square metres. This proposal is a typical store, with a limited retail area, much smaller than most new Coles or Woolworths supermarkets which

are generally more than 3,500 square metres, and smaller than many discount-type supermarkets which commonly range up to 2,000 square metres.

Employees

An ALDI store would typically employ between 15-20 staff.

Pricing Policies

Fundamental to ALDI's operation is the policy of permanently low prices. These are achieved through offering limited product lines, the operation of a "private label" program which is designed to remove extraneous costs, and especially tight cost control over every aspect of the retail operation.

Store Design & Presentation

The guiding philosophy behind the design of ALDI stores is simplicity and convenience. Each store is built to an established company model with a standard arrangement of sales area and support space. Products are offered for sale in a simple, low-cost environment which does not add to their cost. In particular, some of the extras found in other grocery stores, such as fancy displays, packers, cheque cashing, or customer loyalty programs, are missing.

The result is that ALDI overheads are kept down and savings are passed on to the customer. The design of an ALDI store is aimed at providing a shopping experience uncomplicated by unnecessary and complex procedures.

Sales Performance

The efficient layout of an ALDI store, together with the company strategy of providing top quality groceries at low prices, has resulted in high sales rates in established stores. Company experience with stores already operating throughout Australia is that other supermarket chains, with larger stores in more traditional formats, continue to trade successfully in the vicinity of ALDI stores. The wider range of products and their close proximity to ancillary retailers and services provide those stores with a trading opportunity distinct from ALDI's.

It is precisely this combination of characteristics which marks an ALDI store as a small-scale operation dedicated to serving the immediate convenience shopping needs of its catchment area population. This is not a retail concept adapted for a specific local purpose, but is rather an established commercial model applied in an effective manner, and ideal for such circumstances. It is also a retail operation which, by virtue of its distinctiveness, can complement any existing shops, especially food shops. The unique nature of grocery retailing provided by ALDI, together with the significant savings available to shoppers, also result in the potential of an ALDI store to draw customers from a much wider area than more traditional grocery stores.

Pricing Policy

From the opening of its first Australian store in January 2001, ALDI's belief has been that all people, wherever they live, should have the opportunity to buy everyday groceries of the highest quality at very low prices. In keeping with this principle, ALDI has recently become the first grocery retailer in Australia to introduce National Pricing - ensuring customers are not discriminated against because of where they live, and Unit Pricing - displaying the price per unit of measure, and therefore helping customers to choose the best deal.

3 Population

3.1 Identification of Catchment Area

It is acknowledged that Windsor is the main retail and service centre for the Hawkesbury LGA. Windsor is supported by a system of smaller centres ranging in size from Richmond (which services the northern and western areas of the LGA) through to local centres (such as South Windsor and Bligh Park) and neighbourhood centres, (like McGraths Hill).

Considering the range of food and grocery stores currently available within Windsor and other areas, and understanding the influence an ALDI store can exhibit, a catchment area for the proposed Mulgrave ALDI store has been estimated. Because this store is not part of a major centre, it is unlikely to have a defined trade area; rather, an area from which patrons could potentially be attracted (having regard to a variety of influences including physical barriers, existing supermarket and grocery store facilities and centres) has been estimated. This area will be referred to as the catchment area.

In our opinion, given that the northern and western areas of the Hawkesbury LGA have access to an existing ALDI at Richmond, the catchment area for the proposed store at Mulgrave could include much of the southern and eastern parts of the LGA including the localities of Windsor, South Windsor, Bligh Park, McGraths Hill, Pitt Town, Oakville, and Maraylya.

Access to the Mulgrave area from Windsor, South Windsor and Bligh Park has improved and is now flood free as a result of the completion of the Jim Anderson Bridge linking Railway Road north to Forbes Street. This route also effectively creates a by-pass to the Windsor town centre for vehicles travelling between Windsor Road and Richmond Road. A ramp off the bridge provides convenient access to Mulgrave Road and the Mulgrave enterprise area in which the site is located.

In this analysis, it is important to keep in mind that this is not ALDI's exclusive catchment; rather it is a catchment shared with the nominated centres in the area.

The estimated catchment area is identified in **Figure 1** below.

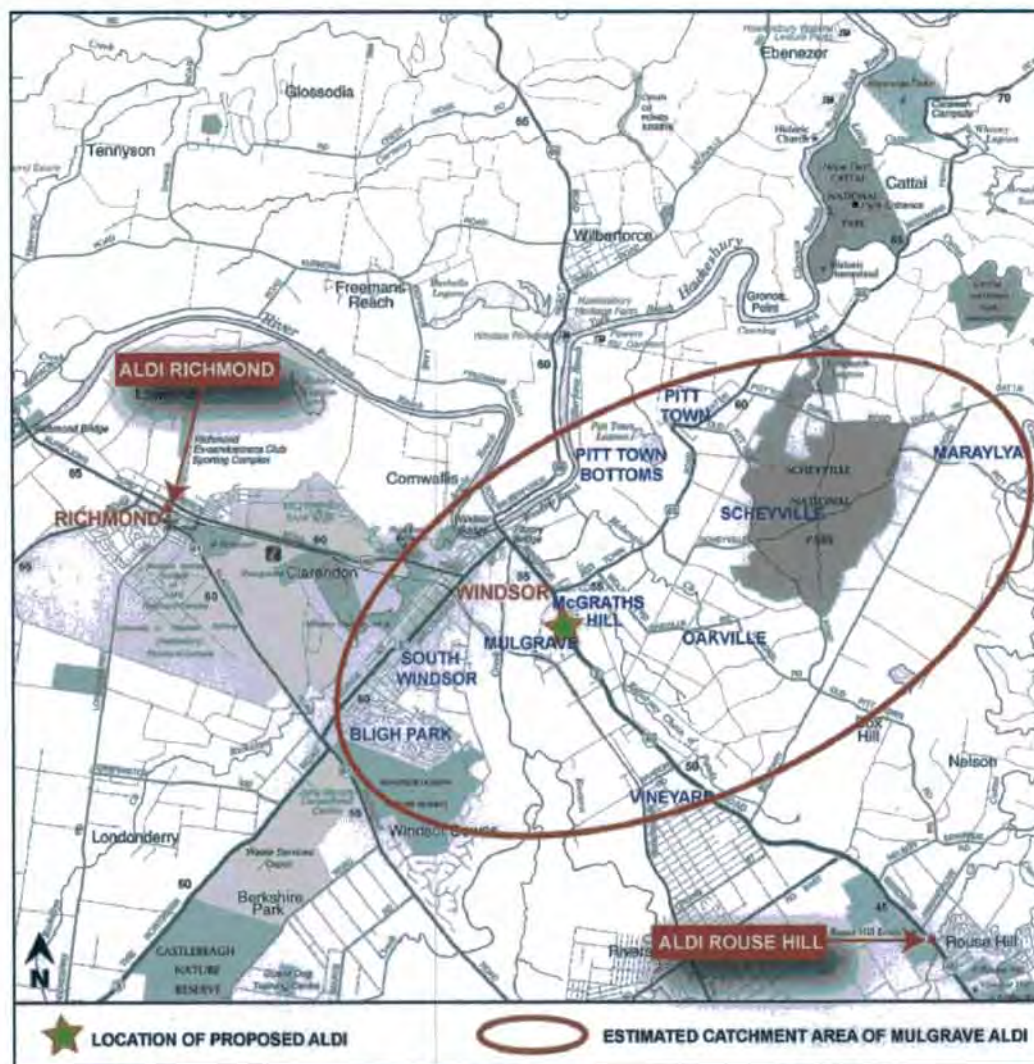


Figure 1 – Estimated Catchment Area of Mulgrave ALDI

3.2 Population Characteristics of the Catchment Area

The most recent comprehensive population characteristics are those provided in the 2006 Census. A profile of the population of the Mulgrave catchment area drawing on 2006 information is included in **Table 1** on the following pages. A comparison is also presented with the population of the Hawkesbury LGA and Sydney metropolitan area.

Significant characteristics of the population of this area include:

- On the night of the Census, almost 97% of the population of the catchment area were at home. Therefore the data is representative of the characteristics of the area.
- In 2006 there were more than 21,280 residents living in 7,095 dwellings in the area.
- There was a higher proportion of 0-14 year olds (compared to Sydney), and a corresponding lower proportion of persons aged 55 years or more in the area.
- Almost 86% of households occupy separate houses.
- The proportion of home ownership in the catchment area is similar to that of Sydney but the proportion of households paying mortgages was significantly higher in the area.

- There were also a higher number of rented households in the area, 32.5% compared to 23.9% in the LGA as a whole.
- 20% of catchment area households were single parent families. This is higher than both the LGA and Sydney.
- 51% of households comprised a couple with children.
- Almost 71% of catchment area households were on low to medium incomes.
- Mortgage repayments and rental were slightly lower than Sydney's, but the median annual household income was also lower.
- The population of the catchment area was fairly mobile with only 6% of households having no vehicle available.

These characteristics suggest that the population of the catchment comprises a large proportion of households on low to medium incomes. Many households also appear to have significant commitments in terms of rental and mortgage repayments. And, there is a high proportion of single parent households. These characteristics suggest that the overall catchment area population would most likely welcome a convenient retail outlet providing inexpensive grocery necessities.

Table 1: Extract from 2006 Basic Community Profile						
	Mulgrave Catchment Area		Hawkesbury LGA		Sydney Metro	
	Persons	%	Persons	%	Persons	%
Total Persons	21,280		60,924		4,119,191	
Australian born	17,458	82%	49,208	81%	2,486,711	60%
Overseas born: ESC	1,392	7%	4,185	7%	294,146	7%
Overseas born: NES	1,090	5%	3,770	6%	1,013,270	25%
Total Overseas born	2,482	12%	7,955	13%	1,307,416	32%
Aged 15 or more	15,986	75%	46,613	77%	3,314,159	80%
Labourforce/Total Pers.		67.7%		66.4%		60.7%
Different address 5 years ago (5+yo)		33%		32%		35%
Age Groups in the Population	Persons	Percent	Persons	Percent	Persons	Percent
0-14	5,290	24.9%	14,306	23.5%	805,032	19.5%
15-24	3,168	14.9%	8,990	14.8%	569,894	13.8%
25-54	9,310	43.7%	25,584	42.0%	1,816,107	44.1%
55+	3,513	16.5%	12,043	19.8%	928,159	22.5%
Total	21,281	100.0%	60,923	100.0%	4,119,192	100.0%
Usual Place of Residence	Persons	Percent	Persons	Percent	Persons	Percent
Counted at home	20620	96.9%	59093	97.0%	3981389	96.7%
Same statistical local area	243	1.1%	572	0.9%	26153	0.6%
Different SLA	438	2.1%	1720	2.8%	94509	2.3%
Structure of (Occupied Private) Dwellings	Total	Percent	Total	Percent	Total	Percent
Separate House	6,092	85.9%	18,123	85.7%	905,635	63.6%
Semi/Row/Town/etc	686	9.7%	1,704	8.1%	168,433	11.8%
Flat/Unit/Apartment	275	3.9%	847	4.0%	339,782	23.9%
Other Dwellings	42	0.6%	463	2.2%	8,646	0.6%
Not stated	0	0.0%	6	0.0%	1,039	0.1%
Total OPD	7,095	100%	21,143	100%	1,423,535	100%
Average Occupancy (Persons/dwelling)	2.85		2.78		2.67	

Table 1: Extract from 2006 Basic Community Profile

	Mulgrave Catchment Area		Hawkesbury LGA		Sydney Metro	
Persons usually present per household	Households	%	Households	%	Households	%
1 person	1,310	18.49%	4,486	21.22%	328,515	23.08%
2 persons	2,116	29.87%	6,364	30.10%	444,103	31.20%
3 persons	1,290	18.21%	3,557	16.82%	240,315	16.88%
4 persons	1,404	19.82%	3,767	17.82%	245,033	17.21%
5 persons	642	9.06%	1,986	9.39%	110,342	7.75%
6 or more persons	323	4.56%	983	4.65%	55,227	3.88%
<i>Total households</i>	<i>7,085</i>		<i>21,143</i>		<i>1,423,535</i>	
Nature of Occupancy	Number	Percent	Number	Percent	Number	Percent
Owned	1,674	23.6%	6,106	28.9%	454,596	31.9%
Being Purchased	2,905	41.0%	8,392	39.7%	471,084	33.1%
Rented:						
Real Estate Agent	1,174	16.6%	2,607	12.3%	276,139	19.4%
State Housing Auth.	539	7.6%	799	3.8%	68,664	4.8%
Other rented	552	7.8%	1,504	7.1%	91,430	6.4%
Not stated	40	0.6%	135	0.6%	9,458	0.7%
<i>Total Rented</i>	<i>2,305</i>	<i>32.5%</i>	<i>5,045</i>	<i>23.9%</i>	<i>445,691</i>	<i>31.3%</i>
Other tenure	47	0.7%	113	0.5%	10,484	0.7%
Not Stated	160	2.3%	1,485	7.0%	41,684	2.9%
<i>Total</i>	<i>7,091</i>	<i>100.0%</i>	<i>21,141</i>	<i>100.0%</i>	<i>1,423,539</i>	<i>100.0%</i>
Household Composition						
Couple with Children	2,883	51%	8,196	51%	523,813	49%
Couple without Children	1,616	28%	5,103	32%	352,715	33%
Single Parent	1,114	20%	2,514	16%	166,198	16%
Other Families	66	1%	153	1%	20,657	2%
<i>Total Families</i>	<i>5,679</i>		<i>15,966</i>		<i>1,063,383</i>	
Lone Person Households	1310	18%	4486	21%	328515	23%
Group Households	239	3%	191	1%	59613	4%
Medians	Value		Value		Value	
Weekly Rent	\$205		\$205		\$250	
Monthly Mortgage	\$1,608		\$1,653		\$1,833	
Annual Household Income	\$59,380		\$59,490		\$60,010	
Weekly Income per Household	No. of H'holds	Percent	No. of H'holds	Percent	No. of H'holds	Percent
\$0 - \$649	1,606	22.6%	4,699	23.2%	356,880	25.1%
\$650 - \$1999	3,427	48.3%	9,441	46.6%	578,156	40.6%
\$2000 +	1,260	17.8%	3,720	18.4%	327,384	23.0%
Other, including not stated		11.3%		11.9%		11.9%
Motor Vehicles		% of H'holds		% of H'holds		% of H'holds
Zero		7%		6%		13%
One		31%		28%		39%
Two		39%		37%		32%
Three or more		25%		27%		17%
No. of vehicles not stated		4%		8%		4%
<i>Average</i>	<i>1.8</i>		<i>1.9</i>		<i>1.5</i>	

Source: ABS 2006 Census

Note: "Households" may exceed "dwellings" in this table, but only because of Census definitions.

3.3 Population Projections

According to population projections produced by the Department of Planning¹ in 2001 there were 62,814 persons in the Hawkesbury LGA and it was estimated that in 2006 there could be 63,882 persons. These estimates do not accord with the Census counts for these years which were 61,073 (2001) and 60,924 (2006).

Notwithstanding the lack of population growth, the number of households in the LGA has been increasing. This is characteristic of much of Sydney where declining household occupancies are leading to fewer people in an area overall. The result is more households with fewer people.

Between 1996 and 2001, the number of households in the Hawkesbury LGA grew by 1.8% per annum, but only 0.3% per annum between 2001 and 2006. There was a slight population increase between 1996 and 2001 (1.3% per annum), although between 2001 and 2006 the population remained almost static.

The population estimates detailed in **Table 2** are significantly less than those estimated by TPDC in their 2005 release and are therefore considered to be conservative.

In 2006, 35% of the population of the Hawkesbury LGA was located in the estimated catchment area. The Pitt Town Residential Precinct is located in the catchment area. There could eventually be a total of 739 new residential allotments in the Pitt Town area. Applications are currently being considered by the Department of Planning for this development, however consent for 225 of these allotments has already been granted.

According to documentation prepared in relation to the draft North West subregional strategy which is currently being exhibited by the Department of Planning "....within most parts of the Hawkesbury local government area to the south of the Hawkesbury River there is no capacity for additional growth outside that already planned under....the LEP....In Pitt Town, there is a small amount of capacity for additional growth within the existing flood evacuation route."²

Therefore although the strategy makes provision for 5,000 additional dwellings in the Hawkesbury LGA by 2031, the bulk of these will be outside the estimated catchment area.

For the purposes of this assessment, it will be assumed that household numbers in the catchment area in the years 2008 – 2021 will only increase at a rate of 0.8% per annum, and 1.3% per annum for the LGA.

Table 2 : Mulgrave Catchment Area Population Projections 2008 -2021

Area	2008		2011		2016		2021	
	Persons	H'holds	Persons	H'holds	Persons	H'holds	Persons	H'holds
Mulgrave Catchment Area	20,528	7,209	21,020	7,382	21,861	7,677	22,736	7,984
Hawkesbury LGA	61,318	21,693	63,709	22,539	67,850	24,004	68,448	25,564
Source: DFP estimates based on average growth in households of 0.8% per annum for the catchment area and 1.3% per annum for the LGA. Population projections based on 2006 average occupancy rates.								

¹ NSW SLA Population Projections, 2001 to 2031, 2005 Release, by Transport & Population Data Centre (TPDC).

² Extract from Pg82 of draft North West sub regional strategy.

4 Existing Retail Facilities

4.1 Introduction

The following is an assessment of the function and services provided by each of the existing retail centres located within the nominated catchment area. A review of the supermarket and grocery store floorspace within each of these centres is also included.

4.2 Windsor

Windsor functions as the main retail, commercial and cultural centre for the Hawkesbury LGA, and in particular for the localities and suburbs in the southern, eastern and north-eastern parts of the LGA, providing a range of outlets and services generally sought after by the local community. The main retail strip of Windsor is located along George Street between Baker Street and New Street. There are two enclosed shopping centres in Windsor: the Windsor Town Centre complex on Kable Street and the recently completed Windsor Riverview off New Street. The Windsor Town Centre is currently being rebuilt.

The previous Windsor Town Centre comprised a total of 4,764 square metres, 2,240 square metres of which was occupied by a Woolworths supermarket. This centre also accommodated 19 specialty stores. The site is currently a construction site. Discussions with Hawkesbury Council have revealed that the new development on this site is likely to comprise the following:

- 3,500m² Woolworths supermarket to replace the previous 2,240m² facility
- 2 specialty stores of 295m² and 239m²
- 2 kiosks (20m² and 25m²)
- 1 mini-major tenancy of 493m².

It is anticipated that the new centre will begin trading in early 2009. For the purposes of simplifying this assessment, it will be assumed that the centre is already trading and this assessment will be based on the operation of a 3,500m² Woolworths supermarket operating in Windsor.

Windsor Riverview was opened in December 2006. This centre is anchored by a Coles supermarket, Liquorland and 31 specialty stores. It is estimated that the floor area of Coles (excluding Liquorland) is 3,100 square metres. The premises previously occupied by Coles on Macquarie Street is now a Target Country store.

4.3 South Windsor

The South Windsor shopping centre is located on George Street, between Argyle Street and Campbell Street, South Windsor.

This is a local centre comprising approximately 25 shops, including:

- TAB;
- Takeaway food outlets;
- Liquorland;
- Butcher;
- Florist;
- Newsagent;
- Bakery;

- Grocery store – Friendly Grocer;
- Chemist;
- Barber;
- Dentist;
- Delicatessen;
- Post office;
- Fruit shop;
- Restaurant;
- Small convenience store;
- Pet accessories;
- Auto spares/accessories; and
- Real estate agent.

We estimate the Friendly Grocer has a floor area of 250 square metres.

4.4 Bligh Park

Bligh Park is located more than 3 kilometres south west of the Windsor town centre. The Bligh Park shopping centre is a small local centre anchored by an IGA supermarket, on the corner of Sirius Road and Colonial Drive. There are a total of 11 outlets in this centre, all of which offer services generally sought by the local community on a day to day basis. We estimate the floor area of the IGA to be approximately 400 square metres.

An area on the south-western corner of Rifle Range Road and Colonial Drive, Bligh Park is zoned 3(a). This land is currently vacant. Development of this site is controlled by Hawkesbury Development Control Plan 2000 (DCP 2000). In accordance with DCP 2000, the general principles in relation to the development of this land include:

- To encourage a range of shops and services that are appropriate and convenient to local needs.
- Any commercial development of this site will be limited to 1,500 square metres of floor space.

Therefore, it is unlikely that any retail development on this site would include a main line supermarket.

4.5 McGraths Hill

The suburb of McGraths Hill is located 2 kilometres south east of Windsor, east of Windsor Road and south of Pitt Town Road.

On Red House Crescent stands a small neighbourhood centre comprising:

- Chinese Restaurant;
- Bakery;
- Mixed Business;
- Newsagent; and
- Hairdresser.

We estimate that the floor area of the mixed business is 120 square metres.

4.6 Other Centres

Richmond is the secondary major centre in the Hawkesbury LGA. It is located 5.5 kilometres west of Windsor and is the main centre for the rural areas in the northern and western parts of the LGA. Major food and grocery retailers in Richmond include Woolworths, Coles, and ALDI. Whereas Windsor would attract trade from the southern, eastern and north-eastern parts of the LGA, Richmond appears to be the main centre for those parts to the north and west.

4.7 Summary of Centres

Windsor is the main centre in the Hawkesbury LGA. Major food and grocery retailers in Windsor are:

- Woolworths 3,500 square metres
- Coles 3,100 square metres

South Windsor is a local centre, with a small Friendly Grocer supermarket of approximately 250 square metres. The Bligh Park local centre is anchored by an IGA supermarket (including IGA Liquor) of 400 square metres. There is a small mixed business of 120 square metres in the McGraths Hill neighbourhood centre.

5 Expenditure Potential

5.1 Household Expenditure

For the purposes of assessing the expenditure potential of households within the catchment area, a technique which categorizes a community in terms of household income, and combines these characteristics with the general expenditure on specific retail items as noted from the 2003/04 Household Expenditure Survey (updated by applying the Consumer Price Index), will be used. Using this technique, annual household expenditure as shown in **Table 3** can be expected from households within the Mulgrave catchment area. For the years 2011, 2016 and 2021 an annual growth rate of 1.0% has also been applied, although the dollar value has been kept constant.

Table 3: Estimated Retail Expenditure per Catchment Area Household and in Total, 2008 - 2021							
Retail Commodity Group	\$per Household	Total all households 2008 (\$mil)	Total all households 2011 (\$mil)	Total all households 2016 (\$mil)	Total all households 2021 (\$mil)	Hawkesbury LGA Av. \$ per Household	Sydney Metro Average \$ per household
Food for Home	\$8,755.0	\$63.1	\$66.6	\$72.7	\$79.4	\$8,752.2	\$8,820.5
Clothing	\$2,315.8	\$16.7	\$17.6	\$19.2	\$21.0	\$2,318.7	\$2,361.8
Small Household Goods	\$4,524.1	\$32.6	\$34.4	\$37.6	\$41.0	\$4,523.9	\$4,568.6
Large Household Goods	\$6,909.0	\$49.8	\$52.5	\$57.4	\$62.6	\$6,909.2	\$6,987.9
Personal Services	\$2,636.5	\$19.0	\$20.0	\$21.9	\$23.9	\$2,640.4	\$2,686.5
Food Restaurants	\$1,902.3	\$13.7	\$14.5	\$15.8	\$17.2	\$1,908.7	\$1,961.0
Take Away Food	\$1,561.7	\$11.3	\$11.9	\$13.0	\$14.2	\$1,561.7	\$1,583.3
TOTAL (\$)	\$28,604.5	\$206.2	\$217.5	\$237.5	\$259.3	\$28,614.8	\$28,969.7
Supermarket Expenditure	\$9,201.1	\$66.3	\$70.0	\$76.4	\$83.4	\$9,197.1	\$9,263.5
Source: ABS: Basic Community Profile, Household Income Data. ABS: Household Expenditure Survey, 2003/04 Detailed Expenditure Items, Cat. No. 6535.0.55.001 Base Data: ABS Consumer Price Index, June 2008 Totals: Annual Growth Rate of 1.0% factored in							

The data in Table 3 indicates:

- Households within the catchment area could expend an average of \$28,600 on retail commodity goods in 2008;
- Based on the expected growth in the number of households and an increase in spending capacity, total expenditure on all retail commodity items from all households in the catchment area could be \$206.2 million in 2008, increasing to \$217.5 million in 2011 and \$237.5 million in 2016; and
- Table 3 also includes an estimate of household expenditure that could be directed to supermarkets. During 2008 it is estimated that each catchment area household could expend almost \$9,200 at supermarkets and food stores, or a total of \$66.3 million. By 2011 this could increase to \$70 million and \$76.4 million by 2016.

6 Retail Assessment of the ALDI Store

6.1 Existing Supermarket Floorspace

Within the catchment area, there are currently only two full-line supermarkets - Coles and Woolworths in Windsor. These stores have a combined floor space of 6,600 square metres.

The estimated combined floorspace of the other (smaller) grocery stores within the catchment area is 770 square metres.

6.2 Sales Performance

Information from industry sources indicates that ALDI stores achieve relatively high average sales, as might be expected of such a successful concept in line with the attractiveness of the store and its operational efficiency.

It is therefore reasonable to suggest a relatively high sales performance estimate for the purposes of analysing the potential of this proposed ALDI store, bearing in mind the levels of sales achieved by traditional Australian supermarkets, the outer-metropolitan location, and notwithstanding the fact that ALDI offers its products at a lower-than-average price. The turnover experienced by ALDI is unlikely to be matched by a conventional supermarket operating out of similar (limited) floorspace, particularly where that supermarket is not the major anchor tenant of a centre.

Table 4 is an estimate of what might reasonably be expected in terms of the sales performance of the existing supermarket floorspace based on our experience and by reference to sales levels quoted elsewhere. Also included in Table 4 is an estimate of turnover based on the floorspace and rates of performance of the proposed store. The future turnover estimates assume an annual average growth rate of 1.5%.

Store	Estimated Floorspace (m ²)	2008 sales (\$/m ² /annum)	2008 turnover (\$mil)	2011 sales (\$/m ² /annum)	2011 turnover (\$mil)	2016 sales (\$/m ² /annum)	2016 turnover (\$mil)
Woolworths	3,500	\$8,300	\$29.05	\$8,674	\$30.36	\$9,324	\$32.63
Coles	3,100	\$8,300	\$25.73	\$8,674	\$26.89	\$9,324	\$28.90
IGA Bligh Park	400	\$5,000	\$2.00	\$5,225	\$2.09	\$5,617	\$2.25
Friendly Grocer	250	\$4,500	\$1.13	\$4,703	\$1.18	\$5,055	\$1.26
McGraths Hill General Store	120	\$3,000	\$0.36	\$3,135	\$0.38	\$3,370	\$0.40
Subtotal			\$58.27		\$60.89		\$65.45
ALDI	1,500	\$7,750	\$11.63	\$8,099	\$12.15	\$8,706	\$13.06
Total			\$69.89		\$73.04		\$78.51

Source: DFP Estimates

Table 4 indicates that:

- In 2008, total sales of supermarkets and food stores could be \$58.27 million, or \$69.9 million if the ALDI were also trading.
- By 2011, assuming ALDI is operational, sales could total \$73 million, increasing to \$78.5 million in 2016.

6.3 Sales v Available Expenditure

By comparing Table 4 with the earlier Table 3, the following can be noted:

- At present, the combined floor area of the two existing supermarkets and other grocery stores 'needs' \$58.27 million to turnover at a reasonable rate commensurate with the size and style of these shops and their outer metropolitan location.
- But, there is over \$66.3 million available from the catchment area households to support supermarket-type floorspace. In effect therefore, there is over \$8 million of 'excess' supermarket expenditure available from households in the catchment area in 2008.
- This suggests that some stores, in particular Coles and Woolworths, could well be currently 'overtrading'. Overtrading is the term applied when a store captures more than a fair market share of expenditure, mainly because of the absence of competition.
- If ALDI was operating now, it could absorb \$8 million of this 'surplus' expenditure and would only need to attract \$3.7 million from competitor sales to establish a reasonable turnover for itself.
- By 2011, the available household supermarket expenditure is estimated to be \$70 million, with supermarket sales an estimated \$73.1 million.
- By 2016 the available household 'supermarket' expenditure of \$76.4 million is almost equivalent to the estimated trading requirements of all food stores within the catchment area of \$78.5 million.

The above scenarios assume that all supermarkets and food and grocery stores share the whole of the same catchment area as ALDI.

Whilst this is almost certainly true of the South Windsor Friendly Grocer, Bligh Park IGA and the mixed business at McGraths Hill, (or to be more specific, these stores have trade areas within the ALDI Mulgrave catchment area), the trade areas of the Coles and Woolworths supermarkets at Windsor are likely to extend beyond this catchment area and include areas to the north-east of the river. Such areas include the localities of Freemans Reach, Wilberforce and Ebenezer.

There were 1,825 households³ in that part of the Hawkesbury LGA in 2006. If each of these household expends (on average) \$9,400⁴ in supermarkets in 2008, there could be:

- \$17.15 million of supermarket expenditure available from these households in 2008;
- \$17.68 million in 2011; and
- \$18.58 million in 2016.

³ Number of households in Ebenezer, Freemans Reach and Wilberforce in 2006 according to ABS Census

⁴ Slightly higher estimated supermarket expenditure based on median annual household income of \$63,910, which is higher than that of catchment area households (\$59,380).

The above estimates assume there is no increase in household numbers and that the increase in spending is limited to 1% growth per annum.

Given that Windsor is the closest centre to these areas, in our opinion a significant proportion of available supermarket expenditure from their households would most likely be directed to the Coles and Woolworths supermarkets in Windsor.

If 75% of the available supermarket expenditure from these households was directed to outlets in Windsor, in 2008 there could be \$12.86 million available to help support Windsor supermarkets, \$13.26 million in 2011 and \$13.93 million in 2016.

For the purposes of this assessment, it will be assumed that this expenditure is split 50/50 between Coles and Woolworths. Therefore, in 2008, \$6.43 million of sales at Coles or Woolworths could originate from households beyond the ALDI catchment area.

Table 5 below is an estimate of the sales likely to be attracted to supermarkets and grocery stores within the common catchment area from catchment area households. For those outlets where it is estimated that 100% of sales originate from within the catchment area, this does not suggest that **all** supermarket expenditure from these households would be directed to these facilities; it does suggest, however, that these facilities are unlikely to attract expenditure from other areas.

Table 5: Estimated Supermarket Sales from Trade Area, 2008 - 2016							
	Estimated % Sales from ALDI Catchment Area	2008 turnover (\$mil)	Sales from Trade Area in 2008 \$ mil	2011 turnover (\$mil)	Sales from Trade Area in 2011 \$ mil	2016 turnover (\$mil)	Sales from Trade Area in 2016 \$ mil
Woolworths	78%	\$29.05	\$22.62	\$30.36	\$23.64	\$32.63	\$25.41
Coles	75%	\$25.73	\$19.30	\$26.89	\$20.17	\$28.90	\$21.68
IGA Bligh Park	100%	\$2.00	\$2.00	\$2.09	\$2.09	\$2.25	\$2.25
Friendly Grocer	100%	\$1.13	\$1.13	\$1.18	\$1.18	\$1.26	\$1.26
Mixed Business, McGraths Hill	100%	\$0.36	\$0.36	\$0.38	\$0.38	\$0.40	\$0.40
Subtotal		\$58.27	\$45.41	\$60.89	\$47.45	\$65.45	\$51.01
ALDI	95%	\$11.63	\$11.04	\$12.15	\$11.54	\$13.06	\$12.41
Total		\$69.89	\$56.45	\$73.04	\$58.99	\$78.51	\$63.41

Source: DFP Estimates. Assumes that in 2008 \$6.43 mil of sales at Windsor Coles and Woolworths originate from areas outside the ALDI trade area. 95% of ALDI sales from Catchment Area households makes allowance for a proportion of sales at ALDI to result from passing trade.

On the basis of the estimates in Table 5, if ALDI was operating today all supermarkets and grocery stores in the catchment area would need to attract \$56.45 million of supermarket expenditure from catchment area households themselves. In Table 3 it was estimated that in 2008 there could be a total of \$66.3 million of supermarket expenditure available from catchment area households; a theoretical surplus of almost \$10 million.

By 2011, we estimate that these outlets could attract \$59 million of supermarket expenditure from catchment area households, which is \$11 million less than the available expenditure of \$70 million.

Similarly, in 2016, only \$63.41 million of the available \$76.4 million of supermarket expenditure would need to be attracted by outlets in the catchment area to keep them trading at a level commensurate with their size, style and outer metropolitan location.

We anticipate that each smaller local grocery store within the catchment area will continue to fulfil their role as a convenient local facility for the purchase of top-up grocery items between major shopping trips to a larger supermarket. Therefore, the potential impact on these facilities is likely to be negligible.

Whilst the proposed ALDI could initially impact marginally on the turnover of the existing supermarkets and grocery stores in the catchment area, this impact must be considered in context.

Firstly, any impact must be considered in the context of the potential positive impact ALDI may have, particularly in terms of its synergistic effect. The synergistic effect refers to the regularly observed increase in total sales that can occur in a locality when any new store is introduced. This increase is in addition to what people may have previously spent on the commodity in question or at a facility and can account for a percentage of sales in a new establishment.

Following several years of trading, experience would suggest that, due to population growth and the consequent growth in spending, the impact of the new development would have been absorbed and unlikely to create significant trading anomalies. In any event, it is considered that the ALDI proposal can both have an early positive impact within the area by providing an alternative shopping facility and be totally 'accommodated' in the future in terms of available household expenditure.

Furthermore, the exposure of this site to a main road could result in a proportion of sales at the ALDI being generated by passing trade (ie. – trade from outside the notional catchment area).

We have demonstrated there is sufficient expenditure capacity from households within the catchment area and from households beyond that catchment now and in the future to support the existing main line supermarkets in Windsor and the ALDI Store at Mulgrave.

Windsor will continue to be the dominant centre in the Hawkesbury LGA and this role is unlikely to be undermined or threatened by the proposed Mulgrave ALDI as this will be a 'stand alone' facility without the necessary support infrastructure associated with a conventional retail and commercial centre.

The existing supermarkets in Windsor form part of the diverse range of services and facilities available in Windsor; services and facilities that are not available at Mulgrave. Therefore, Windsor will continue to attract a significant proportion of retail expenditure, including supermarket expenditure, from households both within the ALDI catchment and those areas to the north-east, beyond the notional ALDI catchment.

Given all the above, it is unlikely that the proposed ALDI development will pose a threat to existing supermarkets and grocery stores within its catchment area, beyond the level of reasonable competition. Any potential short-term impacts can be judged as acceptable in the context of retail fluctuations. Such impacts are likely to be within the bounds of what might be expected as reasonable competition in the market place.

7 Assessment against Established Retail Principles

This section sets out some well-established criteria which could be applied to assess any new retail proposal. The subject proposal relates to these criteria in the following manner:

1. Shopper Convenience

A proposal should contribute in a positive way to the convenience of shoppers by providing retail facilities not otherwise available in the locality.

Comment: Whilst there are other food stores within the area at present, the proposed facility will offer an alternative to these and also a choice of products, and probably at a lower price.

The proposed facility will provide a level of service commensurate with the needs of the local population and is an appropriate response to the needs of the population of the area.

2. Competition

Any proposal for a new development to introduce an element of competition within the retail network should be considered positively.

Comment: The proposed store may impact marginally in the very short term on existing supermarkets and grocery stores in the area. It has been estimated, however, that there is more than sufficient expenditure available to support additional retail facilities and that the impact can therefore be acceptable.

The services provided by an ALDI store, which offers a limited range of groceries at reduced prices, will also increase the level of choice for consumers, particularly as many of the residents of the catchment area appear presently in some financial stress. The fact that there will be an increase in competition can ultimately be viewed positively.

3. Support for Existing Facilities

Development proposals in the vicinity of other outlets have the potential to support those by extending the range of goods and services provided.

Comment: The proposed store will contribute in a positive way to the existing retail facilities available to catchment area residents. Its location means it also has the ability to attract passing trade.

4. Maximization of Investment & Employment Opportunities

These aspects can be difficult to assess and are often not realised for some time after facilities have been established. However, where an investor has made a commitment to build a new retail facility, such commitment is often considered a strong positive factor and can have flow-on effects to the area as a whole.

The proposed retail facilities will also create opportunities for employment in the local area, both during the construction phase and when the facility is operational.

5. Population Support

The proposal could be well supported by the catchment population due to its aggressive pricing policy. The characteristics of the catchment population suggest that the proposed ALDI may be particularly attractive to the many households in the catchment which have low to medium incomes.

6. Location

It is considered that the proposal is appropriately located having regard to other existing retail facilities and centres in the area.

7. Circumstances of the Case

The proposed store is appropriately located and can provide an increased level of service and convenience to the surrounding population and result in a net positive benefit to the community.

8 Summary

The proposed development comprises a 1,500 square metre ALDI store located off Curtis Road, adjacent to Hungry Jacks, at Mulgrave.

The population of the estimated catchment area will continue to grow at a moderate but steady rate. We anticipate that the 'new' population will share many of the characteristics of the existing population of the catchment area, in particular a high proportion of low to medium income households and households with financial commitments for mortgage and rental payments. Households such as these are likely to welcome a store selling day to day groceries at discounted prices.

The catchment area of the proposed store has been estimated taking into account the location of other supermarkets and grocery stores and centres around the area.

We estimate that there could be \$70 million of supermarket expenditure available from all catchment area households in 2011. Existing outlets and the proposed ALDI could attract \$59 million of available supermarket expenditure from households within the catchment area, which is \$11 million less than the available expenditure of \$70 million. The balance of sales at Woolworths and Coles is likely to originate from households beyond the local area.

And, even in 2008, the ALDI can be supported by available expenditure, along with existing shops. Most importantly, in economic terms, ALDI is not large and does not constitute a separate 'shopping centre'.

Furthermore, in our opinion, Windsor will continue to be the dominant centre in the Hawkesbury LGA and this role is unlikely to be undermined or threatened by the proposed Mulgrave ALDI as this will be a 'stand alone' facility without the necessary support infrastructure associated with a conventional retail and commercial centre.

Our analysis indicates that the proposal is unlikely to result in a detrimental economic impact on existing retailers in the centres in which they are located. We note that current local planning policy does not set out a hierarchy of retail centres upon which to base store locations, therefore our assessment can be considered under S79C of the EP & A Act as a consideration of the potential economic impacts of the proposal.

Further, we note that the Draft Northwest Subregional Strategy (which sets out a draft hierarchy of centres), identifies Mulgrave as a neighbourhood centre. In the context of supporting the objective that retail activities be focussed in centres this proposal can be considered as being consistent with the Draft Northwest Subregional Strategy Plan.

We emphasise that the 'catchment' for ALDI is very much a shared catchment – in which both Mulgrave ALDI and all of the existing shopping facilities within that catchment can co-exist (in terms of potential available household expenditure).

A development such as the ALDI is also an expression of economic confidence in the area. There is the potential for it to lead to increased expenditure in other retail outlets as a result of the synergistic effect of new development. The catchment area will benefit from the introduction of the ALDI as it will provide a service not readily available to the local community.

Therefore, in terms of its potential to attract expenditure, its capacity to provide competition, and its ability to offer a complementary service needed by the catchment area population, the ALDI proposal can be assessed as having a positive economic impact in the locality.

STANDARD DISCLAIMER

Statements and information including figures contained in this document are based on sources which are believed to be reliable. Although we have no reason to doubt the accuracy and reliability of the statements and information, no responsibility is assumed by us or any of our staff or consultants for any mis-statement omission or error and interested persons should rely on their own enquiries.

Ref: 2916.001 LS03119 RC/rc

14th November 2008

Hawkesbury City Council
PO Box 146
WINDSOR NSW 2756



Attention: Greg Hall

Dear Sir,

**RE: PROPOSED ALDI STORE– MULGRAVE
REVIEW OF DFP ECONOMIC IMPACT ASSESSMENT REPORT**

Supplementary Comments

SEM F have noted a number of analyses that have not been included in the DFP report. These analyses would have provided additional information upon which to further assess the economic impact of the ALDI proposal.

Whilst some of these additional analyses, such as escape spending, are not essential, and others may not be possible at present, such as population projections, due to information not being available, others such as using average to compare with average rather than median are more important to know.

Specifically SEM F is referring to the comparison of *median* annual household income in the Mulgrave Catchment Area (Table 1) with the estimated *average* household retail expenditure (Table 3). The purpose of any analysis of this type is to provide an estimate as to whether households can sustain the level of retail expenditure estimated with the income that they have. It is therefore an important consideration. It is not known why DFP did not use *average* annual household income in the Mulgrave Catchment Area. It may be that the figure is not available. If this figure is not available, then further analysis of DFP's estimate of supermarket expenditure per household (Table 3) compared with the Australian average of approximately \$7,956 is important to be undertaken.

The DFP Table 4 provides an estimation in terms of sales performance of the existing supermarket floorspace. However, SEM F finds sourcing the data in Table 4 is difficult. The source is from DFP estimates, "*based on DFP experience and by reference to sales levels quoted elsewhere.*" A source for the assumed annual average growth rate for future turnover of 1.5% would be useful for verification purposes.

Therefore SEM F is not able to verify the figures in Table 4 of the DFP report. As a result SEM F cannot verify the DFP conclusion concerning Table 4 that:

- "In 2008, total sales of supermarkets and food stores could be \$58.27 million, or \$69.9 million if the ALDI were also trading.
- By 2011, assuming ALDI is operational, sales could total \$73 million, increasing to \$78.5 million in 2016."

Following on, SEM F can therefore not verify that there will be "\$8 million of 'excess' supermarket expenditure available from households in the catchment area in 2008".



A further analysis that would have been useful for comparative or extrapolation purposes relates to the impact that existing ALDI stores in the area have had, or impacts that ALDI stores in other locations have had. It is not known whether such information is available.

Although DFP does not directly assess the impact on non-food stores and services, the following claim by DFP is not disputed by SEMF:

“The existing supermarkets in Windsor form part of the diverse range of services and facilities available in Windsor; services and facilities that are not available at Mulgrave. Therefore, Windsor will continue to attract a significant proportion of retail expenditure, including supermarket expenditure, from households both within the ALDI catchment and those areas to the north-east, beyond the notional ALDI catchment.”

This is because there are few of the non-food type stores and services located at Mulgrave at the present time. No predictions are possible about the changes of businesses in Mulgrave based on ALDI's proposed location, however this would be a matter more relevant to the Council's LEP.

SEMF confirm that the DFP report is not misleading in its assessment, and appears rigorous in its methodology and approach. However, further analyses would provide additional information upon which to further assess the economic impact of the ALDI proposal.

Yours sincerely,

A handwritten signature in black ink, reading 'Roger Chance', is positioned below the 'Yours sincerely,' text.

ROGER CHANCE
SEMF PTY LTD



**SCIENTISTS
ENGINEERS
MANAGERS &
FACILITATORS**

REVIEW OF ECONOMIC IMPACT ASSESSMENT REPORT

Proposed ALDI Store at Mulgrave

For
HAWKESBURY CITY COUNCIL

November 2008
Revision 1

2916.001

REPORT ISSUE AUTHORISATION

PROJECT: Review of Economic Impact Assessment Report – Proposed ALDI Store at Mulgrave

SEMF Project No: 2916.001

AUTHOR: Penny Goldin

- Bachelor of Economics, Monash University, 1975
- Masters in Town Planning, University of N.S.W., 1987
- Graduate Diploma in Urban Planning, College of Advanced Education, Tasmania 1979
- Certified Member of Planning Institute of Australia

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This Report has been prepared in accordance with the scope of services agreed upon between SEMF Pty Ltd (SEMF) and Hawkesbury City Council (the Client). To the best of SEMF's knowledge, the report presented herein represents the Client's intentions at the time of printing of the report. However, the passage of time, manifestation of latent conditions or impacts of future events may result in the actual contents differing from that described in this report. In preparing this report SEMF has relied upon data, surveys, analysis, designs, plans and other information provided by the client, and other individuals and organisations referenced herein. Except as otherwise stated in this report, SEMF has not verified the accuracy or completeness of such data, surveys, analysis, designs, plans and other information.

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This report does not purport to provide legal advice. Readers should engage professional legal advisers for this purpose.

SEMF Pty. Ltd
Level 3, 50 Berry Street,
North Sydney New South Wales 2060 Australia
ACN 117 492 814 ABN 24 117 492 814

Telephone: (61 2) 9957 1112
Facsimile: (61 2) 9957 4815
Email: sydney@semf.com.au

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1. EXECUTIVE SUMMARY

1.1 Scope of Report

The Purpose of this Report is to provide a review in the form of comment and advice to Hawkesbury City Council on the Don Fox Planning Consultants “Economic Impact Assessment – Proposed ALDI Store at Mulgrave”, dated August 2008 (DFP).

The Review has been prepared at the request of Hawkesbury City Council.

2. SCOPE OF REPORT

2.1 Methodology

The review is a high level review of the DFP Report, based on the following criteria:

- Studies and information used as a basis for the conclusions
- Validity of assumptions
- The rigor and breadth of the analysis
- The ability to verify the figures (SEMF has not been contracted to undertake any economic analysis)
- Whether there is adequate basis for the conclusions drawn
- Whether the document is likely to satisfy a test that Council has taken the requirements of s79C(1)(b) of the *Environmental Planning and Assessment Act 1979* (EP&A Act) – through a review of relevant judgements in the Land and Environment Court

2.2 Reference Documentation

- Don Fox Planning Consultants Economic Impact Assessment – Proposed ALDI Store at Mulgrave.
- Plans numbered PO7017 DA 01 A, DA 02 A, DA 03 A, DA 04 A, DA 05 A, DA 06 A, DA 07 A, DA 08 A, DA 09 A, DA 10 A, prepared by Steiner Roberts, dated 11/08/08
- Leyshon Consulting Pty Ltd “Report on Economic Activity of Proposed Supermarket at South Windsor”, February 1997.
- Various judgments of the Land and Environment Court namely:
 - 2 July 2003 (*Centro Properties Limited v Warringah Council & Anor* (2003) NSWLEC 145)
 - 31 October 2003 (*Centro Properties Limited v Warringah Council & Anor* (2003) NSWLEC 257)
 - 2 August 2001 (*Cartier Holdings Pty Ltd v Newcastle City Council and Anor* (2001) NSWLEC 170)
 - 4 September 2007 (*Bongiorno Hawkins Frassetto & Associates v Griffith City Council and ors* (2007) NSWLEC 551)

- 22 June 2001 (*Maryland Development Co Pty Ltd v Penrith City Council & Anor* (2001) NSWLEC 135)
- 6 August 1999 (*AMP Investments Ltd v Newcastle City Council* (1999) NSWLEC 164)

2.3 The Site and Locality Description

The site for the proposed ALDI store is Lot 2 DP 270412 and situated on the corner of Winford Drive and Grier Crossing, off Curtis Road. It is known as No 5 Curtis Road, Mulgrave.

The site is located within the McGraths Hill Business Park and adjacent uses include warehouse buildings to the west which are occupied by various retail businesses, commercial businesses and Hungry Jacks to the north.

Low density residential development surrounds the McGraths Hill Business Park, and to the west uses include light industrial, commercial and vacant lands.

The Statement of Environmental Effects for the proposal states that “the closest retail centre currently accessible to the residents of both Mulgrave and McGraths Hill is the Windsor Town Centre, and this site is approximately 4km north of the subject site. Windsor Town Centre accommodates specialty retail stores and a Woolworths supermarket is currently under construction.”

“The subject site is well facilitated by public transport. It is approximately 600 metres in a north-east direction from Mulgrave Railway Station. Local bus services operate along Windsor Road and bus stops are located along Windsor Road and on the corner of Windsor Road and Pitt Town Road. Route 608 provides weekday services which link the site to the Windsor station and Castle Hill shops (Castle Towers).”

It is noted that the DFP Report does not provide a detailed description of the subject site. The DFP Report also does not clearly indicate the location of Mulgrave in relation to Sydney, nor are the boundaries of the Hawkesbury Local Government Area shown.

2.4 The Proposal

A detailed description of the proposal is not included in the DFP Report, rather the Report includes a description of the “characteristics of an ALDI store”. The author of this Review therefore had to turn to secondary sources in order to ascertain a detailed description of the proposal. These secondary sources included the Statement of Environmental Reports and Architectural Plans.

It is considered that the DFP Report should have included a detailed description of the proposal to enable the Report be a stand alone document.

Such an exclusion, does not necessarily detract from the DFP Report's economic analysis. However it means it is difficult for the Reviewer to check proposal statements. For instance the DFP Report states that ALDI's preferred size is approximately 1,500 square metres, and that the proposal is a typical store. The plans and the Statement of Environmental Effects confirms that the proposed gross floor area is approximately 1532 square metres.

The DFP Report also has not included the proposed hours of operation, nor an analysis of these compared to existing supermarkets in the catchment.

3. REVIEW

3.1 Characteristics of an ALDI Store

The DFP Report details the characteristics of an ALDI store. The information covered ranges from product lines to pricing policy.

Details of the trade performance of the existing ALDI stores at Richmond and Rouse Hill would have provided useful statistics, however were not provided.

Background data on the impact of both these existing ALDI stores would also be useful, but was not provided.

3.2 Population

The DFP Report identifies an estimated catchment area and the population characteristics of that area, including population projections. The catchment area defined appears reasonable and broadly accords with previous catchment areas used.

The population growth for the trade area between 2008 – 2021 is set out in DFP Table 2. The Mulgrave Catchment area is forecast to increase from 20,528 persons in 2008 to 22,738 persons in 2021. The assumed growth rate is 0.8% per annum for the catchment area and 1.3% per annum for the Hawkesbury LGA during this period.

The difference between the Department of Planning population projections and actual ABS Census counts was highlighted in the report and it is considered further work is required to determine whether the projections are consistent with recent population growth trends, when figures are available. Published figures relating to the latest figures are not yet available, although the Department of Planning has released regional projections in 2008. Individual LGA projections were not included in the Department of Planning's 2008 release.

3.3 Supermarket Demand Considerations (i.e. what demand for supermarket products is created from projected population growth throughout the catchment area.)

Population projection figures not based on 2006 Census data make analysis of demand based on projected population growth less accurate than would otherwise be the case. Published figures by the Department of Planning (Transport Population Data Centre) were released in 2005 and projected the Hawkesbury Local Government Area (LGA) to increase to 72,950 persons in 2021.

However Table 2 of the DFP report projects the Hawkesbury LGA population to increase by 2021 to 68,448 persons. This difference in projections is noted in the DFP report.

3.4 Supermarket Supply Considerations (i.e. whether the trade catchment area is under or over-provided with supermarkets).

The DFP estimates the sales likely to be attracted to supermarkets and grocery stores within the catchment area from households.

An expected analysis to find in the DFP report is an estimation of whether the catchment area is under or over-provided with supermarkets, through the use of supermarket floorspace per population. At present the national average supermarket floorspace is approximately 320 sqm per 1,000 people.

Our rough analysis has used the DFP population projection for 2008 in the catchment area of 20,528 persons (Table 2), and the DFP assessment of existing floor area of the two full-line supermarkets in the catchment area of 6,600 sm. Such an analysis shows that the Mulgrave Catchment average supermarket floorspace is projected to be approximately 322 sqm per 1000 people in 2008. Our rough analysis shows that this figure is similar to the national average.

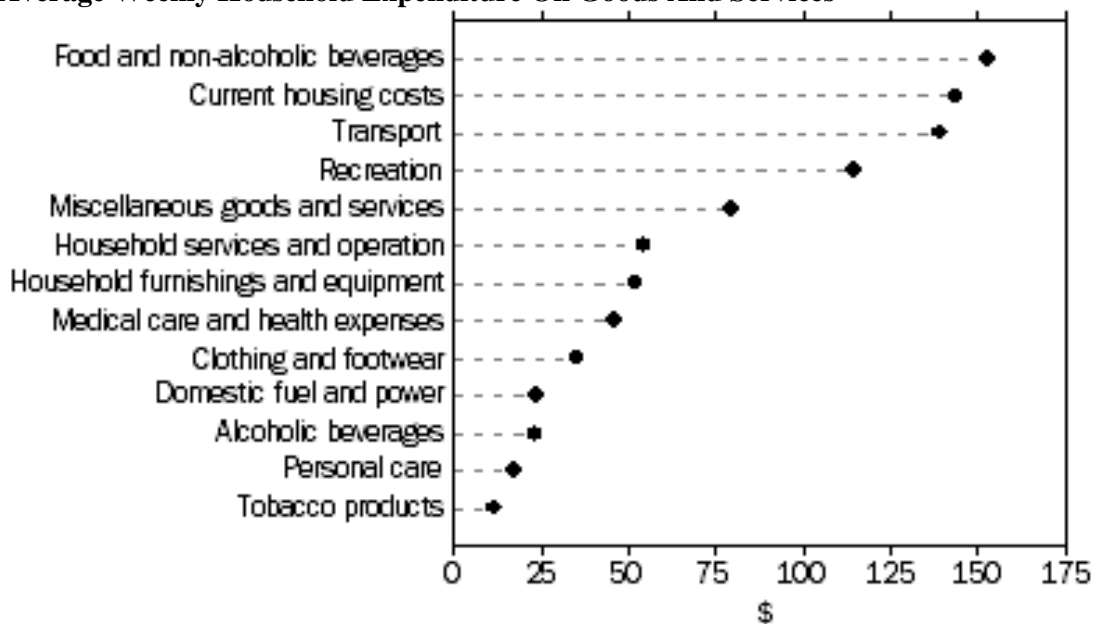
Using the population DFP projection figures (Table 2) of 21,020 persons in the catchment area in 2011, and assuming the 1,500 sqm ALDI store is opened in 2011, the Mulgrave Catchment average supermarket floorspace would be estimated at 385sm per 1000 people. Our rough analysis shows that the figure is above the national average.

3.5 Available Retail Spending

The DFP Report provides statistics detailing existing per capita levels of retail spending in the catchment area. In summary DFP Census data shows that the median annual household income in the Mulgrave Catchment Area is \$59,380 in 2006 (Table 1). The DFP Report in Table 3 contends that the estimated household retail expenditure in the Mulgrave catchment is an average of \$28,604.5 in 2008.

Comparing median and average figures can be fraught with difficulties and it is recognised that the median income for a given area can differ quite substantially from its average income. It is therefore difficult to estimate whether households would need a higher income to sustain the level of retail spending cited by DFP. A comparison of like with like would provide statistics upon which more clear conclusions could be drawn.

The ABS Table below shows that the average expenditure per household on goods and services in Australia per week in the 12 months to June 2004.

Average Weekly Household Expenditure On Goods And Services

Source: 6530.0 - Household Expenditure Survey, Australia: Summary of Results, 2003-04

This table shows that the average expenditure per household on goods and services in Australia per week was \$893, or \$46,436 per annum in the 12 months to June 2004.

Table 1 in the DFP report, shows the median annual household income in the Mulgrave Catchment area as \$59,380. If the 'average' income is lower, the DFP estimation of supermarket expenditure per household may not be able to be sustained.

Referring to the DFP Report's estimation in Table 3 of Supermarket Expenditure per household of \$9,201.10, this again appears on the high side of the Australian average. The Australian average from the ABS Table above is approximately \$7,956 pa per household (i.e. \$153 per week for food and non-alcoholic beverages).

3.6 Potential Impacts on Existing Supermarkets

The DFP report reaches a number of conclusions concerning the potential impacts on existing supermarkets, namely:

- the development of the ALDI store is "unlikely to result in a detrimental economic impact on existing retailers".
- the "proposed store may impact marginally in the very short term on existing supermarkets and grocery stores in the area. It has been estimated, however, that there is more than sufficient expenditure available

to support additional retail facilities and that the impact can therefore be acceptable.”

- “We anticipate that each smaller local grocery store within the catchment area will continue to fulfil their role as a convenient local facility for the purchase of top-up grocery items between major shopping trips to a larger supermarket. Therefore, the potential impact on these facilities is likely to be negligible.”
- “Following several years of trading, experience would suggest that, due to population growth and the consequent growth in spending, the impact of the new development would have been absorbed and unlikely to create significant trading anomalies”.
- “Windsor will continue to be the dominant centre in the Hawkesbury LGA and this role is unlikely to be undermined or threatened by the proposed Mulgrave ALDI as this will be a ‘stand alone’ facility without the necessary support infrastructure associated with a conventional retail and commercial centre.”

The DFP report also concludes:

- “the ‘catchment’ for ALDI is very much a shared catchment – in which both Mulgrave ALDI and all the existing shopping facilities within that catchment can co-exist (in terms of potential available household expenditure).

This latter conclusion sums the situation, and as previously suggested earlier in our report, details of the trade performance of the existing ALDI stores at Richmond and Rouse Hill would have provided useful statistics. These have not been provided. Background data on the impact of both these existing ALDI stores has not been provided.

The DFP Table 4 provides an estimation in terms of sales performance of the existing supermarket floorspace. A comparison with the national average for major supermarkets which is currently approximately \$8,000 per sqm. is a useful analysis. Such a comparison can indicate whether these stores would be able to absorb the trading impacts without calling into question their viability.

However, sourcing the data in Table 4 is difficult. The source is from DFP estimates, “based on DFP experience and by reference to sales levels quoted elsewhere.” A source for the assumed annual average growth rate for future turnover of 1.5% would be useful for verification purposes.

Finally, it is noted that Leyshon Consulting were concerned about the effects that developments in Richmond might have on the Windsor Town Centre. Any impacts found would have been a useful inclusion in the DFP report.

3.7 Location Consideration

The DFP report states:

- “Mulgrave ALDI ...will be a ‘stand alone’ facility without the necessary support infrastructure associated with a conventional retail and commercial centre.”
- “Its location means it also has the ability to attract passing trade.” (i.e. trade from outside the notional catchment area)

These observations are useful for analysis purposes.

3.8 Escape Spending

The estimation of escape spending may have been a worthwhile exercise because the ALDI at Mulgrave may be able to capture some escape spending from the catchment.

The 1997 Leyshon Consulting Pty Ltd report found that in the ABS 1991-92 Retail Census that the escape expenditure in the Hawkesbury Statistical District in the expenditure category of “Supermarket and Grocery” was 7.20%, and in the category of “Specialised Food” was 13.55% - particularly to Penrith and Blacktown.

It is not known whether this figure has changed in light of newer developments in surrounding areas such as Rouse Hill and Richmond, or any redevelopments that may have occurred in such centres as Penrith and Blacktown. The Leyshon Report concluded that “a 7.2%, escape spending in the supermarket and grocery sector is at a level (in Hawkesbury) which might be found in almost any area of Australia and indicates that existing supermarkets were highly effective in capturing locally-generated expenditure.”

If there has been any change in escape spending since the Leyshon Report, an analysis of whether the ALDI might make an impact of this issue, would be a useful inclusion, and may provide an indication of the demand for additional supermarket spending in the trade catchment. Such an analysis may have required a survey questionnaire. The requirement of such a survey is not necessarily essential however.

3.9 Assessment of Net Community Benefit

The Report considers that there are positive economic impacts that can be expected to flow from the development, namely:

- “The catchment area will benefit from the introduction of the ALDI as it will provide a service not readily available to the local community.”

- “There is the potential for it to lead to increased expenditure in other retail outlets as a result of the synergistic effect of new development.”
- “...The characteristics of the catchment population suggest that the proposed ALDI may be particularly attractive to the many households in the catchment which have low to medium incomes.”
- The proposed retail facilities will also create opportunities for employment in the local area, both during the construction phase and when the facility is operational.

The DFP report states that “fundamental to ALDI’s operation is the policy of permanently low prices.” It is not known what the prices are of the existing retail outlets. The 1997 Leyshon Consulting Pty Ltd report stated that there was evidence that “...supermarkets in the area may be over-trading, a finding which was substantiated by anecdotal evidence from residents of Hawkesbury who considered that existing supermarkets in Hawkesbury charged overly high prices.” It is not known whether prices have changed since that date and this issue was not addressed in the DFP report.

Another issue not addressed is the association of food shopping with non-food shopping. Although the DFP report indicates there is the potential for a synergistic effect of new development with other retail outlets, the issue of where the potential Mulgrave ALDI shoppers will undertake their non-food shopping has not been addressed. It is therefore not known what effect ALDI may have on non-supermarket stores.

The DFP report does not address the net community benefits of not locating the proposed ALDI store at Mulgrave, but rather within the Windsor Town centre. The DFP report considers that “The existing supermarkets in Windsor form part of the diverse range of services and facilities available in Windsor; services and facilities that are not available at Mulgrave. Therefore, Windsor will continue to attract a significant proportion of retail expenditure, including supermarket expenditure, from households both within the ALDI catchment and those areas to the north-east, beyond the notional ALDI catchment.”

4. S 79C CONSIDERATIONS

4.1 Review of relevant judgments in the Land and Environment Court

It is useful to review relevant judgments in the Land and Environment Court to determine whether the DFP report is likely to satisfy a test that Council has taken into consideration the likely economic impact of such a proposal and the requirements of s 79C(1)(b) of the Environmental Planning and Assessment Act 1979 (EP&A Act).

Various judgments in the Land and Environment Court discuss the requirements of s 79C of the Environmental Planning and Assessment Act (EP&A Act). A few relevant cases are cited below. The first two indicate what is relevant and what is not part of an assessment. The third case indicates that Council is bound to take into consideration the economic impacts of the proposed development in the locality.

Maryland Development Co Pty Ltd v Penrith City Council & Anor

In *Maryland Development Co Pty Ltd v Penrith City Council & Anor* (2001) NSWLEC 135 (22 June 2001) Sheahan J states “...it is irrelevant also that a store’s approval may have impacts...”

Fabcot Pty Ltd v Hawkesbury City Council

In *Fabcot Pty Ltd v Hawkesbury City Council* (1997) NSWLEC 27 (14 March 1997) Lloyd J dealt with an appeal against Council’s refusal to grant consent to a Woolworths supermarket of 3572sm and carparking for 221 cars at South Windsor. He states “...It is not part of the assessment of a proposal under the Environmental Planning and Assessment Act for a consent authority to examine and determine the economic viability of a competitor. Moreover, it is at least arguable from the fact that the Trade Practices Act now applies to local government councils, that if a local council were to refuse or to limit a proposal for development on the ground of competition with a trade competitor, it could be guilty of anti-competitive conduct contrary to Pt 4 of that Act.”

Centro Properties Limited v Warringah Council & Anor

In *Centro Properties Limited v Warringah Council & Anor* (2003) NSWLEC 145 (2 July 2003) Pain J states that Council is bound to take into consideration the economic impacts of the proposed development in the locality as required by s 79C of the EP&A Act. This case discusses the lack of economic impact assessment in the Council assessment report.

It is necessary to read the entire judgment to gain an appreciation of the circumstances of the case and the background to the judgment. Our reading of the various Judgments above is that if Hawkesbury City Council determines the proposal, then Council is able to reasonably conclude it has taken into consideration the economic

impacts of the proposed development in the locality as required by s 79C of the EP&A Act. This conclusion is drawn since the Council:

1. Has received a report with the application namely Don Fox Planning Consultants “Economic Impact Assessment – Proposed ALDI Store at Mulgrave”, dated August 2008.
2. Council has requested an “independent review of the Economic Impact Assessment Report that can be included in a Council report.”
3. The Council assessment report is able to discuss both reports, and other economic impact information that may be considered relevant by Council.

5. CONCLUSION

5.1 Conclusion

While we have listed various analyses that have not been included in the DFP report, and conclude that the DFP report may therefore reflect a more positive economic assessment without such analysis, the report is not misleading in its assessment, and appears rigorous in its methodology and approach.

We conclude that if Hawkesbury City Council determines the proposal, then Council is able to reasonably conclude it has taken into consideration the economic impacts of the proposed development in the locality as required by s 79C of the EP&A Act.