Greater Geelong Planning Scheme

Amendment C393: Geelong Retail Strategy

Statement of evidence of Anthony Dimasi

18 October 2019

Dimasi & Co

Tony Dimasi

dimasi@bigpond.com

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Expert witness details

Name and address of expert

Mr Tony Dimasi

Economic Consultant

Dimasi & Co

12 Argent Court

Riddells Creek VIC 3431

dimasi@bigpond.com

Expert's qualifications and experience

- Bachelor of Arts (Hons.), University of Melbourne
- Master of Arts, University of Melbourne

My CV is included as Appendix 1 to this statement of evidence. I have extensive experience in the field of retail economics and analysis gained over the past 32 years, having provided independent advice on numerous retail development projects and proposals throughout all parts of Australia, to a broad range of clients.

Expert's area of expertise

- I have practised as a consulting economic and retail analyst since 1982. During that time I have worked in all states of Australia and also in New Zealand and Asia, and have advised on many thousands of retail developments of all types and sizes.
- My assessments have covered demand and supply analysis, commercial feasibility assessments and economic impact assessments, for many thousands of shopping centres of all sizes and mixes, as well as numerous freestanding retail stores, including supermarkets, discount department stores, toys category killer stores, book stores, special apparel stores, smaller foodstores and packaged liquor stores of all sizes.
- I have appeared as an expert witness in the various jurisdictions across all states of Australia and New Zealand on numerous occasions, including:
  - The Administrative Appeals Tribunal (AAT) of Australia;
  - The Land and Environment Court of New South Wales;

- Independent Ministerial Panels and VCAT in Victoria;
- The Planning and Environment Court of Queensland;
- The State Administrative Tribunal in Western Australia;
- The Environment, Resources and Development Court of South Australia;
- The Resource Development Planning Commission in Tasmania;
- The Liquor Licensing Court of South Australia; and
- The Petroleum Products Retail Outlets Board of South Australia.

I have also appeared as an expert witness before various government and ACCC inquiries into the retailing of food, liquor and groceries industry in Australia, including:

- the 1999 Joint Parliamentary Inquiry into the Australian Retail Sector (the Baird Inquiry);
- the Inquiry into the Competitiveness of Retail Prices for Standard Groceries (2008) undertaken by the Australian Consumer and Competition Commission (ACCC); and
- the 2004 ACT Grocery Inquiry (the Martin Inquiry).

- Over the past 36 years I have provided, and continue to provide, research and advisory services to a wide range of clients, including major retailers and most of Australia's shopping centre management and development groups.
- I have undertaken work on numerous occasions over the past thirty or so years throughout Greater Geelong including the Bellarine Peninsula, relating to both existing and proposed retail developments.

I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the Panel.

Anthony Dimasi
18 October 2019

Introduction

This statement focusses on the Leopold Sub-regional Centre (the Leopold centre) and in particular the recommendations for the future growth and development of the centre as made in the Geelong Retail Strategy 2016-2036 (the Retail Strategy), which is the subject of Amendment C393 to the Greater Geelong Planning Scheme. Activity centre planning is part of both C393 and C395. I have been asked by Lascorp to provide my views, as a retail economist, on the proposed Retail Strategy and the implications of the Strategy's recommendations for the Leopold centre.

In order to present my analysis and conclusions regarding the Leopold centre I first provide some background which is of relevance in consideration of the centre (Section 1). Section 2 then sets out my views regarding various aspects of the Retail Strategy, including the methodology adopted, the quality of the data used, some of the key conclusions reached, and the resultant recommendations that are made. Finally, Section 3 addresses the various matters relating to the Leopold centre, against the above background.

1. Background

1.1 I have previously prepared, over many years, various economic assessments relating to the Leopold Sub-regional Centre. Of greatest relevance to these current proceedings I prepared an Economic Impact Assessment (EIA) for the expansion of the centre in May 2012. At that date the existing centre was a single supermarket anchored neighbourhood centre, and the EIA that I prepared examined a proposed expansion of the centre to a total of approximately 36,000 sq.m, including a retail component of some 31,174 sq.m.

1.2 The City of Greater Geelong Retail Strategy which was in place at that time, and which had been prepared in 2006 by Essential Economics, recommended that the then existing Gateway Plaza site should be investigated for a potential new sub-regional centre. The Strategy also outlined, in my view correctly, that a centre on the subject site would be able to serve the entire Bellarine Peninsula, while not undermining the core catchment of the Geelong CBD.

1.3 In that EIA I concluded that an expansion of Gateway Plaza to a sub-regional centre status would greatly enhance the shopping choice for local residents and visitors to the region, with significant improvements in the available range of food and non-food retail facilities. I further concluded that expansion of Gateway Plaza would contribute to the local economy and to increased employment, and that while the expansion of the centre might have some impacts on other retailers in the region, the assessed impacts were reasonable and would not threaten the ongoing viability of any existing retailers.

1.4 The expansion which has since occurred to Gateway Plaza has taken the centre to approximately 20,000 sq.m in size. The existing floorspace at 2016 listed for the centre in *Table 1 Supportable Retail Floorspace Guidelines to 2036* that is included in the proposed version of Clause 21.19 of the Municipal Strategic Statement shows a total of 20,600 sq.m.

1.5 The expansion which I assessed was considerably greater than what has been built to this stage and included two discount department stores (one having been built) and a second large supermarket (of 4,200 sq.m) as well as an expansion to the then existing Coles supermarket.

1.6 A key reason for my findings at that time was the fact that there were no sub-regional centre facilities available on the Bellarine Peninsula, and the expanded Gateway Plaza would be the first such facility. The centre is, and as I understand it will continue to be, the only sub-regional centre on the peninsula.

1.7 A second reason was the substantial population within the main trade area that the centre could be expected to serve as a sub-regional centre (estimated at 68,000 at 2011) and the projected growth in that catchment population, with an estimated 80,350 residents projected for the area at 2021.

1.8 A third reason is the strategic location of the centre, and its ability to act as a gateway to the much-visited Bellarine Peninsula – in this regard the centre's name has been carefully and, in my view, appropriately selected.

2. Review of the Geelong Retail Strategy, 2016-2036

2.1 The Retail Strategy which is the subject of this Amendment is described on page 2 of the document as a collaboration between the City of Greater Geelong and SGS Economics and Planning (SGS). The first aspect of the methodological approach taken to the preparation of the Strategy which I wish to address, and which I consider is a fundamental aspect of the document, is the fact that it is based on a retail gravity model. I will say at the outset that in my now almost four decades of practice as an economic consultant specialising in retail analysis I have never adopted a retail gravity model approach in my assessments, and I will outline further in the rest of this section my reasons for not having done so.

2.2 One of the documents which has been provided by SGS in response to the Panel's Direction 13c is titled *Greater Geelong Retail Strategy, Issues & Options Paper, September 2016*. In that report, at pages 33-34, the retail gravity model concept is briefly described, and it is noted that at its essence the gravity model posits that the propensity to shop at any given retail centre/store, by any given potential group of customers, is directly related to the size of the centre (typically measured as floorspace) and inversely related to the distance of the centre from the points of origin of the potential customers (typically measured as either distance or estimated travel time).

2.3 At page 33 of that same document SGS claims that '*The gravity modelling approach is more in keeping with real world behaviours because it avoids the definition of arbitrary catchment boundaries*'. At page 32 the document further states as follows:

> '*Gravity modelling – takes a whole of network approach and seeks to use mathematics to model human behaviour. As well as being less expensive, mathematical models are much more reliable in predicting future consequences from changes in the retail environment due to their ability to systematically adjust all catchments given changes in input data (such as extra retail floorspace or population growth). Gravity models are now typically considered best practice in retail economics in most jurisdictions across the world.*'

2.4 I disagree with the above statement. Before outlining in greater detail why the comments made in the above statement represent, in my view, a great exaggeration of the benefits of gravity modelling, it is also worth noting that many others over the years have disagreed with the SGS view of gravity modelling. While not wishing to waste this Panel's time with an academic treatise on gravity modelling, I do think that it is important to point out what have been, over the years, the noted shortcomings of gravity modelling as applied to retail analysis, so I have set out briefly below some of the limitations as detailed in published journals and textbooks.

2.5 One such view was expressed by P L Simons, a senior lecturer in geography at the University of New South Wales, while a second is from P Scott, the author of the textbook *Geography and Retailing*, published by Aldine Publishing Co. In an article published in the *Journal of Retailing 1973-74*, Simons stated as follows:

> *… the 'accuracy' of the model is usually the result of 'calibrating' the model to fit particular situations; that is, the distance exponent is adjusted to the data being analysed. It is hardly surprising that this kind of procedure has led to large variations in distance exponent variables…What is happening, in fact, is that distance operates as a kind of error term for all other independent variables; it is an error term for variables in the equation and for others in the area being studied. Therefore, the supposed 'accuracy' of the gravity model is largely a result of an almost classic example of circular reasoning.*

2.6 Scott in his textbook, published in 1970, wrote as follows:

> *… the retail gravity model continues to pose problems when used to predict retail requirements. These problems include inter alia the definition of the study area and its constituent zones; the availability of data; the need for analysis by types of trade, social structure and travel mode; the choice for measures of attraction and frictions; the calibration of the model given only current data; the implicit assumptions concerning consumer and entrepreneurial behaviour; the conversion of sales into floorspace; and the range of technological change and institutional decision-making for which reliable forecast cannot be made. In short, the model is undoubtedly a valuable tool for **preliminary macro analysis** but it remains essentially static, descriptive and superficial.*' (my emphasis)

2.7 There have been many changes, including some improvements, made to gravity models since the 1970s, and the widespread availability of granular data and GIS technology has made a significant further contribution to the advancement of the gravity modelling approach. However, the key pitfalls and shortcomings of the gravity modelling approach have still not been rectified in my view.

2.8 Putting aside for the moment the question of whether or not the mathematical equations that underpin gravity modelling can indeed accurately reflect human behaviour, one of the major shortcomings of the gravity modelling approach, which has never been successfully negotiated, is the model's voracious appetite for detailed, granular and often confidential, or simply not available, data. In order to operate correctly, ideally the gravity model would have each individual, or at least very granular group, as the potential customer(s), and each shop as the potential destination. However, a regional shopping centre, for example, might contain 300 or 400 different shops, operating across all categories and attracting customers from all parts of the surrounding region for all manner of reasons. From the other side of the equation, specific data on every individual customer is simply not available – although with data now available at the SA1 level, and presumably being used by SGS at that level, then at least the "points" of customer origin are reasonably small.

2.9 One of the most important "adjustments" typically made when using gravity models is the inclusion of an "attractiveness" factor for each retail destination which is modelled. This is done to deal with difficult problems faced by gravity modelling such as the fact that, for example, a supermarket of 3,500 square metres might well trade at $50 million while a discount department store of twice that size might trade at just one quarter of that level. Or that two shopping centres of similar sizes and compositions might well trade at very different levels.

2.10 At page 34 of the Issues and Opportunities Paper, SGS describes its own gravity model as using the 'attractiveness' of a centre as well as its floorspace to represent the positive pull of the centre, and the travel time to the centre to represent the negative friction to that gravity pull. SGS then goes on to describe the attractiveness of a shopping centre as being a value that represents external attributes such as the centre appearance or design layout. Of course there are many other qualities and characteristics that go to the attractiveness of a centre, particularly a large centre, not least being the mix of retailers which it offers, the quality of the dining facilities and entertainment facilities that it might offer, and a host of other factors.

2.11 Later on the same page, in the third paragraph, SGS states "*Unlike other gravitational models, the SGS model does not attempt to measure the effects of design layout or product mix in terms of attractiveness. Instead, it uses the shopping centre's* ***known current turnover*** *as a basis to find the 'attractiveness' value at present time. This attractiveness value is then used to forecast how the shopping centre will perform in the future given an increase in floorspace. This technique has only become possible in recent years due to the advanced in computer technology and optimisation theory that simply did not exist in the past*." (my emphasis)

2.12 However, information on individual stores or centres, including their sales levels, is not simply available to anyone just because they might wish to run a gravity model. At page 31 in Table 3 the Retail Strategy indicates that within the City of Greater Geelong there was **1.03 million sq.m** of retail floorspace at the time the Strategy was prepared. In broad terms, that amount of floorspace would probably equate to 5,000 – 6,000 retail premises. SGS does not have details on those many thousands of retail premises, and might well have factual turnover details on very few, if any, individual retail stores or centres. In fact, SGS makes this point clear at page 37 of the Issues and Opportunities Paper, where it states as follows:

> *Actual turnover data for every shop/centre across Geelong cannot be sought directly. However, for a* ***strategic level*** *study such as this, specific turnovers are not critical, rather an understanding of broader performance and associated supply/demand alignment. For this reason, turnover by centre and store type is estimated for a base year (2011) based on typical floorspace and average retail turnover densities (RTDs).* (my emphasis)

2.13 In other words, SGS is first of all repudiating, at page 37 of the Issues and Opportunities Paper, what it previously claimed as a virtue of its modelling approach at page 34 of the same document. Second, SGS is also saying that one of the most critical, if not <u>the</u> most critical, elements of the model is estimated, by SGS, for a base year of 2011 – 8 years ago. Furthermore, those estimates are '… *based on typical floorspace and average retail turnover densities (RTDs)*…'. In essence therefore the model, as executed by SGS, in this regard is assuming what it is trying to prove, the type of circular reasoning referred to by P L Simons.

2.14 A little later on page 37 of the document SGS goes on to state as follows:

> *However, RTDs do (and should) vary significantly for a range of reasons by location and store type. This is due largely to varying cost inputs and performance. However, this does* (sic) *mean a store with a lower RTD is necessarily less profitable. Therefore, RTDs should always be used* ***at a strategic level*** *(such as this project) as a guide and with considerations of the local market fundamentals.*

2.15 Therein, in my view, lies one of the key shortcomings in the manner in which gravity modelling has been used as the underpinning for the Retail Strategy. The results of the modelling are not, in my view, being applied at a strategic level, rather the result is highly prescriptive, delivering a retail floorspace cap – albeit a "soft" cap - down to the last square metre for every retail centre in Greater Geelong other than the Geelong CBD and the Belmont sub-regional centre.

2.16 In any case, leaving aside the almost insurmountable data requirement, it cannot be claimed with any confidence that a mathematical model based on the theory of gravity can accurately model and predict human shopping behaviour. A major criticism gravitational models have encountered in this regard is that such models do not capture a critical aspect of human behaviour as related to shopping, namely hedonic consumption. Thus, a gravity model cannot explain, for example, the phenomenon of destination shopping - unless, with the benefit of hindsight, the modeller adjusts the 'attractiveness factor' for such a centre, knowing that it does operate as a destination – again, circular reasoning. Nor can such models explain why groups of teenagers might congregate for hours at malls when they have no intention to buy anything.

2.17 The concept of shopping as a mission to be accomplished might perhaps lend itself to some form of mathematical model – meaning that probably the only type of shopping for which a gravity model could, with the appropriate amount of data, be a reasonable approximation of shopping behaviour, is supermarket or food and grocery shopping, at least for some consumers. Hedonic oriented shopping, by contrast, can provide entertainment value and emotional worth. Such shopping trips can be focused on arousal and escapism, **emotionally** laden and **subjectively** experienced facets of the shopping trip, the in-store experience and shopping as a means of socialisation. For the larger multi-dimensional regional or even sub-regional shopping centre, for example, it is apparent that hedonic shopping would account for a very high proportion of visits –

probably, in many cases, the majority of visits. Those visitation patterns cannot be adequately modelled by a series of mathematical equations.

2.18 In accepting that at best the gravity model approach might offer some value at a strategic level SGS is essentially saying, in my view, that the model is not appropriate for at least one of the primary uses to which it has been put in determining the Retail Strategy, namely the calculation and application of floorspace caps. In my view this begs the questions why is the gravity model used at all, and what benefits does it offer ?

2.19 A likely reason for the use of the gravity model, and one perceived benefit, can be found in the final paragraph at page 34 of the Issues and Opportunities Paper, where SGS states

> *'A collateral benefit of the modelling approach is that it lends itself to ready estimation of some of the variable which are likely to be crucial in any net community benefit assessment of out-of-centre development proposals. In particular, impacts on competing centres can be calculated relatively quickly to see whether they are likely to be so severe as to cause persistent vacancy and blighting. But, perhaps more importantly, the gravity modelling can be harnessed to a travel model to estimate the extent to which the out-of-centre proposal will lead to additional vehicle kilometres travelled each year.'*

2.20 Therefore, if one puts aside all of the (human) assumptions and estimations that have had to be made to get to that point - effectively rendering the notion of the gravity model, with its claims to objective scientific formulation and mathematical precision, null and void – then one can pretend to have generated some output of value. The gravity model provides black and white outputs – numbers – which the 'expert' can then adopt and present as a form of objective, scientific finding.

2.21 In my view the gravity model approach is a classic 'black box' which is opaque in the extreme, and which cannot be properly critiqued or peer reviewed unless many days and weeks are spent on doing so, and there is disclosure of every step of the model and every component of data that has been used to feed the model. Neither of these things has occurred in this instance, in my view.

2.22 The explanations that have been offered both in the Retail Strategy and in the Issues and Opportunities Paper fall well short of what might reasonably be expected. As an example, just on the basic but fundamental question of population levels underpinning the model's forecasts, Table 1 of the Retail Strategy at page 12 shows projected resident population levels for the City of Greater Geelong of 308,909 at 2031 and 351,499 at 2036. By contrast, the population projections for the city currently available on the City of Greater Geelong website, which have been independently produced **for the City** by *forecast.id* and listed as having been updated in **July 2019**, are shown on the following page. Based on these forecasts, the population of the City of Greater Geelong is expected to be 330,428 at 2031 and 361,014 at 2036. These are substantially different, and significantly higher, forecasts than those used by SGS in the Retail Strategy.

2.23 Further, there is a significant anomaly in the population projections which appear in Table 1 of the Retail Strategy (those being the only population estimates shown in the Strategy, with no small area estimates provided at all) and the small area estimates provided in Table 4 of the Issues and Opportunities Paper, at page 63 of that document. In that table the projected population of the City at 2031 is estimated at 298,000, some 10,000 fewer than the number shown in Table 1 of the Retail Strategy. No small area estimates are provided for 2036 in either document although I note that Mr. Szafraniec has since provided some smaller area estimates in his statement of evidence. I would however ask whether or not the sub-regions referred to in Table 3 and Table 5 of Mr Szafraniec's evidence were the smallest unit of geography used for the purpose of modelling, because they are quite large geographic areas.

City of Greater Geelong	Forecast year						Change between 2016 and 2041	
Area	**2016**	**2021**	**2026**	**2031**	**2036**	**2041**	**Total change**	**Avg. annual % change**
City of Greater Geelong	**239,531**	**268,984**	**298,716**	**330,428**	**361,014**	**393,216**	**+153,685**	**2.0**
Armstrong Creek	4,397	9,787	16,023	22,050	24,742	25,274	+20,876	7.2
Barwon Heads - Connewarre - Breamlea	4,763	5,074	5,237	5,452	5,722	6,029	+1,266	0.9
Bell Park	5,196	5,788	5,934	6,016	6,224	6,459	+1,262	0.9
Bell Post Hill	5,030	5,182	5,651	7,876	10,454	12,913	+7,883	3.8
Belmont	14,301	15,165	15,833	16,409	17,104	17,777	+3,476	0.9
Clifton Springs	7,586	8,226	8,663	9,466	9,922	10,246	+2,660	1.2
Corio	15,741	15,815	16,440	16,763	17,160	17,590	+1,848	0.4
Curlewis	1,602	3,699	5,070	6,917	8,126	8,669	+7,067	7.0
Drysdale - Bellarine	4,573	5,708	6,191	6,859	7,476	7,989	+3,416	2.3
East Geelong	4,027	4,028	4,094	4,277	4,525	4,849	+822	0.7
Geelong - South Geelong - Drumcondra	6,947	8,068	9,107	10,151	12,151	15,058	+8,111	3.1
Geelong West - Manifold Heights	9,884	10,287	10,474	10,751	11,266	11,925	+2,041	0.8
Grovedale	14,616	15,363	15,897	16,296	16,968	17,661	+3,045	0.8
Hamlyn Heights	6,482	6,842	7,198	7,564	8,000	8,456	+1,974	1.1
Herne Hill - Fyansford	3,652	4,385	4,895	5,917	6,646	6,777	+3,124	2.5
Highton - Wandana Heights - Ceres	21,975	24,008	25,666	26,045	26,678	27,135	+5,160	0.8
Lara	16,756	18,250	19,315	20,797	22,126	24,551	+7,795	1.5
Leopold	13,140	13,455	14,057	15,522	16,914	18,263	+5,123	1.3
Lovely Banks - Batesford - Moorabool	2,736	2,863	3,100	4,898	9,439	16,269	+13,533	7.4
Marshall - Charlemont	2,290	4,024	6,765	9,754	13,911	18,101	+15,811	8.6
Mount Duneed	1,169	4,201	8,970	12,653	14,265	15,544	+14,375	10.9
Newcomb - Moolap	5,990	6,630	6,908	7,095	7,359	7,648	+1,658	1.0
Newtown	10,483	10,895	11,113	11,408	11,757	13,011	+2,528	0.9
Norlane - North Shore	8,890	9,564	9,876	10,105	10,367	10,911	+2,021	0.8
North Geelong - Rippleside	3,906	4,447	4,588	4,645	4,715	4,800	+895	0.8
Ocean Grove	14,607	16,633	18,230	19,447	20,335	21,316	+6,709	1.5
Portarlington	3,671	4,141	4,639	5,267	5,590	5,853	+2,182	1.9
Rural Bellarine Peninsula	2,901	3,645	4,581	4,822	4,789	4,752	+1,852	2.0
Rural North	1,828	1,867	1,943	2,061	2,184	2,314	+486	0.9
St Albans Park	4,926	5,013	5,131	5,196	5,306	5,453	+526	0.4
St Leonards - Ind.Head	3,679	4,094	4,601	5,010	5,588	6,122	+2,443	2.1
Thomson - Breakwater	2,679	2,822	2,990	3,089	3,195	3,310	+631	0.8
Waurn Ponds	5,152	5,017	5,473	5,733	5,795	5,865	+713	0.5
Whittington	3,956	3,995	4,063	4,116	4,214	4,324	+368	0.4

Population and household forecasts, 2016 to 2041, prepared by .id , the population experts, July 2019.
https://home.id.com.au

2.24 It is for the host of reasons that I have outlined above that I have not bothered to use gravity modelling at any point over the past 37 years. It is because the gravity model, in my view, pretends to be something which it simply is not. It pretends to present as a scientific, objective, precise "arms-length" analysis, whereas in my view it offers none of those qualities as deployed for the purposes of retail modelling. Rather, it is an opaque black box which cannot be properly critiqued, and where the practitioner is essentially saying 'Trust me, this approach is very detailed and technical so it must be correct'.

2.25 I also find myself at odds with SGS' characterisation of the 'key trends' impacting on the retail sector, as set out at Section 4.2 on page 28 of the Issues and Opportunities Paper and at pages 16-17 of the Retail Strategy. In both of those documents SGS refers to Fast retail, Slow retail and Cultural retail. In my view, the descriptions appear to be pejorative and they are also simplistic. Fast retail, which is characterised as comprising uses such as supermarkets and bottle-shops, is criticised – though not directly – for apparently eroding the market share of local manufacturers and primary producers and for also offering jobs "most of which are low income and/or casual". Slow retail on the other hand, which is characterised as comprising 'local cafés & delis' appears to be preferred, with descriptions such as "engaging consumers at a more comfortable pace", "typically owner operated shops with individuality and personality", and "more likely to hire skilled, full-time employees on more reasonable wages".

2.26 I do not know whether the local cafés throughout Greater Geelong hire skilled, full-time employees on more 'reasonable' wages than supermarkets and bottle-shops, but I suspect that it is simply not the case. More to the point, the various retail forms which exist, and which succeed or fail, reflect customer needs and wants. It is no coincidence that supermarkets and bottle-shops are stocked with 'inexpensive goods available in the global market', since everybody generally needs soap, toothpaste, toilet paper, cooking oils, serviettes, bananas, beef, chicken, milk, yoghurt, cheese, bread etc, and since generally the vast majority of consumers want to pay less rather than more for those items, especially given that they are consumed on a daily basis. It is also the case that approximately 40 cents in the retail dollar is directed to supermarkets and bottle-shops, and that share has been steadily increasing over the past 20 years, clearly reflecting consumer habits, behaviours and wants.

2.27 There is nothing bad to be said about local cafés & delis, which might or might not typically be owned and operated by local residents, indeed, I would expect most people would be in favour of having as many of those available as possible. However, the total proportion of retail expenditure which is directed to all food catering facilities, including all take-way food outlets, cafés & restaurants, is approximately 14 cents in the retail dollar, again reflecting consumers' aspirations, wants, finances and preferences. Thus, a policy directed to having ever more local cafés & delis in any retail centre is probably not going to be financially viable or very successful.

2.28 This characterisation of Fast versus Slow retail is ironic given, as I have noted at paragraph 2.17 above, that if one were to make the case for the use of a gravity model, it would probably only be in relation to a retail use such as supermarkets (Fast retail) that the case could possibly be made. It would certainly be unlikely to apply with any accuracy to Slow retail by definition, and even less likely to apply to Cultural retail.

3. Leopold Sub-Regional Centre

3.1 The Retail Strategy reaffirms Leopold as the preferred location for a sub-regional centre the service at Bellarine Peninsula. This finding is in accordance with previous findings including those of the *Greater Geelong Retail Strategy 2006*.

3.2 In Table 2 at page 26 of the Retail Strategy, a sub-regional centre is defined as

> *A major retail centre serving a wide catchment, although it is smaller than a regional centre. Is anchored by one or more discount department stores, supermarkets, mini-major and specialty stores. Because of their smaller size they have fewer higher order activities, including full-line department stores and the range of specialty shopping is less extensive.*

In that same paragraph the size range for sub-regional centre is listed at 15,000 – 60,000 sq.m, and Belmont, Waurn Ponds, Corio, Leopold, as well as Armstrong Creek are identified as the centres so defined.

3.3 The Bellarine Peninsula will continue to grow strongly over the period to 2036, a point which is readily evident from the *forecast.id* population projections that I have provided at page 11 above, and equally so based on the population projections made available in the statement of evidence of Mr. Szafraniec. The *forecast.id* projections show the combined population of the various areas which together comprise most the Bellarine Peninsula, and which I have highlighted in red in that table (being Clifton Springs, Curlewis, Drysdale-Bellarine, Leopold, Ocean Grove, Portarlington, rural Bellarine Peninsula, and St Leonards-Indented Head) increasing from <u>55,758</u> at 2016 to <u>83,210</u> at 2036 – an increase of 31,452 persons or 60.8%. The population of the Borough of Queenscliff, which is not part of Greater Geelong, adds a further 3,000 to the Bellarine Peninsula total.

3.4 In Mr. Szafraniec's statement no data are provided for 2041, however, over the period 2016-2036 the four sub-regions which together make up most of the Bellarine Peninsula listed in his Table 3 at page 12 (being Leopold, Drysdale, Ocean Grove and North-East Bellarine Peninsula) have a combined population of 50,378 at 2016 increasing to 73,102 at 2036 – an increase over that period of 22,724 or 45.1%.

3.5 In his statement Mr Szafraniec also provides his estimates of real growth in retail expenditure for each of those sub-regions, in Table 10 at page 18. That information shows projected real growth in the resident retail expenditure of the four sub-regions combined of **78%** or **$606 million** over the period 2016 to 2036, with the total increasing from $778 million to $1,384 million. Again, that total does not include the expenditure of the Borough of Queenscliff residents, which at 2018 is approximately $ 50 million, and nor does it include the much larger volume of tourist/visitor expenditure captured on the Peninsula. In this regard, I would have expected a more fulsome explanation of the relevance/contribution of visitor expenditure, especially for the areas – such as the Bellarine Peninsula – that are most directly affected by such visitation. In the Retail Strategy however there is no discussion at all of the role, contribution, or relevance/importance of tourist/visitor expenditure to the region overall or to the various centres within it.

3.6 In Figure 2 at page 19 of his statement Mr Szafraniec provides an estimate of **$303** million as the volume of captured retail expenditure from tourists for the "Geelong retail system". Clearly much of this total – if accurate – would be captured on the Bellarine Peninsula, in particular at Ocean Grove, Point Lonsdale, Queenscliffe, Portarlington and Indented Head.

3.7 The *Greater Geelong and The Bellarine Tourism Development Plan, Feb. 2019*, prepared by Urban Enterprise for Tourism Greater Geelong and the Bellarine, highlights the importance of tourist visitation to the Bellarine Peninsula. Among the key point made in that report are the following:

- In 2018 total estimated visitation to the Geelong & Bellarine region was 5.8 million, comprising 3.46 daytrippers and 2.33 overnight visitors.
- The Bellarine Peninsula plus Queenscliff accounted for 44% of the combined total, comprising **66.5% of the overnight visitors** (1.55 million) and 24.5% of the daytrippers (847,000).
- Total visitor expenditure (including non-retail components) was an estimated $1.1 billion, of which 60% ($617 million) was generated on the Bellarine Peninsula plus Queenscliff.

3.8 Unlike resident expenditure, visitor retail expenditure cannot and is not made via online channels. By definition it is directed entirely to bricks and mortar retail establishments within the region visited, thus it directly drives the need for retail floorspace.

3.9 Against this background, a retail floorspace cap of 30,000 sq.m is proposed at Leopold Gateway Plaza. With an existing floorspace listed at 20,600 sq.m, the imposition of this cap allows for a further 9,400 sq.m of retail floorspace at Leopold Gateway Plaza.

3.10 It is my view that such a cap is unnecessarily restrictive given the location of the centre, the growing catchment which it serves and will continue to serve in the future, as well as the gateway role which it plays for visitors to the Bellarine Peninsula. I do not support the imposition of retail floorspace caps at all, particularly on higher order centres of sub-regional or regional level, however, in the event that they are, for whatever reason, proposed, then at the very least in my view they should err on the side of generosity rather than parsimony. In my view there is nothing to be gained in **net community benefit** terms from limiting or restricting retail floorspace provision down to the last metre deemed by some expert to be "supportable".

3.11 Rather, particularly for higher order centres, there should be as much flexibility as possible granted so that the centre is able to freely respond to all the challenges of remaining a relevant, vibrant shopping, dining and recreational destination, particularly in a strongly growing market such as the Bellarine Peninsula. The Leopold Sub-regional centre is now not only faced with the imposition of a floorspace cap which I consider would limit its ability and flexibility to grow, but is also severely constrained by a requirement that any further retail floorspace can only be buit on land to the north of the existing floorspace.

3.12 The proposed Clause 21.19 of the Municipal Strategic Statement lists its fourteen objectives at 21.19-2. Three of those objectives are:

- *To facilitate the development of vibrant and viable retail centres.*
- *To encourage a competitive supply of goods and services.*
- *To support the expansion of existing centres.*

3.13 In my view, for a centre such as Leopold Sub-regional Centre, having regard to all the factors outlined in this statement, imposing a floorspace cap of the magnitude proposed as well as limiting the future retail development of the centre only to land north of the existing retail facility, i.e. with no direct exposure and very limited visibility to the Bellarine Highway, will in fact work against achievement of all three of the above objectives.

3.14 As a relevant and topical example of the reasons why I consider that to be the case, the current availability, and desire, of a new retail tenant not yet operating in Australia to take up a large tenancy at Leopold Gateway Plaza is a case in point. Kaufland Australia wishes to locate a large footprint supermarket at Gateway Plaza, which would absorb in the order of 5,000 – 6,000 sq.m of floorspace. That tenancy alone would therefore immediately consume in the order of 60% of the available floorspace permissible under the proposed cap.

3.15 At present the addition of Kaufland could occur under the proposed cap. However, if there were to be some other proposal for say another 4,000 square metres or more of additional retail floorspace elsewhere within the centre – which might or might not be a viable and realistic proposal - then the further addition of Kaufland would breach the cap. There is therefore little flexibility provided for the centre's growth given such a restrictive cap.

3.16 The limitation of future retail development only to land on the northern side of the existing centre building is an even bigger hurdle to the centre's future orderly growth in my view. A major retailer such as Kaufland, or for that matter Woolworths were it to be the next anchor addition at the centre, will not occupy what is deemed to be a second-rate location within such a centre, i.e. a location with poor visibility and which is tucked behind major competitors, such as the existing supermarkets – or others that might be added – which enjoy a highway frontage and direct highway access.

3.17 The bottom line, in my view, is that the Leopold Sub-regional centre, faced with such a constraint, is unlikely to attract any additional anchor stores, in particular a second major supermarket, regardless of the room which is still available at this stage under the proposed floorspace cap. If that happens then there is almost no chance, in my view, of additional specialty shops and services being able to be successfully added to the centre, particularly were they to be added on the land to the north, and to the rear, of the existing centre building and the Bunnings Hardware store.

3.18 Under those circumstances the centre would most likely stagnate at its current size and configuration. Given the growth environment in its catchment, for a period of time that might mean that turnover levels at the centre will grow steadily and there are no apparent concerns. However, in due course such an outcome would almost certainly consign the centre to a diminished role, and one which would not deliver the objectives of a designated sub-regional centre under the Retail Strategy.

3.19 I recommend that the constraints on the expansion of the Leopold Sub-regional Centre within the planning scheme should recognise both the significance of the Centre as sub-regional and the physical realities of what has occurred to date at the Centre. To achieve the sub-regional role intended, in my view there needs to be variations made to the prescriptive nature of the controls which limit growth only to the north. In my opinion, this is no longer realistically able to achieve the outcomes sought for this centre and the land to the west provides an obvious candidate to accommodate and facilitate such growth.

Appendix 1: Curriculum Vitae

TONY DIMASI

Managing Director, Dimasi & Co.

Contact

+61 409 216 450

contact number

dimasi@bigpond.com

Email

Find me on LinkedIn

Qualifications

- Bachelor of Arts (Hons.), University of Melbourne
- Master of Arts, University of Melbourne

Tony graduated with Honours and Masters Degrees in Economics and Mathematics from the University of Melbourne, where he also taught Economics and Statistical Methods for a number of years.

In 1982 he commenced work as a consultant in the then emerging field of retail and property economics, and for the past 35 years he has provided independent analysis and advice to shopping centre owners and developers, retailers, service providers and public authorities. Over that time Tony has had the opportunity to work extensively with most of Australia's shopping centres and retail precincts, and also most of the country's major retailers, participating first hand in the development and evolution of the Australian retail sector, and particularly the shopping centre industry.

As a micro-economist, Tony's emphasis in his work over the past four decades has been on the ever changing needs and wants of the consumer, which philosophically he has always regarded as being the essential underpinning of economic analysis for the retail sector.

Tony has worked across all parts of Australia and New Zealand, and has provided advice in relation to virtually every significant activity centre location in both countries. The range of projects has included CBD properties; super regional centres; regional and sub-regional centres; district and neighbourhood centres; homemaker retail facilities; freestanding stores; and all other retail formats, as well as commercial and industrial precincts.

Tony has also advised extensively on optimal retail and related services provisions to support major education and health facilities, including universities and hospital/health precincts. He has also advised widely on non-retail development projects, including residential and industrial projects, dairy processing, cattle export facilities, and poultry farming.

Tony appears regularly as an independent expert in state planning courts and tribunals across all states of Australia and in New Zealand, including:

- The Administrative Appeals Tribunal (AAT) of Australia;
- Independent Ministerial Panels and VCAT in Victoria;
- The Land and Environment Court of New South Wales;
- The Planning and Environment Court of Queensland;
- The State Administrative Tribunal in Western Australia;
- The Environment, Resources and Development Court of South Australia;
- The Liquor Licensing Court of South Australia;
- The Petroleum Products Retail Outlets Board of South Australia;
- The Resource Development Planning Commission in Tasmania; and
- The Environment Court of New Zealand.

He has also appeared regularly as an independent expert in federal parliamentary inquiries, including the Joint Parliamentary Inquiry into the Australian Retail Sector (Baird Inquiry); in ACCC hearings, including the Inquiry into the Competitiveness of Retail Prices for Standard Groceries in 2008; as well as Federal and County Court hearings.

He is also a regular conference speaker and columnist in retail industry publications.