

Deep End Services

Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

Contact

Deep End Services Pty Ltd
Suite 304
9-11 Claremont Street
South Yarra VIC 3141

T +61 3 8825 5888
F +61 3 9826 5331
deependservices.com.au

Enquiries about this report should be directed to:

Matthew Lee

Principal
matthew.lee@deependservices.com.au

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LBDG statement - Greater Geelong Am C393 expert statement
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This report should be read in its entirety, as reference to part only may be misleading.

Contents

1	Introduction	1
1.1	Background	1
1.2	Instructions	1
1.3	Expert witness details	2
2	Background assessment	3
3	Assessment of Revised Strategy	9
4	Summary of issues and changes	12
5	Other matters	14
6	Conclusion	18

Appendices

Appendix A Curriculum vitae for Matthew Lee

1

Introduction

- 1.1 Background**
- ⁰¹ I have been instructed in this matter by Maddocks, acting on behalf of Lovely Banks Development Group ('LBDG'), a consortium representing land owners within the Northern Geelong Growth Area ('NGGA').
 - ⁰² The matter relates to Amendment C393 ('Am C393') to the Greater Geelong Planning Scheme which seeks to implement the City of Greater Geelong Retail Strategy 2016-2036 ('Retail Strategy').
 - ⁰³ A revised version of the Retail Strategy ('the Revised Strategy') was provided by the City of Greater Geelong ('CoGG') initially on 6 December 2019 in response to Panel's Further Directions of 7 November 2019, and subsequently in tracked changes format on 17 December 2019 in response to Further Direction of 11 December 2019.
 - ⁰⁴ I have been asked to review the Revised Strategy on behalf of LBDG, focussing on matters of relevance to LBDG.
- 1.2 Instructions**
- ⁰⁵ My instructions are to undertake a review of the Revised Strategy, focussing on its consistency with matters already agreed between the parties, including proposed changes to the Retail Strategy and associated policy ordinance proposed in the Council Delegate Authority Report (22 August 2019), the Day 1 summary of proposed changes (26 September 2019), and various subsequent submissions by CoGG in response to Panel directions.

1.3 Expert witness details

Name and address of expert

Matthew Lee
Principal
Deep End Services Pty Ltd
Suite 304 / 9-11 Claremont Street
South Yarra VIC 3141

Expert's qualifications and experience

- Bachelor Degree in Commerce from the University of Melbourne.
- Principal of Deep End Services since 2012.
- Consultant with Essential Economics from 1997 to 2012.
- Practising urban economist since 1995.

A full CV is included at *Appendix A*.

Expert's area of expertise

- Urban and regional economic development.
- Market assessments for property development including residential, retail, commercial, and industrial.
- Input to strategic planning studies including Urban Design Frameworks, Structure Plans and Master Plans.
- Advice to government on growth area planning.

Instructions that defined the scope of the report

My instructions were received from Maddocks as detailed in section 1.2.

Facts, matters and assumptions upon which the report proceeds

Stated in relevant sections of this statement.

Documents, materials and literature used in preparing this report

Stated in relevant sections of this statement.

Identity of the person who carried out any tests or experiments relevant to this report

All work was carried out by myself.

2

Background assessment

⁰⁶ In this section I provide a chronological review of the key relevant documents, submissions and responses in relation to Am C393. My analysis focusses on identifying the content and status of agreed changes to the Retail Strategy and amendment documentation made by CoGG in response to the issues identified in the LBDG submission to the exhibited documents.

2.1 Amendment C393 exhibition

⁰⁷ Am C393 seeks to implement the City of Greater Geelong Retail Strategy 2016-2036 by including it as a Background Document, inserting a new Clause 21.19 and replacing Clause 22.03.

⁰⁸ The Amendment was publicly exhibited in from 10 April 2019 to 20 May 2019, receiving 14 submissions from various parties, including from LBDG.

⁰⁹ I wrote a review of Am C393 on behalf of LBDG (20 May 2019) in which I identified various issues of concern, including:

- Lack of consistency in the treatment of future centres within the North and West Geelong Growth Area (NWGGA).
- Conclusions on supportable development at future centres within the NWGGA that are premature given the need for future analysis during preparation of PSPs in these areas.
- Future centre development guidance that appears at odds with likely development patterns and timeframes.
- The lack of transparency associated with a gravity modelling process, and issues with some of the key inputs and results.

- Onerous requirements contained in proposed local policy, especially with regard to undertaking economic impact and net community benefit assessments.

2.2 LBDG submission

- ¹⁰ The LBDG submission was lodged with CoGG on 20 May 2019 and reiterated some of the concerns that I had identified, adding other proposed changes to the text of policy ordinance.
- ¹¹ The submission also mentions the need for consistency between the Retail Strategy and its associated amendment documentation, and the policy implications arising from the concurrent consideration of Am C395 relating to the Geelong Settlement Strategy and Northern and Western Geelong Growth Areas Framework Plan. Of particular relevance are:
- A recommendation that the Strategy deletes reference to future supportable floorspace guidance for centres within the NWGGA contained in Table 5 of the Strategy, and deletion of pages in the Appendix referencing these centres.
 - Proposed corrections to maps showing locations of potential future centres.
 - A request for detailed explanation of the methodology and purpose of the gravity model.
 - Proposed amendments to the text contained in Clause 21.19-2.

2.3 Consideration of submissions

- ¹² The CoGG Delegate Authority Report of 22 August 2019 considered all submissions to Am C393, identified various changes that council agreed would be made to the Retail Strategy and/or the supporting amendment documents, and recommended that a Panel be formed to consider unresolved issues.
- ¹³ The relevant responses to LBDG include:
- Text on p28 of the Retail Strategy, under the heading ‘Future retail centres in the Northern and Western Geelong Growth Areas’, is to be amended so that the second last paragraph reads *“The PSPs will consider the timing, location and scale of the proposed retail centres, particularly the sub regional centres, and any potential impacts on the existing centre network and will consider applying floor space caps”*.
 - The following response on p7: *“The inconsistencies identified by Lovely Banks Development Group are valid. We propose to update the Retail Strategy to consistently discuss these new growth areas at a high level. We will also add an appendix to the Strategy that summarises the retail gravity methodology and supporting data to better explain the model results”*.
 - With respect to proposed changes to Cl.21.19-2, the CoGG response is that *“the Lovely Banks Development Group’s requested changes are generally supported”*, although two of the LBDG proposed changes are considered to be not relevant. These are generally minor drafting issues.

2.4 Day 1 documents

- ¹⁴ The Day 1 documents released on 26 September 2019 include proposed changes to the Retail Strategy and to the proposed planning scheme clauses that were accepted by CoGG prior to commencement of the Panel hearing.
- ¹⁵ With respect to the submissions from LBDG, the following Day 1 proposed changes to the Retail Strategy are of most relevance:
- “p25: Replace Figure 6 Location of Retail Centre with a new Figure 6”
 - “p28: Changes to text in response to LBDG submissions” as identified in section 2.3 above
 - “pp57-59: Replace p57 and Table 5 Supportable Floor Space 2016-2036 with a new p57 and Table 5 as shown in Appendix 2”
Note that Appendix 2 to the Day 1 document shows a copy of the Table 5 in which the data for centres in the NGGA and WGGA are set to zero in terms of both planned new floorspace and projected floorspace demand.
 - “pp158-159: remove pages. Reason: NWGGA centres are not ‘planned centres’ such as centres in the Armstrong Creek Growth Area. Premature to be included in Appendix 1”
 - “pp163-168: Remove pages. Reason: NWGGA centres are not ‘planned centres’ such as centres in the Armstrong Creek Growth Area. Premature to be included in Appendix 1”.
- ¹⁶ In addition to the items above, the Day 1 changes to the Retail Strategy include text to be inserted above Table 5 which states that *“Floor space has not been attributed to indicative centres in the Northern and Western Geelong Growth Areas. Detailed floor space assessments will be undertaken as part of the preparation of Precinct Structure Plans”*.
- ¹⁷ Following release of the Delegate Authority Report and the Day 1 documents, I understand that LBDG was of the view that most of their substantive issues had been addressed, with the only unresolved matters being:
- With respect to consistency of treatment of NWGGA centres, LBDG identified that floorspace allocations were still retained in the Strategy at Figure 14.
 - With respect to Clause 22.03, LBDG identifies various concerns about the application of policy to future centres within the NGGA, and notes that the requirements of the clause for retail applications are onerous.

2.5 CoGG Part A and Part B submissions

- ¹⁸ The proposed changes to the Retail Strategy set out in the Day 1 documents were attached to CoGG’s Part A submission on 14 October 2019 as the basis for Council’s position at the commencement of the Am C393 hearing.
- ¹⁹ CoGG’s Part B submission was circulated on 28 October 2019 and responds to Panel Direction 14 by, among other things, setting out *“the key ‘unresolved’ issues raised in the public submissions and Council’s response to the same having regard to the expert evidence circulated by the parties on 14 and 18 October”*.

- ²⁰ At paragraph 6.1, the first unresolved issue relates to “*treatment of future activity centres in growth areas (ie Lovely Banks)*”.
- ²¹ Further discussion from paragraph 7 summarises the status of the LBDG submission, stating that two unresolved issues remain: the retention of charts at Figure 14 that relate to floorspace demand and supply allocations in the NWGGA; and the view that the assessment requirements under proposed CI 22.03 remain onerous.
- ²² With respect to floorspace expenditure demand in the NWGGA the Part B submission acknowledges that floorspace development in the growth areas will be resolved during later PSP analysis, at which point floorspace caps will be introduced in the relevant Urban Growth Zone schedules. However, at paragraph 13 the submission states that the chart at Figure 14 should be retained for completeness to reflect the whole-of-system approach adopted by the gravity modelling process.
- ²³ It is important to note that the discussion in this section of the Part B submission (ie in response to the LBDG issues) makes no mention of floorspace allocations being retained elsewhere in the Retail Strategy, for example at Table 5.
- ²⁴ Later in the Part B submission, under the heading ‘Response to expert evidence’, the submission states that Council will accept changes to the Retail Strategy and Amendment documents recommended by its expert Julian Szafraniec.
- ²⁵ Under paragraph 88, the submission states:
- “to be clear, Council support substituting Table 5 on page 57 of the Retail Strategy with Table 20 from Mr Szafraniec’s expert witness report”.*
- ²⁶ Table 20 reinserts floorspace data for future centres within the NWGGA, including entries for planned new floorspace for selected centres as well as information on projected floorspace demand and the resulting ‘supply less demand’.
- ²⁷ The actual numerical entries for each of the indicative future centres within the NWGGA contained in Table 20 of Mr Szafraniec’s statement are almost identical to the entries in the exhibited Retail Strategy.
- ²⁸ I note that Mr Szafraniec’s statement does not specifically discuss why the entries in Table 5 have been reinserted.
- ²⁹ I note that the Part B submission makes reference to Day 2/Part B proposed changes that are included in Appendix 4 to the submission (refer paragraph 91), but I have not been able to locate a copy of this Appendix.

2.6 LBDG submission to Panel

- ³⁰ Maddocks made submissions on behalf of LBDG at the hearing on 7 November 2019. As detailed in paragraph 7 of that document, these submissions were made on the basis of changes proposed as part of the Delegate Report and the associated Day 1 documents, including the removal of projected retail floorspace supply and demand from Table 5 for NWGGA centres and removal of placeholder pages from the Appendix to the Strategy (among other proposed changes).

³¹ Unresolved matters identified in the LBDG submission include:

- The removal of charts for the NWGGA centres from Figure 14
- The need for final documents from Am C393 in relation to centre locations to accord with the outcomes of Am C395
- The content and drafting of Clause 22.03, particularly the different impact pathways and the onerous requirements for economic assessments.

³² In relation to the second dot point above, I note that LDBG's submissions to Am C395 (Settlement Strategy and NWGGA Framework Plan) include, among other things, a proposal to 'split' one of the centres within the NGGA, leading to one additional centre (five rather than four centres) but no significant change in overall floorspace.

³³ I presented evidence at the Panel Hearing from Am C395 in which I was instructed to consider the relationship between the Framework Plan (as per Am C395) and the Retail Strategy (as per Am C393). In response to this instruction and my assessments, I concluded the following:

"I have been instructed to consider whether the proposed changes to the network of activity centres would have any effect on the Retail Strategy and how it deals with the NGGA. On this matter, I understand that the Strategy is to be altered to remove references to floorspace demand and supply modelling for the NGGA and WGGA to reflect the fact that these will be subject to further consideration during preparation of PSPs. This means that the proposed changes to the Framework Plan with respect to activity centres will have no effect on Am C395" (M Lee statement of evidence, para 154).

³⁴ The subsequent reintroduction of references to floorspace demand and supply modelling and inclusion in Table 5 means that this statement that I gave to the Panel for Am C395 may no longer apply.

2.7 CoGG Part C submissions

³⁵ Council's Part C submission was circulated on 7 November 2019 and presents "an overview response and a response to the various issues raised by the Panel, to the extent Council is able to".

³⁶ The Part C submission does not make specific reference to the LBDG issues other than in a generic way. However, the submission does include material in an Appendix which summarises Council's proposed changes to the Retail Strategy.

³⁷ The Appendix contains contradictory information:

- The first part of the Appendix includes revisions to the table of changes originally included in the Day 1 documents. The original reference to changes at pp55-57 is removed, with a revised entry stating: "Replace Table 5 on p57 of the Retail Strategy with Table 20 in expert witness report of Julian Szafraniec".
- However, in further material on p8 of the Part C Appendix, Table 5 is presented in the same form as in the Day 1 documents, with zero entries for

the indicative future centres in the NGGA and WGGGA. The text above the table is also retained from the Day 1 documents.

³⁸ I note that the Part C submission (including material in the Appendix) makes no reference to reinserting pp158-159 and pp163-168 into the appendix.

2.8 CoGG Part D material

³⁹ Council released Part D material in response to Further Directions from Panel of 7 November 2019, including the Revised Strategy and associated amended copies of the C1Z schedule, CI 21.19 and CI. 22.03.

⁴⁰ A tracked changes format copy of the Revised Strategy was requested in Further Direction of 11 December 2019 and was subsequently circulated on 16 December 2019.

⁴¹ With respect to CI 21.19, the Part D version includes significant drafting changes to the Key Issues and Influences section. Although in my opinion these changes do not resolve all of the concerns that I had identified in my initial review of the exhibited Retail Strategy (20 May 2019), none of the changes have a material effect on matters that have been identified in LBDG submissions.

⁴² Proposed changes to CI 22.03 include the removal of high and low impact pathways and the deletion of the more onerous requirements for assessment of high impact proposals, which responds positively to issues previously raised by LBDG and other submitters.

⁴³ Proposed changes to the Retail Strategy are examined separately in the next section of my statement.

3

Assessment of Revised Strategy

- ⁴⁴ My assessment of the Revised Strategy is based on the version released on 6 December 2019, noting that I have also reviewed the tracked changes version and used it to help identify where content has been added, removed or amended.
- ⁴⁵ My analysis concentrates on issues already identified by LBDG in their original submission to Am C393 and in following submissions, including at the hearing on 7 November 2019.

3.1 Discussion on indicative centres in NWGGA

- ⁴⁶ The Delegate Authority Report responded to LBDG's submission by proposing to amend the text on p28 of the exhibited strategy as described in section 2.3 above.
- ⁴⁷ The Revised Strategy 'rolls back' this change, with the text on p28 remaining the same as in the exhibited version.

3.2 Centre-based retail requirements in NWGGA (Table 5)

- ⁴⁸ LBDG submitted that it is unhelpful and premature for floorspace demand and supply analysis to be conducted for indicative future centres within the NGGA (and, by extension, the WGGGA), and that references to floorspace within individual centres should be deleted from Table 5.
- ⁴⁹ These requested changes were made in the Day 1 documents, as described in section 2.4 of this statement.
- ⁵⁰ The Revised Strategy alters these agreed changes by reinstating data for indicative centres within the NWGGA within Table 5.
- ⁵¹ The reinserted data is consistent with the recommended changes in Mr Szafraniec's statement of evidence (and as described in the Part B submission by CoGG – refer

section 2.5 above). The changes are insignificant when compared against the exhibited Retail Strategy.

3.3 Text discussion above Table 5

- ⁵² The Day 1 documents proposed to include additional text above Table 5 to emphasise that the modelled calculations of supportable floorspace are not intended to operate as limitations on development.
- ⁵³ In addition, the Day 1 changes included the proposed addition of the following text (refer section 2.4 above):
- ⁵⁴ *“Floor space has not been attributed to indicative centres in the Northern and Western Geelong Growth Areas. Detailed floor space assessments will be undertaken as part of the preparation of Precinct Structure Plans”.*
- ⁵⁵ The above text has been deleted from the Revised Strategy.

3.4 Centre descriptions in Appendix 1

- ⁵⁶ The Day 1 changes include the removal of pages in Appendix 1 (pp158-169 and pp163-168) which described and provided details of future indicative centres within the NWGGA. These pages only referred to neighbourhood-level future centres within the NWGGA – future sub-regional centres within the NWGGA were not included in Appendix 1 of the exhibited Retail Strategy.
- ⁵⁷ The deletion of these pages responded to LBDG’s submission that it is premature to include information on individual centres within the NWGGA when the number, role and location of these centres may change subject to Am C395 and future PSPs.
- ⁵⁸ The Revised Strategy reinstates these pages under the heading ‘Indicative centres’ at Appendix 2, pp179-190.

3.5 Explanation of gravity model methodology

- ⁵⁹ The LBDG submission requested that additional information be provided with respect to the gravity modelling process conducted by SGS which forms the basis to the Strategy’s recommendations.
- ⁶⁰ Specifically, the LBDG submission requested that *“there should be sufficient information in the strategy for the gravity model to be understood to the extent that it can be replicated externally to test future proposals”.*
- ⁶¹ The Revised Strategy responds to this request by inserting ‘Appendix 1: Retail Method’ which describes the process and some of the relevant inputs and intermediate outputs from the SGS modelling process.
- ⁶² In my opinion this provides sufficient detail to enable understanding of how the modelling process was conducted. However, this additional information does not necessarily allow the analysis to be replicated to produce similar results as this would depend on local area-specific data to be made public with respect to items such as local area population projections, estimations of incoming/outgoing

spending adjustments for workers, students and tourists, origin-destination travel time, and many other variables.

⁶³ I make comment on other aspects of the Revised Strategy in section 5 of this statement.

4

Summary of issues and changes

4.1 CoGG responses have changed

⁶⁴ Based on the reviews of the various documents as summarised in previous sections, I can identify the following matters in which agreed responses to LBDG's submissions appear to have been 'rolled back' or altered in some form:

- a. Proposed text changes on p28 (from Delegate Authority Report) have been removed and the original version reinstated.
- b. The agreed changes to Table 5 to delete entries for indicative centres within the NWGGA (from Day 1 changes) have been deleted and original entries (with very minor changes in figures) have been reinserted.
- c. The proposed text above Table 5 stating that floorspace for indicative centres within the NWGGA would be determined as part of preparation of PSPs (from Day 1 changes) has been removed.
- d. The page entries for individual centres contained in Appendix 1 of the exhibited Retail Strategy were proposed to be removed as part of the Day 1 changes, but have now been retained at Appendix 2 with added pages for sub-regional and specialised centres.

4.2 Issues are partly resolved

⁶⁵ Matters identified by LBDG which now appear to be at least partly resolved include:

- a. The removal of different impact pathways and overly onerous assessment requirements in CI 22.03.
- b. The inclusion of detailed description of the methodology used in undertaking the gravity modelling.

4.3 Issues are unresolved

⁶⁶ Matters identified by LBDG that remain unresolved include:

- a. The need for final documents from Am C393 in relation to centre locations to be consistent with the outcomes of Am C395 (and potentially reflecting changes in the number and locations of centres proposed by LBDG at the Panel Hearing for Am C395).
- b. The inclusion of sub-regional alignment of floorspace demand and supply for the NWGGA, now presented in the Revised Strategy at Figure 22 (NGGA) and Figure 23 (WGGA).

5

Other matters

⁶⁷ Other matters that, in my opinion, remain relevant for the Panel to consider in relation to Am C393 include the following.

5.1 Planned and supportable floorspace in NWGGA centres

⁶⁸ As I have noted above, the Revised Strategy departs from CoGG's previous commitment to remove references to planned centre floorspace and supportable floorspace in Table 5.

⁶⁹ Instead, the Revised Strategy inserts the following data under the heading referring to planned new or additional centre floorspace to 2036:

NGGA:

- Sub-regional centre: 5,372 sqm
- Elcho Rd East neighbourhood centre: 6,650 sqm
- Other neighbourhood centres: 0 sqm
- Total planned to 2036: 12,022 sqm

WGGA:

- Sub-regional centre: 16,552 sqm
- Northern neighbourhood centre: 6,650 sqm
- Other neighbourhood centres: 0 sqm
- Total planned to 2036: 23,202 sqm

⁷⁰ The source of the figures shown above for these centres within the NWGGA is described in Mr Szafraniec's statement at paragraph 12, with details shown in Table 1 which I have replicated below.

Figure 1—NWGGA centre assumptions

Source: Szafraniec statement of evidence

Location	Centre	Retail floorspace (build out)	Retail floorspace (by 2036)
NGGA	1 x Town centre*	10,750 (average size of an existing Town Centre)	5,372 (50 % of capacity)
NGGA	3 x Neighbourhood	6,650 (Each) (average size of an existing Neighbourhood Centre)	6,650 (1 of 3)
WGGA	1 x Sub-regional	33,100 (average size of an existing Sub-regional Centre)	16,552 (50 %)
WGGA	5 x Neighbourhood	6,650 (Each) (average size of an existing Neighbourhood Centre)	6,650 (1 of 5)
WGGA	1 x Homemaker	14,500 (Each) (average size of an existing Homemaker Centre)	0 (0%)
Sub-total		111,600	35,224 (25 %)

*Note: in final Retail Strategy this has now been redefined as a sub-regional while analysis has not changed

- 71 With respect to the above, I note that the first data row refers to a “town centre” within the NGGA containing 10,750 sqm of retail floorspace at build out, with an assumption that 50% of the centre would be constructed by 2036.
- 72 I also draw attention to the footnote to the table which recognises that this centre is redefined as a sub-regional centre but does not make any adjustment to the analysis.
- 73 By contrast, I note that the sub-regional centre within the NWGGA is identified as potentially being 33,100 sqm.
- 74 In my opinion these underlying assumptions, while they might have been correct at the time that the Retail Strategy was written, are now inconsistent with the current position with respect to the role and size of centres within the NWGGA.
- 75 Moreover, the expected timing (with each growth area containing one developed neighbourhood centre and one partly developed sub-regional centre) contradicts the PSP delivery guidance contained in the NWGGA Framework Plan as currently being considered by the Panel for Am C395. For example, the Framework Plan identifies the NGGA sub-regional centre as being within a PSP conducted in the longer-term. In the WGGA, the pattern of development and the fragmentation created by the quarry will preclude delivery of the sub-regional centre until much later in the development cycle.
- 76 According to Table 5 of the Revised Strategy, forecast demand at these centres in 2036 is as follows:

NGGA:

- Sub-regional centre: 4,619 sqm
- Elcho Rd East neighbourhood centre: 4,683 sqm
- Other neighbourhood centres: 0 sqm
- Total planned to 2036: 9,302 sqm

WGGA:

- Sub-regional centre: 17,569 sqm
- Northern neighbourhood centre: 7,231 sqm
- Other neighbourhood centres: 0 sqm
- Total planned to 2036: 23,202 sqm

⁷⁷ Underpinning these forecast demand projections are the following sub-regional population projections, as presented in Table 1, p12 of the Revised Strategy:

NGGA:

- Population 2016: 1,097
- Population 2036: 14,112
- Population growth: +13,015

WGGA:

- Population 2016: 342
- Population 2036: 14,108
- Population growth: +13,766

⁷⁸ The basis for these population projections is set out in Table 2 of Mr Szafraniec's statement, indicating that the calculations assume that the NGGA would be 22% built out and that the WGGA would be 33% built out.

⁷⁹ I make the following comments about these calculations:

- As I have stated in paragraph 76 above, the delivery guidance contained in the NWGGA Framework Plan has moved on since preparation of the Retail Strategy, and is now inconsistent with development of centres in the order stated in the Revised Strategy.
- My evidence for Am C395 includes more detailed analysis of potential population outcomes, which depart from the figures adopted for the Revised Strategy.
- With a similar population base in 2036 (both around 14,000 people in 2036), it would appear logical that the supported floorspace in each growth area would be fairly similar, but in fact there is a large variance in modelled supportable retail floorspace demand (9,300 sqm in the NGGA compared to 23,300 sqm in the WGGA).
- The NGGA represents a single, homogenous development area in which a larger share of floorspace demand could be retained locally, whereas the WGGA includes development fronts in the north (between Midland Highway and Ballan Road) and in the south (alongside the Hamilton Highway), separated by an active quarry that will transition in the longer term.

⁸⁰ My review of this information helps to confirm my opinion that the inclusion of data for NWGGA centres at Table 5 is unhelpful, premature, and possibly inconsistent with the outcomes of Am C395.

⁸¹ In the event that Panel accepts that Table 5 entries should be shown for indicative future centres within the NWGGA, my opinion is that the data on individual centres should be modified to reflect more realistic floorspace and centre development timeframes. Importantly, the analysis should be reviewed to better reflect the likely earlier retail development opportunity in the NGGA compared to the WGGA.

5.2 Retail floorspace supply audit

⁸² My original review of 20 May 2019 identified various issues with respect to the retail floorspace data that forms the basis for subsequent modelling.

⁸³ Although Mr Szafraniec responded to some of these items in his statement, I still have the following concerns:

- The audit appears to include some non-retail activities (such as caravan sales and the like) within the definition of retail floorspace. This is important because the modelling requires that the supply side data (floorspace) aligns as closely as possible to the demand side data (expenditure by type).
- Retail floorspace provision rates, measured on a per capita basis, still appear too high, possibly as a result of the point I have just made in the above paragraph. I acknowledge that Mr Szafraniec has prepared revised figures that present this measure only on 'shop' floorspace (ie excluding bulky goods and hospitality), but the fact is that these types of uses are always included in the measure of retail floorspace provision, with an agreed typical provision rate of around 2.2-2.4 sqm per capita rather than 3.6 sqm per capita as shown in the Revised Strategy.

5.3 Additional explanatory material and modelling process

⁸⁴ The Revised Strategy now incorporates a detailed explanation of the methodology used in preparing and calibrating the gravity model, responding to earlier submissions from LBDG.

⁸⁵ The inclusion of the explanatory material shows just how many 'moving parts' there are in developing the algorithms used in the SGS gravity model. Each of these processes requires a range of estimations or assumptions, with corresponding risk of error.

⁸⁶ The additional information does not alleviate my original concerns about using a gravity modelling approach in preparing the Retail Strategy.

⁸⁷ My opinion is that a traditional methodology provides a more transparent while still robust basis for developing public policy with respect to retail development.

6

Conclusion

- ⁸⁸ The Revised Strategy and the associated Part D changes to the amendment documents introduce some improvements, in particular with revisions to local policy sections which remove onerous application requirements. The inclusion of a detailed explanation of the gravity modelling process is also useful.
- ⁸⁹ However, the Revised Strategy is inconsistent with the position outlined in previous submissions from CoGG that appeared to resolve issues identified by LBDG. These relate principally to the modelling and treatment of indicative future centres within the NWGGA which, in LBDG submissions, are premature given the future more detailed assessments that will be conducted for these centres.
- ⁹⁰ In my opinion these concerns on the part of LBDG are valid and should be resolved prior to adoption of Am C393.
- ⁹¹ In arriving at my conclusion, 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.



Matthew Lee
Principal, Deep End Services

16 January 2020

Appendix A Curriculum vitae for Matthew Lee

Current Position:	Principal, Deep End Services Pty Ltd April 2012 - current
Previous Positions:	Director, Essential Economics Pty Ltd March 2011 - March 2012 Senior Associate, Essential Economics Pty Ltd January 2004 - March 2011 Senior Economist, Essential Economics Pty Ltd September 1997 - January 2004 Economist, Henshall Hansen Associates May 1995 - September 1997
Academic Qualifications:	Bachelor of Commerce (Economics) University of Melbourne (1994)
Skills / Attributes:	Extensive experience in urban and regional economic assessment, industry sector analysis and property market evaluation throughout Australia. Range of experience includes: <ul style="list-style-type: none"> • Market assessments for retail, commercial, industrial and residential property development • Demand assessments for a wide range of allied uses including childcare centres and retirement villages • Economic impact assessments to accompany planning applications • Expert witness representation • Retail studies and demand evaluation • Economic input to master plans, structure plans • Economic analysis for growth area planning and structure plan preparation • Local and regional economic effects for environmental impact assessments • Economic assessments for major infrastructure projects.

Professional Experience

Principal, Deep End Services (April 2012 - current)

Matthew joined Deep End Services in April 2012 to assist clients with a common requirement - the need to quantify the effects of the location of their business or property on sales, profitability, growth and income. "DEEP" represents three core service areas:

- Demand Evaluation
- Economics
- Planning

Within each of these three areas, Deep End Services provides consulting advice to retailers, property owners, property developers and others such as financial institutions, infrastructure providers and industry associations. The products offered include:

- Store network planning and sales forecasting
- Acquisition due diligence
- Feasibility analysis
- Economic impact assessment

Deep End's property clients include:

- Amcor, AMP, Australand, Brookfield Multiplex, Cbus Property, Charter Hall Retail REIT, Federation Centres, Harvey Norman, Home Consortium, ISPT, Lend Lease, MAB Corporation, Macquarie Bank, Mirvac, Orica, Ouson Group, Pellicano, Places Victoria, Stockland, Walker Corporation and Westfield

Deep End's retail clients include:

- ALDI, About Life, Anaconda, Baby Bunting, Beacon Lighting, City Farmers, Clark Rubber, Coles, Costco, Harris Scarfe, Masters, Noni B Group, Pacific Brands, Pet Barn, Quick Service Restaurant Holdings, Spotlight, The Good Guys, Trade Secret, Urban Purveyor and Woolworths

Deep End's other clients include:

- ANZ, Crescendo Partners, InterContinental Hotels Group, KPMG, Large Format Retail Association, Medibank Private, Melbourne Racing Club, Newcastle Permanent Building Society and Reading Entertainment

Essential Economics (September 1997 - March 2012)

Matt was employed with Essential Economics from its formation in 1997 until March 2012, where he held senior management roles. During that time, he undertook a wide range of projects across all property types, but with a strong focus on the retail sector.

Matt's project experience includes:

- site feasibility analysis and development evaluation
- market demand analysis
- economic impact studies
- market research
- highest and best use analysis
- input to masterplans and other planning-related studies
- economic impact assessments for major infrastructure projects and environmental impact assessments
- policy advice for state and local governments.

Private sector clients have included property developers and owners such as MAB, Mirvac, Stockland and AMP; and retailers such as Costco, Bunnings and ALDI.

Matt's policy work has been undertaken for a wide range of clients in local government and state government agencies and government authorities. Examples include the Department of Planning and Community Development (VIC), Department of Business and Innovation (VIC), Growth Areas Authority (VIC), Department of Planning and Local Government (SA), VicRoads and Places Victoria. Project experience has included:

- activity centre strategies
- input to growth area structure plans
- input to urban framework plans, masterplans, etc
- economic development strategies
- tourism studies
- economic profiles.