

Going Local: CREATING PLACE-BASED ECONOMIES
The Economic Fundamentals
of Re-localisation in Australia

Presented by

Roger Gibbins

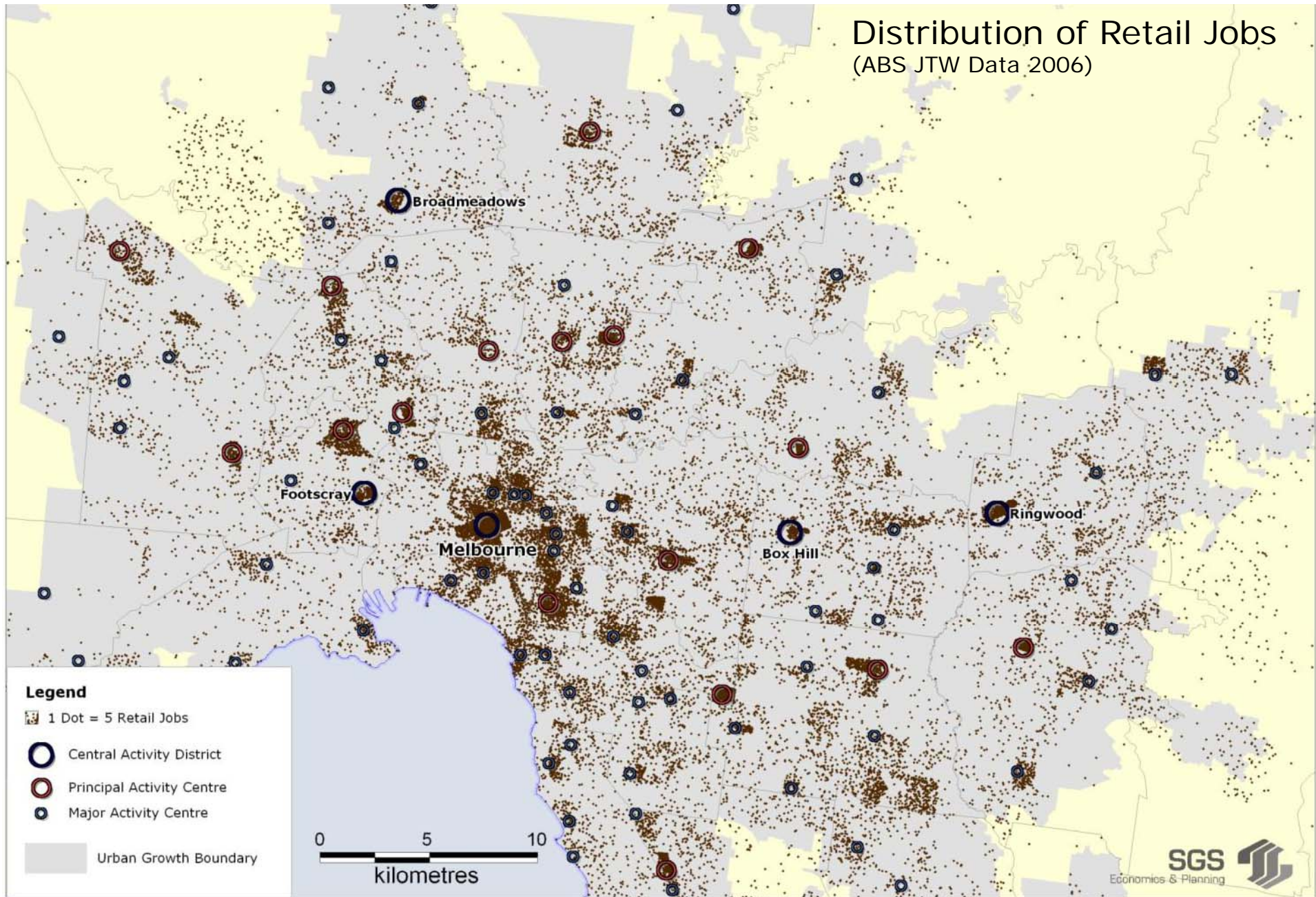
Director, SGS Economics & Planning

2nd December 2009

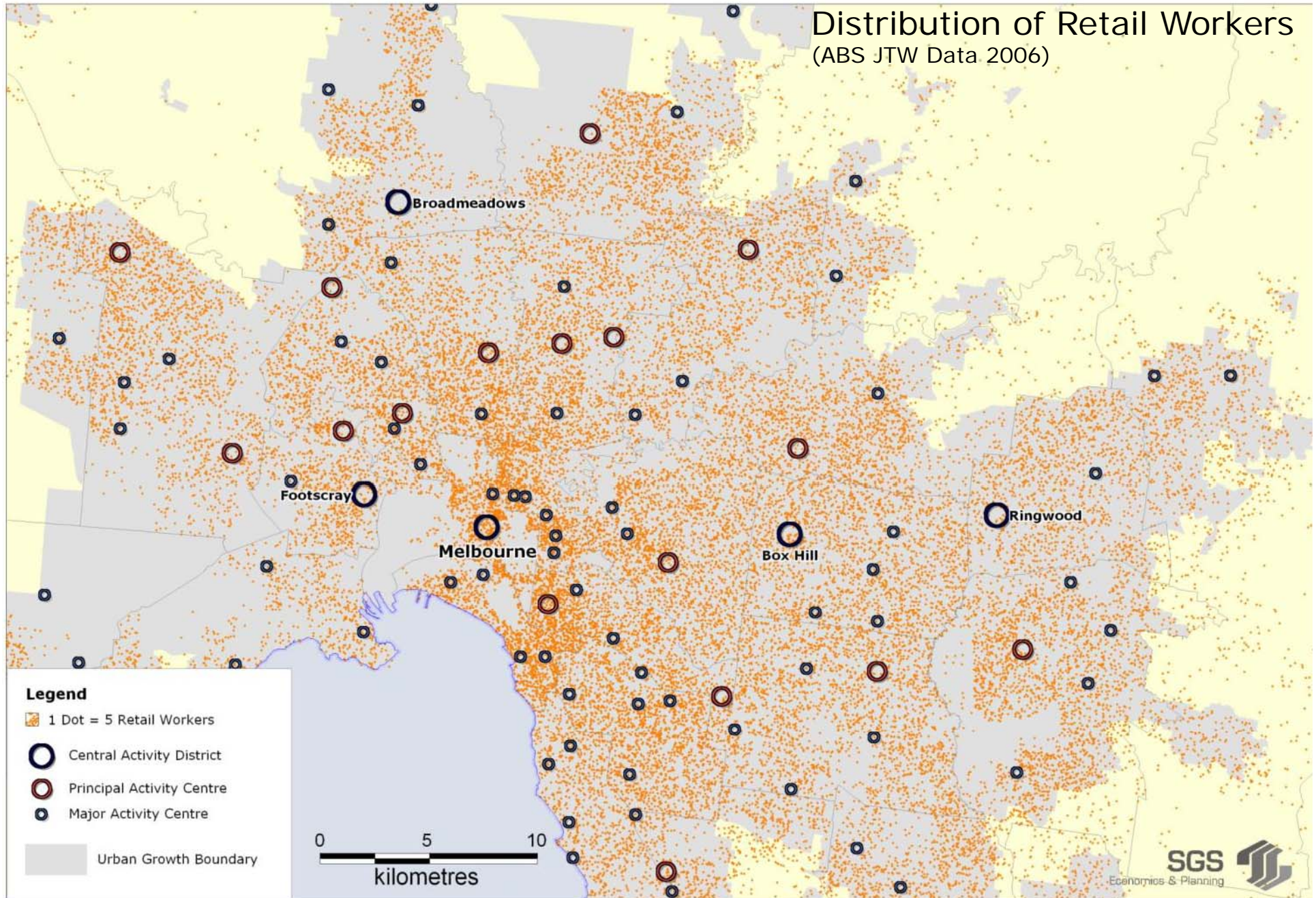
The Significance of Retailing in 'Localisation'

- Localisation for some is an ideology but for many it is a sensible planning objective to meet people's real needs.
- Solutions will vary between the ideologues and others but in practical terms it is all about bringing destinations close to origins to contain travel demand.
- This has environmental, economic and social benefits.
- Perhaps the key issue is the distribution of retail floorspace. Retail floorspace attracts:
 - more trips per square metre than any other land use;
 - Is the key to supporting community facilities;
 - When clustered with other facilities creates a high level of convenience and opportunities for multi purpose trips.

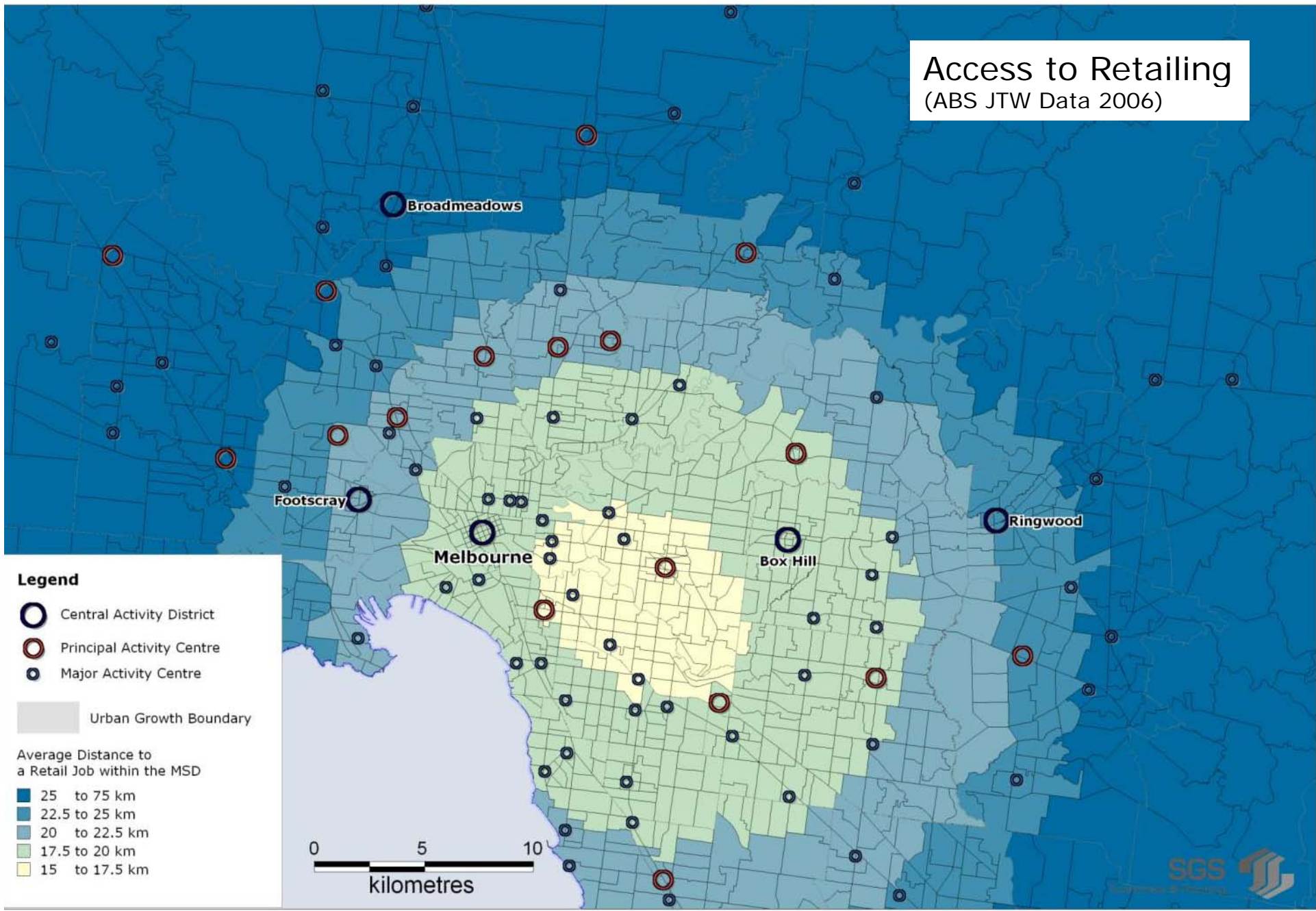
Distribution of Retail Jobs (ABS JTW Data 2006)



Distribution of Retail Workers (ABS JTW Data 2006)



Access to Retailing (ABS JTW Data 2006)



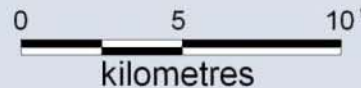
Legend

- Central Activity District
- Principal Activity Centre
- Major Activity Centre

Urban Growth Boundary

Average Distance to a Retail Job within the MSD

- 25 to 75 km
- 22.5 to 25 km
- 20 to 22.5 km
- 17.5 to 20 km
- 15 to 17.5 km



Centralisation of the Retail Industry

- Australia has one of the most centralised retail industries in the world.
- This affects:
 - Supermarkets (Oligopoly - Woolworths and Westfarmers 70%).
 - Fresh food (Woolworths and Westfarmers 50%).
 - Hardware (Wesfarmers / Bunnings 56.5%)
 - Franchisers and category killers.
- ACCC has found no evidence of price fixing but is concerned about barriers to new entrants (leases and planning controls).
- There is evidence of pressure on growers and suppliers.

The Retail and Development Industry Alliance

- The oligopolistic retailers and the development industry have a mutual interest in rent seeking behaviour.
- Developers / investors must offer attractive terms to the 'anchors'. They then seek rent from the 'specialties'.
- To underpin rents further competition is excluded.
- The objective is to secure exclusive access to the expenditure in the catchment.

The Spatial Manifestation of Rent Seeking

- To achieve their objectives the oligopolistic retailer / development industry coalition create retailing '**citadels**', the attributes of which are:
 - Central location in exclusive catchments.
 - Single ownership to manage tenant mix.
 - Restricted supply of floorspace to underpin rent levels.
 - Exclusion of retailers below rent floor price (favours franchisers and chains).
 - Physical design to prevent integration of adjacent development if it occurs.

The Citadel



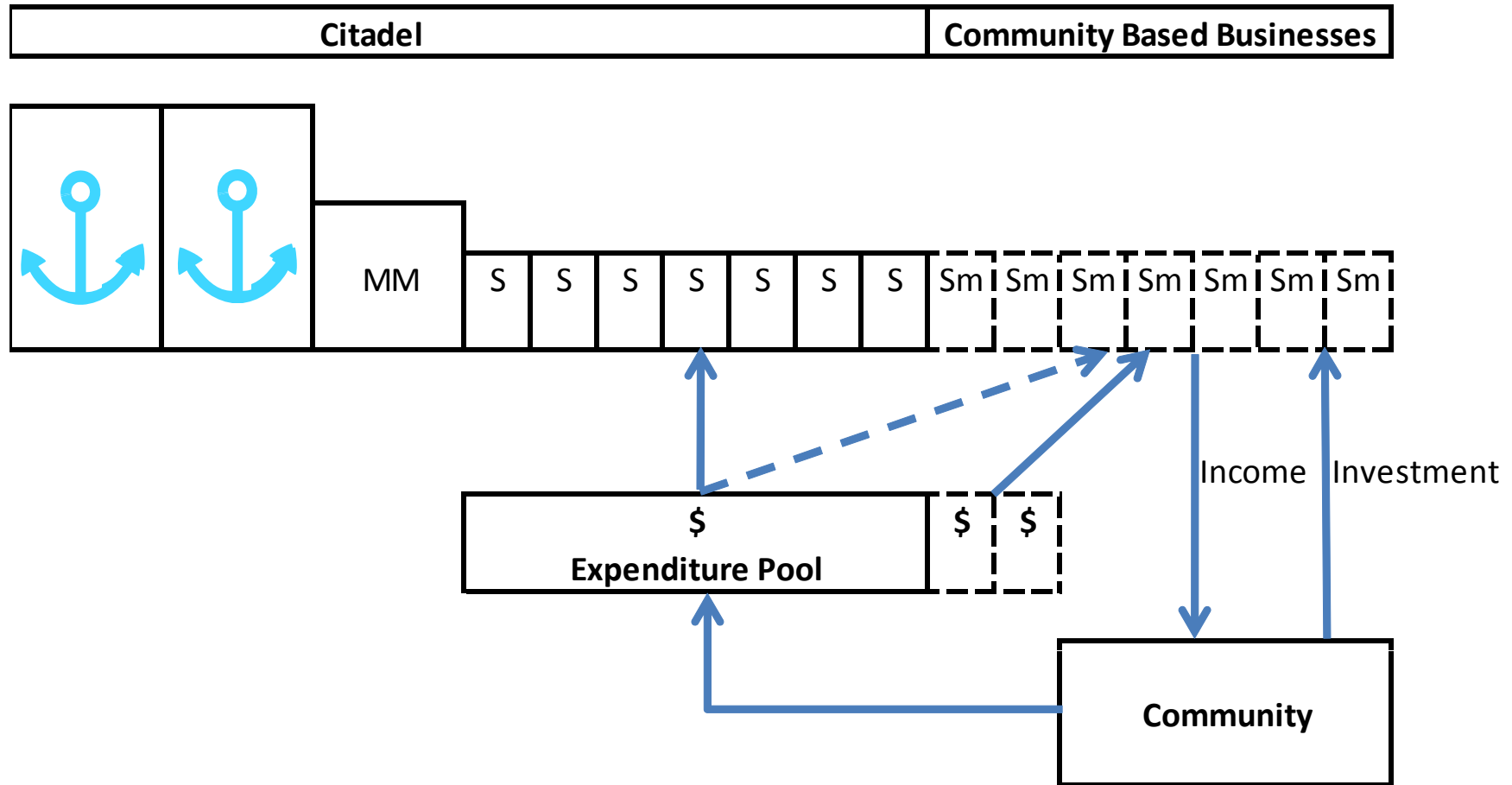
The Role of Planning?

- The planning system tends to react to the development industry.
- While a planned activity centre hierarchy is essential the planning system tends to hold back the supply of retail floorspace.
- Developers procure the designated land and influence the design of the centre to create the citadel.
- The planning system is complicit in serving the interests of developers and the oligopolistic retailers rather than serving the needs of the community

What's Missing?

- Diversity – small businesses targeting niche markets.
- Small business development.
- Mobilisation of local capital.
- Opportunities to create local employment.
- Opportunities to 'get ahead'.
- Alternatives to 'global product'.
- Famous quote – “we don't want any more kebab shops”
- My response – that's exactly what we want!

An Alternative Model



Retailing in Melbourne

- In Melbourne there is \$40 billion of retail expenditure / turnover per year. (ABS Household Expenditure Survey and SGS Estimates)
- There is 6.9 million square metres of floorspace - \$5,870 turnover per square metre. (SGS estimate from sample data extrapolated to total turnover figure).
- There are 209,500 employees in the retail industry - \$193,140 turnover per employee. (ABS Journey to Work data)

What is possible?

- It is possible to create 7,500 new jobs directly in retailing by adding 150,000 square metres of ‘modest rent’ floorspace to 29 free-standing malls. This has significant multipliers on the local economy.
- This could be doubled by including non-retail activities.

	Before	After	Change	Percent
Free Standing Malls Turnover (29)	\$9,079,446,472	\$8,480,839,168	-\$598,607,304	-6.59%
Other Centres Turnover	\$31,400,300,037	\$31,400,300,037	\$0	0.00%
New Small Businesses Turnover	\$0	\$598,607,304	\$598,607,304	
Metropolitan Melbourne Retail Turnover	\$40,479,746,509	\$40,479,746,509	\$0	0.00%
Floorspace	6,895,757 sqm	7,045,409 sqm	149,652 sqm	2.17%
Turnover per Sqare Metre	\$5,870	\$5,746		
Employees	209,587	217,070	7,483	3.57%
Turnover per Employee	\$193,140.54	\$186,482.81	-\$6,657.73	-3.45%

What Can be Done?

- Activity centres must create a diversity of land ownership opportunities – fine grain subdivision pattern.
- Sufficient land must be provided to cater for all land use demands.
- Sufficient large lots for large format retailers.
- Make available ahead of demand to contain values and rents.
- Carparking in public garages where it is more efficiently provided and subject travel demand management.

An Example?



TOWN CENTRE

→ LIVING PLACE-BREATHING SPACE TC3023

	Use	Site Area	Timing
1	Catholic Regional College	7000m ²	Open
2	7Brewin	2411m ²	Open
3	Car Wash	1106m ²	Open
4	McDonalds	2888m ²	Open
5	NET	4000m ²	Open
6	Police Station	4000m ²	Open
7	Anglice Church	7500m ²	Open
8	Future Commercial	1915m ²	Unknown
9	Future Commercial	9109m ²	2012
10	Mercato Centre	2761m ²	2002
11	Medica Medical (Stage 1)	1735m ²	Open
12	Medica Medical (Stage 2)	1400m ²	Late 2009
13	CS Square (Stage 1)	30399m ²	Open
14	CS Square (Stage 2)	17089m ²	Oct 2006
15	Caroline Springs Carbal	9301m ²	Open
16	CSC Chakabala Campus	5459m ²	Open
17	CSC Lakeview Campus	23047m ²	Open
18	Clack Centre - Library	9458.5m ²	Open
19	Clack Centre - Performing Arts	9458.5m ²	Unknown
20	Sports Courts	48437m ²	Open
21	Indoor Sports Hall	13219m ²	Open
22	Sporting Oval	29035m ²	Complete
23	Learn to Swim Centre	2800m ²	Open
24	Police Clubhouse	2515m ²	Open
25	Mirabay College (New Centre Campus)	12509m ²	Open
26	Display Village (Explorials)	8340m ²	Open
27	Display Village (Chakabala)	17745m ²	Open
28	Debra Scales & Information Centre	4020m ²	Open
	McDonalds (Western Project Office)		Open
	Panjo Cafe		Open
29	Laka Centre		Complete
30	Future Hotel	7000m ²	2013
31	Future Commercial	5403m ²	Unknown
32	Future Commercial	7751m ²	Unknown
33	Future Restaurant/Cafe	1258m ²	Unknown
34	Community Youth Activity Centre	5937m ²	Open
35	Debra Scales - Retirement Village	50755m ²	Open
36	Caroline Springs Corporate Centre	49200m ²	Open
37	Future Development	13669m ²	2014
38	Urban Market	18833m ²	2013
39	Bookhouse Rooms	70000m ²	Open
40	Future Restaurant/Cafe		Oct 2006
41	Clack Clinic		Open

- : Retail
- : Commercial
- : Community Facilities
- : Residential



An Example?



Achieving Diversity of Ownership?

- Pre-plan activity centres including subdivision pattern.
- Plan to demonstrate that the full range of land use needs are catered for.
- Legislation to make rezoning and/or planning permission conditional upon an adopted plan.
- Legislation to require a proportion of lots (to be determined in the plan) to be publicly auctioned and to prohibit initial ownership concentration.
- Alternative public acquisition and subdivision.

Conclusions

- In a free market economy there are no barriers to entry – the retail land market therefore suffers from ‘market failure’ – intervention is justified.
- Current models of retail provision serve narrow interests at a high cost to the community.
- Vested interests have an inordinate influence on spatial outcomes.
- Single private ownership of the key component of activity centres militates against community aspirations and goals.
- Current models are environmentally and socially unsustainable.
- Direct intervention in the delivery of activity centre land is urgently required.