



Hume Planning Scheme

Amendment C198

Expert witness statement
Matthew Lee

4 November 2015

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1. Introduction

1.1 Instructions

1. I have been instructed in this matter by Best Hooper, acting on behalf of Merrifield Corporation Pty Ltd, owners and developers of land at the Merrifield Town Centre.
2. The matter relates to Amendment C198 ("Am C198") to the Hume Planning Scheme which gives effect to the Craigieburn North Employment Area Precinct Structure Plan ("PSP") and facilitates development of the PSP area for a mix of industrial and commercial activities.
3. The Craigieburn North Employment Area PSP was prepared by the Metropolitan Planning Authority ("MPA") and the Amendment has been prepared by the MPA to implement the PSP.
4. Am C198 is supported by various background research reports including the report entitled *Restricted Retail Study – Craigieburn North, Final Report*, prepared by SGS Economics and Planning ("SGS") in April 2015.
5. The Craigieburn North Employment Area PSP applies Schedule 8 to the Urban Growth Zone ("UGZ8") which implements the Commercial 2 Zone ("C2Z") provisions to that part of the PSP area designated for commercial land uses. The exhibited UGZ8 includes specific provisions which provide for as-of-right development of restricted retail premises up to 35,000sqm.
6. MAB Corporation, on behalf of its joint venture partnership Merrifield Corporation, prepared a submission opposing the amendment in its current form. The basis of their concerns are that the proposed UGZ8 is inconsistent with existing strategic planning, is based on a flawed economic analysis which does not properly respect the planned commercial role of Merrifield Town Centre, enables premature development of restricted retail which will undermine the orderly growth and development of the Northern Growth Corridor, and has potential to undermine or dilute the planned activity centre hierarchy.
7. My instructions in this matter are set out in correspondence received from Best Hooper on 22 October 2015:

Our clients have instructed us to engage you to prepare expert evidence in this matter, in the area of retail economics, should you be in a position to support our client's submission and be available on the day of the Panel Hearing.

Specifically, your evidence should consider:

- *The strategic basis for the activity centre hierarchy in the region*
- *The impact of the proposed rezoning on the timely establishment of retail facilities in the region in accordance with the planning activity centre hierarchy*
- *The need for additional commercial zoned land in the region*
- *The impact of the proposed rezoning on the planned higher order activity centres in the region achieving their planned role in a timely manner*
- *The benefits of agglomeration of a full range of retail and other uses in higher order activity centres in the region.*

1.2 Approach

8. In preparing this statement I have completed the following tasks:

- Reviewed the Craigieburn North Employment Area PSP, the proposed planning controls and the SGS report prepared in support of the amendment;
- Reviewed other background strategic planning reports including the Melbourne Northern Growth Corridor Plan;
- Undertaken a review of the SGS report and the analysis of restricted retail demand and alternative sites at which to accommodate future development;
- Examined other aspects of the planned retail hierarchy including the population catchments supporting higher-order activity centre development in Merrifield Town Centre and other planned centres; and
- Presented a summary of my opinions with respect to relevant matters as instructed.

1.3 Expert witness details

Name and address of expert

Mr Matthew Lee
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Expert's qualifications and experience

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

A full CV is included at **Appendix 1**.

Expert's area of expertise

- Urban and regional economics including preparation of retail and activity centre strategies and contribution to land use planning studies.
- Market demand analysis for property development including retail, commercial, industrial and residential.
- Input to strategic planning studies including Urban Design Frameworks, Structure Plans and Master Plans.
- Activity centre network planning.

Expert's expertise to make report

- Experienced in urban and regional economic analysis, assessment of property development proposals, and activity planning and development
- Previous input to activity centre planning on behalf of local government and the State Government, including involvement in preparing background reports on behalf of the MPA

Instructions that defined the scope of the report

My instructions were received from Best Hooper as detailed in Section 1.1 of this statement.

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

Preparation of this statement was conducted by Matthew Lee without assistance.

Summary of the opinions of the expert

A summary of my opinions is presented in Section 5 of this statement.

Provisional opinions not fully researched

None.

Questions outside the expert's expertise

None.

Report incompleteness or inaccuracies

None.

2. Amendment C198

2.1 Location context

9. Am C198 applies to approximately 488 hectares of land bounded by the Hume Highway to the west, Donnybrook Road to the north, Merri Creek and the Sydney to Melbourne Railway Line to the east, and the existing Amaroo Business Park to the south (refer Figure 1).
10. Surrounding land uses on the western side of the Hume Highway are as follows:
 - To the south of Mount Ridley Road is broadacre residential housing in Craigieburn
 - To the north of Mount Ridley Road is low density housing within the Rural Living Zone
 - Between the transmission easement and Donnybrook Road is land within the Folkestone Employment Area PSP, which is partly within the UGZ (yet to be planned) and partly within the Commercial 2 Zone with a small pocket of Commercial 1 Zone land. The western part of this PSP area is now proposed under Am C194 to be rezoned to a combination of the Industrial 1 Zone and the General Residential Zone, with the location of the small activity centre also proposed to be moved.
 - North of Donnybrook Road is Merrifield Central which is within the Comprehensive Development Zone. The eastern part of this land is currently being developed for industrial and commercial purposes as the Merrifield Employment Precinct under Schedule 2 to the CDZ, while the western part of the land is proposed to be developed as the Merrifield Major Town Centre ("MTC") under Schedule 4 to the CDZ and residential further to the west. The town centre is planned to include residential, retail, restricted retail, office and other types of commercial, entertainment, recreation and community services in accordance with the Merrifield Comprehensive Development Plan.
11. Land uses to the north and east of the PSP area are as follows:
 - Directly north of Donnybrook Road is the Kalkallo township which is subject to a restructure overlay
 - North and east of Kalkallo is the Lockerbie PSP area which has an approved PSP encouraging development of the precinct as a residential community and to accommodate the Lockerbie Principal Town Centre ("PTC") which is proposed to include retail, restricted retail, office, entertainment, recreation and community services.
 - On the eastern side of Merri Creek is the English Street PSP which is proposed to accommodate a mix of residential dwellings (approximately 1,250) and commercial activity including a local convenience centre. The PSP has recently been reviewed by the Planning Panel constituted to hear submissions regarding Am C183 to the Whittlesea Planning Scheme.
 - On the eastern side of the railway line is the Northern Quarries Investigation Area which has a mix of utilities, quarries, environmental conservation areas and future urban development.
12. Road access to and within the site is relatively poor. Although the precinct is adjacent to the Hume Highway the only current access is via Donnybrook Road and Brookville Drive which is a relatively minor local road in this location. Access from the south is from the Hume Freeway/Craigieburn Bypass entry at Grand Boulevard to Amaroo Road. Railway crossings are at Summerhill Road and Donnybrook Road.

13. The regional context for the PSP is presented in Figure 2 which also shows the locations of other PSP areas and their planned population outcomes at capacity development.

Figure 1: Land affected by Am C198

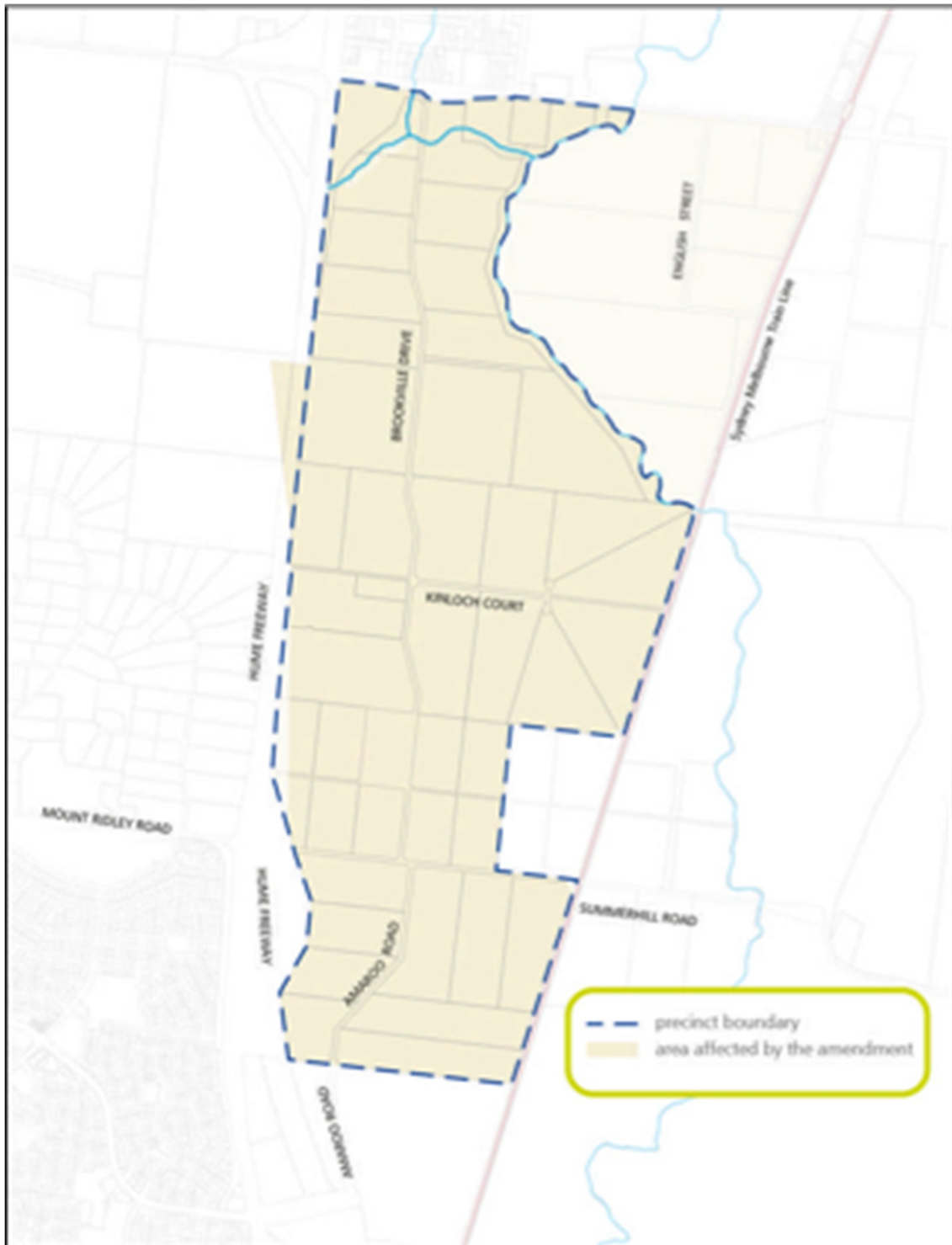
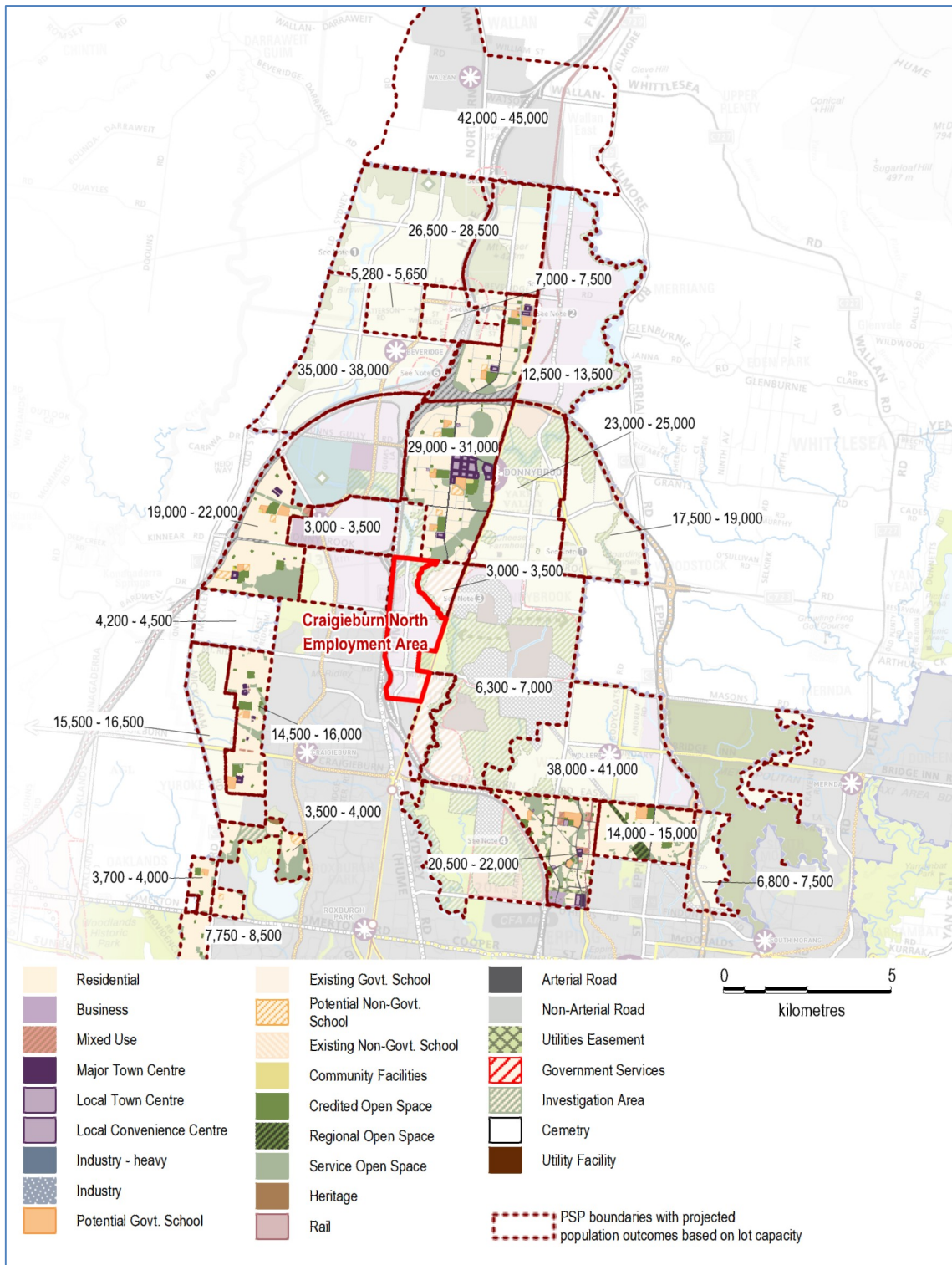


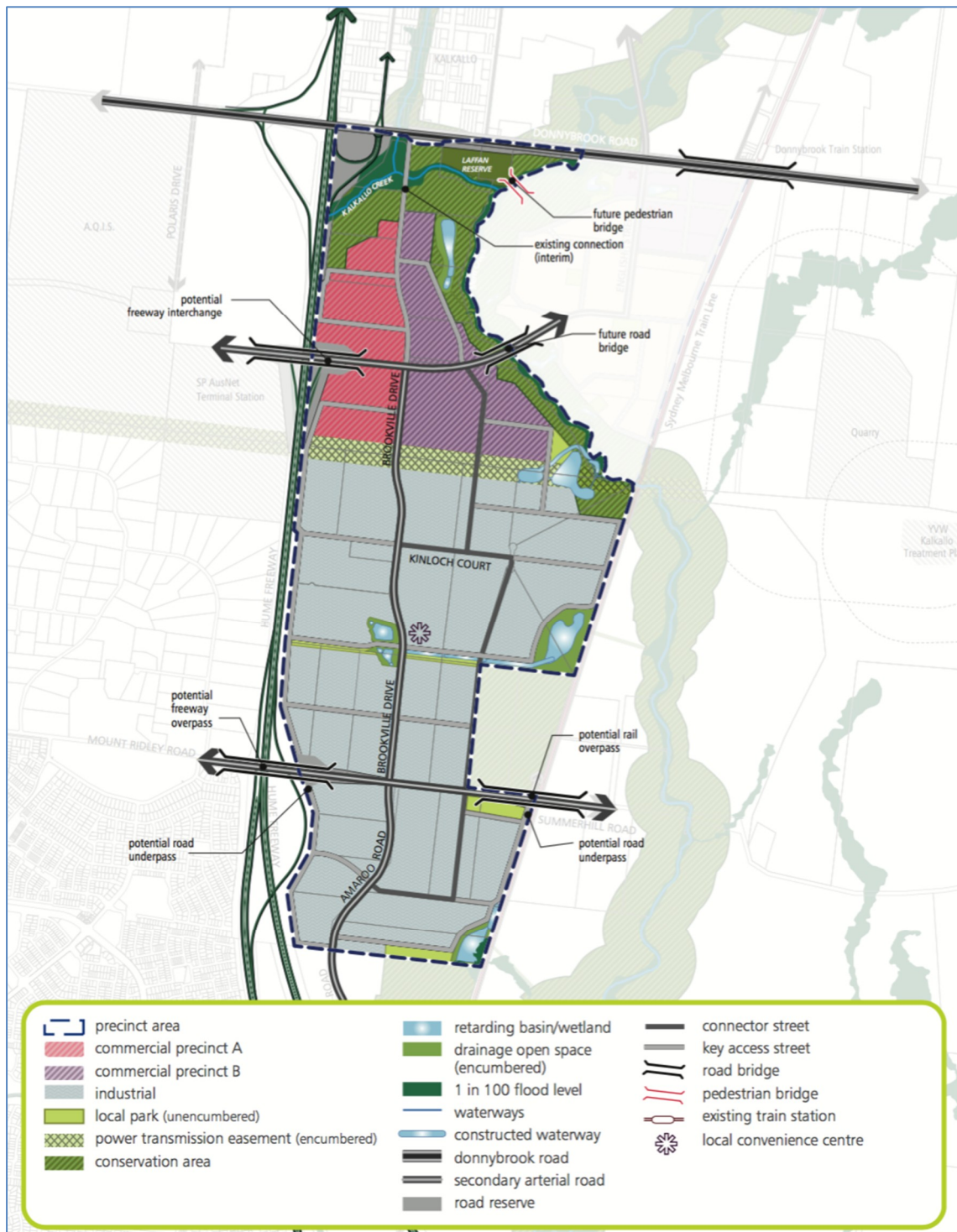
Figure 2: Regional context for Am C198



2.2 Details of the Amendment

14. Am C198 proposes to facilitate development of the PSP area for a mix of industrial and commercial development by altering the Hume Planning Scheme as follows:
 - Inserts the Craigieburn North Employment Area PSP and the Craigieburn North Employment Area DCP as incorporated documents
 - Applies the new Schedule 8 of the Urban Growth Zone (UGZ8) which sets out land use and development controls
 - Applies the new Schedule 8 to the Development Contributions Plan Overlay (DCPO8)
 - Applies the Public Acquisition Overlay (PAO1) to enable widening of Donnybrook Road and a future freeway interchange with the Hume Freeway
 - Makes other changes as detailed in the Instruction Sheet.
15. Under UGZ8 the applied zone provisions are a mixture of the Commercial 2 Zone ("C2Z") and the Industrial 1 Zone ("IN1Z").
16. A total of 260ha of land is proposed to be developed for industrial purposes in accordance with the provisions of the IN1Z.
17. The C2Z applies to that part of the land designated as Commercial Precinct A & B in *Map 1 to Schedule 8 to Clause 37.07* which is set out in Figure 3 below. Specific provisions apply to these commercial precincts under Table 2 in Section 2.4 of UGZ8 in relation to the use of land for *Restricted Retail Premises*.
18. A total of 38.55ha is proposed to be included within the *Commercial A* area. In this area of the commercial precinct a permit is required to use land for a restricted retail premises if the combined area of all restricted retail premises exceeds 35,000 sqm. This has the effect of providing as-of-right support for restricted retail development up to this limit, with additional floorspace able to be developed subject to permit.
19. A total of 44.97ha is proposed to be included within the *Commercial B* area. In this area Table 2 in Section 2.4 specifies that Restricted Retail Premises is a Section 2 use requiring a permit.
20. Under the Victoria Planning Provisions ("VPPs") the C2Z provides as-of-right development for restricted retail without the ability to impose maximum floorspace limits. The UGZ8 therefore overrides the normal implementation of the C2Z in order to manage the quantum of restricted retail uses that can be developed without permit within the precinct.

Figure 3: Future urban structure



2.3 Craigieburn North Employment Area PSP

21. Development of land is required to be generally in accordance with the vision and objectives as described in the PSP.
22. The PSP Vision is for the land to become a “*well-presented mixed employment area*” accommodating a “*range of businesses and jobs*”, and assisting with the goal of creating one job for every new household in the Northern Growth Corridor (refer section 2.1).
23. The Vision anticipates improvements in access to and within the precinct, including:
 - Upgrades to Amaroo Road/Brookville Drive as the main north-south arterial road connection through the precinct
 - Creation of a new link which would connect eastwards across Merri Creek to English Street, and extend westwards to a potential half-diamond freeway interchange at the Hume Freeway
 - Potential grade separation at Summerhill Road across the railway line, and with a potential freeway overpass in the west connecting to Mount Ridley Road.
24. In relation to these identified road improvements, I note that the DCP includes funding for the identified road projects and intersections, but that the only bridge or underpass/overpass that is funded through the DCP is the Merri Creek connection to the English Street PSP to the east.
25. In particular, the proposed half-diamond interchange at the Hume Freeway is not funded through the DCP and therefore may not be constructed.
26. I also note that the half-diamond interchange would provide an improvement in access to the commercial areas of the site only for people living to the south as the proposed plan does not provide an off ramp for south-bound traffic.
27. Relevant Objectives for the PSP are:
 - Create a high amenity industrial and commercial precinct to attract a diversity of different businesses and employees
 - Encourage a range of businesses to provide local employment opportunities to meet the needs of existing and future surrounding residential populations
 - Promote local employment opportunities to encourage counter-cyclical travel patterns to alleviate congestion on Melbourne’s roads
 - Maximise accessibility of the precinct through the strengthening of links to the Hume Freeway and to the surrounding arterial road network.
28. According to Section 3.2 on Centres and Employment, the precinct will accommodate an anticipated 8,197 jobs, of which an estimated 417 jobs (or 5%) are assumed to be associated with restricted retail uses.
29. I note that there is a discrepancy in the future restricted retail component, with the PSP referring to a total of 25,000 sqm of restricted retail floorspace, whereas the exhibited UGZ8 specifies as-of-right development up to 35,000 sqm.

3. Review of supporting analysis

30. Am C198 is informed by the *Restricted Retail Study - Craigieburn North* report prepared by SGS in April 2015 which presents analysis of demand for large format/bulky goods floorspace and identifies preferred locations for such uses.
31. An earlier version of this report, dated September 2014, is referenced in the *Craigieburn North Employment Area & English Street – PSP Background Report* prepared by the MPA in April 2015.

3.1 Basis to SGS report

32. According to the introduction in the SGS report, the study was undertaken on behalf of the MPA and the City of Hume to understand the potential for establishing bulky goods retail floorspace within the Northern Growth Corridor (refer SGS section 1.1), and is based on earlier work conducted in 2010.
33. The report provides analysis of the extent to which the regional catchment would support new restricted retail floorspace, and then assesses various potential sites as to their suitability to accommodate such development.
34. It is unclear to me whether the report aims to provide broad planning advice across the Northern Growth Corridor, or whether it has been prepared expressly to analyse the potential to accommodate restricted retail development at Craigieburn North Employment Area.
35. In section 3.1 a catchment is identified for “*a specialised and regional-scale bulky goods centre*”. In my opinion this indicates that the SGS report has been written for the specific purpose of supporting the establishment of a regional bulky goods centre within the Craigieburn North PSP area, rather than for assessing the most suitable distribution of bulky goods retailing across the Northern Growth Corridor.
36. In the SGS report the term ‘bulky goods’ is used interchangeably with restricted retail to refer to land use described in Victorian Planning Schemes as *Restricted Retail Premises*. The definition of Restricted Retail Premises is as follows:

Land used to sell or hire:

- a) *automotive parts and accessories;*
- b) *camping, outdoor and recreation goods;*
- c) *electric light fittings;*
- d) *animal supplies including equestrian and pet goods;*
- e) *floor and window coverings;*
- f) *furniture, bedding, furnishings, fabric and manchester and homewares;*
- g) *household appliances, household electrical goods and home entertainment goods;*
- h) *party supplies;*
- i) *swimming pools;*
- j) *office equipment and supplies;*
- k) *baby and children’s goods, children’s play equipment and accessories;*

l) sporting, cycling, leisure, fitness goods and accessories; or

m) goods and accessories which:

- require a large area for handling, display and storage of goods; or*
- require direct vehicle access to the building by customers for the purpose of loading or unloading goods into or from their vehicles after purchase or hire.*

It does not include the sale of food, clothing and footwear unless ancillary to the primary use.

37. The term 'large format retail' is also used to refer to these uses, and is considered a better description of the type of development format (ie larger shops with more generous floorspace) in which these types of goods are typically sold, particularly within the C2Z.
38. I have a number of concerns with the SGS analysis which I discuss in the following paragraphs.

3.2 Lack of strategic planning assessment

39. One of the main concerns I have with the SGS study is that it makes little reference to the established strategic planning background as it relates to the activity centre hierarchy and locations for large format retail development.
40. For example, under section 2.1 the Study Area is described as being the composite of a number of precincts that have been identified for town centre or employment uses. These uses are listed without any appreciation of the fact that two of these sites – Merrifield MTC and Lockerbie PTC – have very strong existing strategic support as locations for restricted retail/large format development among other commercial uses. Another site at Amaroo Business Park is already zoned C2Z and can accommodate large format retail use. However, the remaining precincts (including the Craigieburn North Employment Area PSP) have only ever been identified in strategic planning documents for industrial and related employment activities, and never as locations for large format retail development.
41. The report includes an examination of the strategic policy context under section 2.3, but this fails to include the Melbourne Northern Growth Corridor Plan ("NGCP") which provides the overarching strategic planning basis for preparation of PSPs.
42. The NGCP establishes the activity centre hierarchy in the region as comprising Donnybrook (Lockerbie) as the PTC, with MTCs to be established at Mickleham (Merrifield Town Centre), Beveridge and Wollert. Craigieburn Town Centre is also nominated as an MTC.
43. The NGCP designates the Craigieburn North Employment Area PSP for future industrial development to recognise the importance of securing future industrial land alongside the Hume Freeway corridor.
44. The NGCP also nominates land for 'Business' uses to reflect the need to provide for a diversity of jobs in locations other than the PTCs and MTCs. These designations are around the Merrifield MTC and the Lockerbie PTC and to the north of the Kalkallo retarding basin.

45. In summary, the relevant strategic planning that has been undertaken for the Northern Growth Corridor supports the establishment of large format retail development at nominated town centres including Merrifield and Lockerbie. These designations are provided further strategic planning support through the Merrifield Comprehensive Development Plan and the Lockerbie PSP. No support is provided for such uses to be established away from residential catchments in locations such as the Craigieburn North Employment Area PSP.

3.3 Hume Planning Scheme provisions

46. The SGS report includes excerpts from the Hume Planning Scheme under Clause 21.07 which relates to activity centres and retailing.
47. Clause 21.07 provides strong support for activity centres as the main location at which to establish new retail facilities.
48. Objective 1 is to facilitate new activity centres while maintaining the hierarchy of existing centres, and this is to be achieved by (among other strategies):
- Supporting a hierarchy of retailing and reinforcing the hierarchy of activity centres
 - Developing activity centres which serve appropriate catchments
 - Developing PTCs and MTCs in locations identified in relevant Growth Corridor Plans.
49. Objective 4 is to ensure that bulky goods centres are appropriately located to meet the needs of existing and growing communities. This objective is supported by the following strategies:
- Distribute bulky goods within a hierarchy, with retailers located within centres and in a selected number of specialised regional bulky goods centres
 - Encourage smaller scale and/or higher density bulky goods to locate in designated activity centres where they are integrated in higher density urban formats
 - Support regional scale specialised bulky goods based activity centres (large scale and low intensity) that service regional catchments where it can be demonstrated that they are not appropriate in existing and planned Activity Centres (my emphasis)
50. The proposed accommodation of so-called “large scale and low intensity” bulky goods in specialised regional centres is a concept that was developed in the *Hume Retail Strategy* prepared by SGS in 2009. SGS appear to be relying on this as the basis for nominating the Craigieburn North PSP as a location for a ‘regional bulky goods centre’.
51. However, the Strategy made this recommendation in the context of discussing how restricted retail development has spread away from activity centres into highway locations such as Somerton and near Gladstone Park (refer Hume Retail Strategy p101). The Strategy relies on the example of the Nunawading bulky goods precinct to highlight the potential benefits in clustering such uses in appropriate locations where they are accessible to their catchments and where infrastructure such as car parking can be shared. In established areas this also frees up land for more intensive activities. I understand this to be in preference to the ad-hoc spread of such development along transport corridors.
52. It cannot be disputed however that Victoria’s planning provisions attempt to aggregate retail uses within centres, with large format retailing normally occupying peripheral areas. This is a common feature of many shopping districts such as Broadmeadows, Roxburgh Park, Epping, Watergardens, Northland, and Highpoint to name just a few examples.

53. It is generally the case that *most* large format retailing occurs within, adjacent to or close to the edge of activity centres. The few centres or precincts that do not display this spatial pattern include Springvale Homemaker Centre, Thomastown/Settlement Road, Essendon DFO and Homemaker Centre, the Hoppers Crossing precinct and Nunawading (although it could be argued that Nunawading forms part of or an extension to the Mitcham and Nunawading activity centres).
54. The arguments in support of regional bulky goods centres may be relevant in established suburbs where affordable land for low intensity development is scarce and where the alternative may be ad hoc development along major roads, but in my opinion this is not a relevant factor in new growth areas where land can be set aside for large format retailing while also providing land for more intensive shop and other uses.
55. Indeed, the two locations nominated by the Retail Strategy for bulky goods regional centres are the Hume Highway/Mahoneys Road precinct in Cambellfield and the Vineyard Road precinct in Sunbury. A third precinct at Melbourne Airport was also nominated as a potential location. All of these precincts are in the southern, more established part of the municipality.
56. No reference was made in the Strategy to the need for a regional bulky goods centre to be established in growth centres to the north where precinct planning could ensure sufficient land within or adjacent to nominated activity centres.

3.4 Catchment identification

57. The catchment adopted for the SGS analysis is overly simplistic as it provides no distinction between the various residential 'community catchments' as described in the NGCP. For example, the area that is described as the Primary catchment sector actually comprises five distinct catchments relevant for the purposes of assessing large format retail development opportunities:
 - The Merrifield catchment which comprises land within Merrifield itself as well as the Merrifield West PSP, Lyndum Vale to the south-west, and employment areas to the south and north, and is bounded to the east by the Hume Freeway
 - The Lockerbie catchment which is located to the east of the Freeway and includes PSP areas to the north and south such as Donnybrook, Woodstock, English Street and Lockerbie North
 - The Beveridge catchment north of the OMR which is mainly located west of the Hume Freeway
 - The Craigieburn Town Centre catchment which extends from Mt Ridley south of Craigieburn Road and includes parts of Roxburgh Park and Greenvale
 - The Wollert catchment which mainly comprises the Wollert PSP area and part of Aurora
58. This is important because, of these catchments, the only one which has not already specified an opportunity to deliver large format retail development is Beveridge, where the relevant PSP has not yet been completed.

3.5 Catchment population

59. Under the section on population growth, it appears that the existing population within parts of Craigieburn to the north of Craigieburn Road has not been included within the Primary sector, even though this area is shown to be within the Primary catchment in Figure 2.
60. I have undertaken a broad assessment of the population capacities contained in Figures 3 and 4 by comparing them against the population outcomes associated with achieving the dwelling yields specified in relevant PSPs or by preparing broad calculations of likely lot yields. I have converted to population by applying an average household size ranging from 2.8 persons per dwelling to 3.0 persons per dwelling. My assumed population outcomes are shown for PSP areas in Figure 2 on p7).
61. On my calculations the population outcomes at capacity would be approximately as follows for the various parts of the Primary sector:
 - Lockerbie: 91,400 to 98,000
 - Beveridge: 78,300 to 83,900
 - Merrifield/Craigieburn North: 83,800 to 88,600
 - Wollert: 37,800 to 40,500
62. These calculations are somewhat higher than included in the SGS report, and in particular for the Merrifield sector, although the discrepancy is partly due to the inclusion of part of Craigieburn within the Primary sector as shown in the SGS catchment map (SGS Figure 2).
63. Based on material in the Wallan Structure Plan the population capacity in the Secondary sector is in the order of 42,000 to 45,000 persons, which is somewhat lower than the SGS projections of 49,800 to 59,600 in 2051.
64. I have not attempted to estimate the population capacity within the Tertiary catchment sector to the south, but I note that this sector has much lower relevance due to the tendency for people to travel inboard to centres to the south, and because of the influence of existing and future large format development within and close to these communities (eg at Broadmeadows, Epping, Essendon Airport, etc).
65. The important point from my analysis above is that the catchments Lockerbie, Beveridge and Merrifield each have a sufficient population base to support substantial large format retail development in their own right. Wollert's local population base is somewhat smaller, and would be likely to support a smaller large format centre with much of the spending directed southwards towards Epping.

3.6 Floorspace demand calculations

66. SGS have applied an expenditure model to assess the future demand for restricted retail floorspace. This approach uses population projections to generate retail expenditure forecasts, which are then converted into restricted retail floorspace demand. A share of this demand is 'retained' within the region to reflect the opportunity for local floorspace development.
67. Although there is nothing unusual in this methodology, my opinion is that it is not the appropriate approach when projecting over very long timeframes, as it relies on the application of various estimates (eg existing average expenditure rates) and assumptions (eg growth in average spending, average sales per sqm, changes in average sales over time) which are difficult to predict.
68. An alternative way of generating broad-level demand projections is to simply apply an estimate of the average amount of floorspace requirement per capita (ie an average provision rate measured in sqm per person) and project forward over the forecast period as the population grows. Normally some growth in the provision rate is also applied to reflect an observed trend towards increased average provision.
69. Adopting the SGS forecasts of total (gross) bulky goods retail demand and dividing by the population within the catchment, I can calculate that the average provision rate implicit in the SGS analysis is the same under both scenarios, increasing from 0.57 sqm/cap in 2011 to 0.73 sqm/cap in 2051.
70. From my work undertaking assessments of large format retail developments, I am of the view that the current (ie 2015) average provision rate is approximately 0.65-0.70 sqm/cap, representing approximately 30% of total retail demand. This is likely to increase over time, reaching 0.79 sqm/cap by 2051.
71. On the basis of the figures in the above paragraph, combined with the population projections I have set out in paragraph 61, my projection is that the total (gross) demand for large format retail floorspace generated by Primary sector residents is approximately 230,000 sqm to 248,000 sqm at capacity development. Excluding Wollert, the remaining catchments will generate demand for approximately 200,000 sqm to 215,000 sqm of large format retail floorspace.
72. Of this gross demand, approximately 75-80% would be likely to be retained within the region assuming normal shopping patterns. The total demand for local large format retail development in the Primary sector catchments would therefore be in the order of 175,000 sqm to 200,000 sqm.
73. When Wollert is excluded, the remaining catchments along the Hume Freeway corridor will demand a total of approximately 150,000 sqm to 170,000 sqm.
74. These calculations are summarised in Table 1.
75. My forecast of the total potential local demand for large format retailing is slightly below the final outcome from the SGS analysis, which predicts total demand for 162,000 sqm to 180,900 sqm of bulky goods floorspace in 2051.

Table 1: Calculation of large format retail demand

Catchment	Capacity population	LFR demand	Retained LFR
LOW			
Lockerbie	91,400	72,550	54,400
Merrifield/Craigieburn Nth	85,200	67,600	50,700
Beveridge	78,300	62,150	46,600
<i>Sub-total</i>	<i>254,900</i>	<i>202,300</i>	<i>151,700</i>
Wollert	37,800	30,000	22,500
Total Primary	292,700	232,300	174,200
Wallan	42,000	33,350	25,000
HIGH			
Lockerbie	98,000	77,750	62,200
Merrifield/Craigieburn Nth	90,100	71,500	57,200
Beveridge	83,900	66,600	53,300
<i>Sub-total</i>	<i>272,000</i>	<i>215,850</i>	<i>172,700</i>
Wollert	40,500	32,150	25,700
Total Primary	312,500	248,000	198,400
Wallan	45,000	35,700	28,550

Note: LFR = large format retail

3.7 Bulky goods typologies

76. As part of the SGS analysis, demand for bulky goods floorspace is split between two types:
 - High density household goods stores which, according to SGS, “can often be found in closer proximity to town centres and may even act as indirect competitors to discount department stores and specialty stores”, and
 - Low density offerings which “are more likely to be found near major arterials” (SGS, p11).
77. This delineation of large format retailing is not something I have ever come across, and I see little benefit in making such distinctions when undertaking assessments for large format retail development.
78. Moreover it is unclear whether SGS are describing ‘low density offerings’ as larger format store types typically located in homemaker centres or more specifically ones located away from activity centres. For example, when later describing the existing retail supply reference is made to bulky goods development at Craigieburn Town Centre as being ‘high density’ when it is in fact a homemaker centre development (ie a low density format) located adjacent to a traditional activity centre.
79. It is true that there are smaller format stores selling restricted retail type merchandise that can be found within centres. Examples include some Dick Smith electronics stores, or Spotlight and other manchester and homewares stores that are sometimes within activity centres, usually in smaller stores. However, making assessments and predictions about the share of large format retailing that occurs within each location type is fraught with difficulty, especially for individual product types.
80. To illustrate this, I note that SGS have assumed that 50% of household appliance sales occur in ‘High density’ locations and 50% within ‘Low density’ locations. In my opinion this is wildly incorrect as a very large majority of sales of whitegoods and other appliances are sold by major

large format retailers such as The Good Guys and Harvey Norman, located almost always within homemaker centres (ie in 'low density' locations).

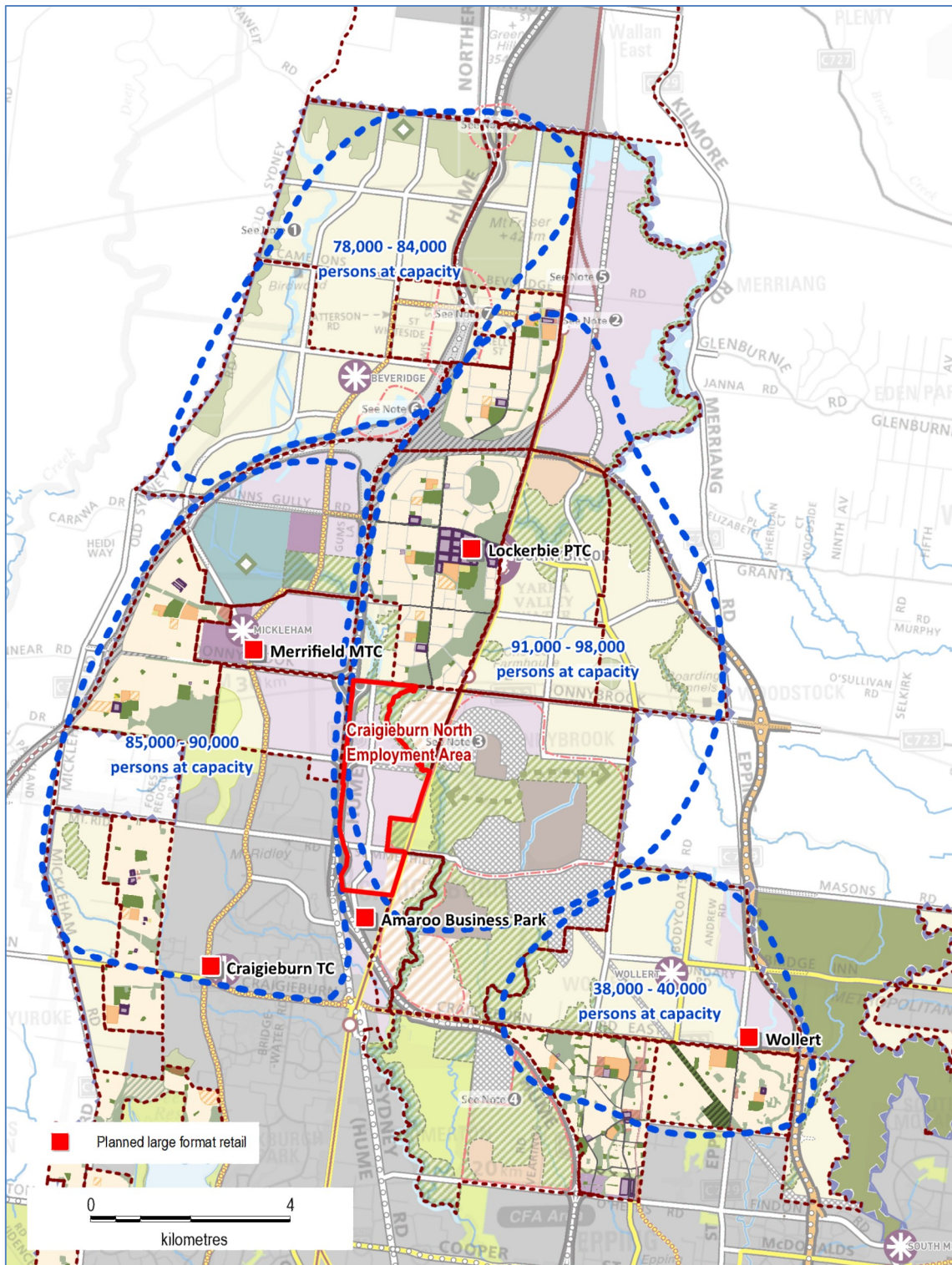
81. Importantly, available expenditure data is provided for individual product categories, not by shop type. Therefore at least some sales of large format retailing (or bulky goods) occurs at discount department stores, further complicating the process of assigning sales to different location types.
82. Overall, SGS estimate that 65% of all large format retail sales occur in low density precincts, while the remaining 35% occur within activity centres. In my view the likelihood is that a much larger proportion of spending on restricted retail types of goods occurs in homemaker centres (ie within low density retailing formats).

3.8 Assessment of potential supply locations

83. SGS assess potential future locations for large format retailing by firstly accounting for existing or planned development, then identifying other potential locations which are rated according to a number of criteria to determine the most appropriate locations at which to deliver new large format development.
84. As I have noted above, there is some confusion about designating developments as low density or high density – for example, already-planned large format development at Craigieburn Town Centre (some of which has already been delivered) has been allocated to a high density format even though a large part of it is in the form of 'standard' homemaker retailing adjacent to the shopping centre.
85. I also note that 15,000 sqm of restricted retail is allocated to the Bunnings at Amaroo Road even though the majority of this operation would be defined as trade supplies in the VPPs land use definitions.
86. The potential supply locations comprise three sites (Merrifield MTC, Lockerbie PTC and Amaroo Business Park) that have either already been identified in planning studies as appropriate locations for restricted retailing, or are already within an appropriate zone (in the case of Amaroo Business Park).
87. The other potential locations include:
 - Craigieburn North employment area
 - Shell employment area
 - Folkstone employment area
 - Merrifield employment area
 - Donnybrook Road employment area
 - Merrifield North employment area.
88. Without exception these are areas of land that have been designated for industrial purposes rather than for retail activity. The intention for these precincts to be developed for industrial purposes is highlighted by the proposed amendment to rezone the Folkstone site to a mix of IN1Z and a residential zone.

89. All of the potential sites have been examined according to a rating system which scores points for the following features:
- Proximity to town centres
 - Accessibility to the catchment
 - Exposure to customers
 - Potential to deliver integrated development
 - Effect on the supply of employment land
 - Importance to stimulating investment.
90. The results of these assessments are as follows in order of most to least suitable for restricted retail development:
- | | |
|-------------------------------------|----|
| ▪ Craigieburn North employment area | 23 |
| ▪ Merrifield North employment area | 23 |
| ▪ Merrifield MTC | 22 |
| ▪ Shell employment area | 19 |
| ▪ Amaroo Business Park | 17 |
| ▪ Merrifield employment area | 17 |
| ▪ Lockerbie PTC | 17 |
| ▪ Donnybrook Road employment area | 15 |
| ▪ Folkestone employment area | 15 |
91. In my opinion these assessments are flawed for a number of reasons as I discuss below.
92. Firstly I believe that the analysis displays a lack of knowledge about the site and catchment requirements for large format retailers. For example, sites such as the Craigieburn North employment area and the Shell employment area are given high ratings for accessibility to catchment, and are rated highly overall, yet these are parcels of land that are remote from the residential catchments they would seek to serve and would not be included in network plans for most large format retail brands.
93. The issue appears to be that SGS have under-appreciated the need for large format retailing to be conveniently located with respect to the catchments they serve. As I have pointed out earlier in this statement (refer Table 1), the study area catchment actually consists of a number of separate contiguous urban areas that are separated by major infrastructure or non-urban breaks. This is displayed graphically in Figure 4 below.

Figure 4: Large format retail catchments and planned supply locations



94. When fully developed, each of these areas will have a sufficiently large population to support development of a large format centre within the area. Other than Beveridge where precinct planning has not yet taken place, all of the other catchment sectors have already set aside land to accommodate such development.
95. These areas include:
 - Within Merrifield/Craigieburn North:
 - Merrifield MTC has been planned to accommodate a range of retailing activities as described in CD22 and the draft Development Co-ordination, including restricted retailing in large formats
 - Craigieburn Town Centre is planned to incorporate a homemaker centre precinct, some of which is already developed
 - Within Lockerbie:
 - Lockerbie PTC is identified in the relevant PSP as a location in which to accommodate a wide range of retail and commercial activity including restricted retail within the centre's 'urban character precinct'
 - Within Wollert
 - A restricted retail precinct is identified in the exhibited Wollert PSP for a site on Craigieburn Road East close to the OMR interchange, with an indicative 30,000 sqm nominated for this site
96. The high score ('4') given for accessibility for the Craigieburn North employment area appears to ignore the fact that direct access to the Hume Freeway via the English Street extension is not funded and would be unlikely to be delivered as part of a homemaker centre. In any case the proposed half diamond would not improve access from the majority of the population base to the north.
97. The sites that should score most highly in terms of access are those that are conveniently-positioned with regards to their catchments. These are Merrifield MTC, Lockerbie PTC and to a lesser extent Amaroo Business Park (which can serve parts of Craigieburn).
98. In relation to the ratings that are given for potential for agglomeration/integration, I note that all of the identified parcels of land are of sufficient size to accommodate substantial large format retail developments. However, the only sites that should be rated more highly because of the ability to integrate with other retail uses are Merrifield MTC and Lockerbie PTC.
99. In relation to impacts on employment land, my understanding is that there is a very large future supply of land within the Melbourne Northern Growth Corridor, and therefore impacts across each site would be relatively minor.
100. In relation to the ratings for 'importance in stimulating investment', I am unsure how this criterion has been scored. In most cases the text under the assessment simply states that development of the site would help to stimulate investment, without any further explanation.
101. With respect to the assessment of the Craigieburn North site, SGS simply state that the initial development would potential leave open the possibility of further expansion. I am unsure how this supports the '5' rating in relation to this criterion.

102. My opinion is that the highest ratings in relation to the importance in stimulating investment should be given to those sites where the restricted retail component could be integrated with other retail elements within a town centre environment.
103. This is because both of these uses rely on attracting prospective shoppers from throughout a sub-regional or regional catchment, and so the combination of activity levels provides an important stimulus to further investment in allied sectors such as entertainment and office development.
104. In my opinion the development of a large format retail centre does not provide any measurable stimulation to investment in other land use types such as industry, warehousing and other types of uses likely to eventuate elsewhere within the Craigieburn North employment area.
105. For the reasons set out above, I believe that the ratings that have been given for the Craigieburn North employment area and the Merrifield North employment area are too generous, while the ratings that have been given for the Merrifield MTC and the Lockerbie PTC are too low.
106. On the criteria provided, the locations that should score mostly highly are Lockerbie PTC and Merrifield MTC.

3.9 Allocation of future development

107. The SGS report concludes with a recommendation that restricted retail development should be directed to the following two most suitable locations:
 - Craigieburn North employment area and/or Merrifield North employment area
 - Merrifield MTC.
108. In relation to large format retailing at Merrifield MTC, the SGS report concludes that this location is suited to a high density format, with low density restricted retail to be accommodated on the identified employment areas.
109. In my opinion this recommendation is flawed for not placing sufficient weight on the need to serve population catchments. If properly undertaken, the site assessments would have concluded that the most suitable locations are Lockerbie PTC and Merrifield MTC, both of which are already supported by policy as locations for such development.
110. Importantly, the designation of Merrifield for 'high density bulky goods' fails to acknowledge the opportunity to deliver both types of retail format within the MTC precinct – including homemaker style development that accommodates large store formats as well as more fine-grained shop formats which also well restricted retail merchandise. As I have noted previously, the combination of formats is not at all unusual, especially for emerging centres where greenfield land can be masterplanned to accommodate a variety of development styles.

3.10 Conclusion

111. In conclusion my opinion is that the SGS report has numerous flaws that make it unsuitable to rely on as a basis for planning to include a restricted retail precinct within the Craigieburn North Employment Area PSP.

4. Consideration of Am C198

112. This section of my report provides additional response to the specific matters that are set out in my instructions from Best Hooper.

The strategic basis for the activity centre hierarchy

113. As I have noted, the existing activity centre hierarchy has been determined over many years through preparation of growth corridor plans for the Hume Freeway corridor.
114. The most recent expression of centres policy as it relates to this region is contained within Plan Melbourne which designates Lockerbie as a future *Metropolitan Activity Centre*, with other *Activity Centres* at Craigieburn TC, Craigieburn, Mickleham (Merrifield MTC), Wollert, Beveridge and Wallan.
115. The Craigieburn North employment area is designated *State significant industrial land – future* in Plan Melbourne.
116. Plan Melbourne’s activity centre hierarchy reflects the previous hierarchy designations contained within the Melbourne Northern Growth Corridor Plan, which identified Lockerbie as a PTC with MTCs at Craigieburn, Mickleham, Beveridge and Wollert (refer Figure 4 above).
117. The proposed inclusion of a large format retail precinct within the Craigieburn North Employment Area runs counter to the existing strategic planning policy as it relates to activity centres and restricted retail development.
118. I note that Clause 21.07 to the Hume Planning Scheme specifically states that regional scale specialised bulky goods based activity centres (large scale and low intensity) that service regional catchments are to be supported only “where it can be demonstrated that they are not appropriate in existing and planned Activity Centres” (my emphasis).
119. The SGS report fails to make this demonstration.

The effect of the amendment on the timely provision of retail development

120. Although my opinion is that the Craigieburn North Employment Area PSP is an inappropriate location for large format retailing by comparison with alternative locations, the inclusion of land within the C2Z has potential to lead to the establishment of restricted retail activity within the precinct.
121. In my opinion this would have the effect of diluting the activity centre hierarchy with respect to large format retailing, and potentially delaying such development at more appropriate locations such as the Merrifield MTC or the Lockerbie PTC.
122. In particular, I note that development within Craigieburn North would need to rely on residential populations that are within the catchments to be served by planned large format precincts at Merrifield and Lockerbie, thereby reducing the available expenditure to support development within the centres.

The need for additional commercial zoned land

123. There is sufficient land within and adjacent to the planned activity centres to serve the short, medium and possibly the long-term large format retail needs generated by people living within the region.
124. However, additional land will need to be identified in Beveridge to provide for the residential catchment in this area.
125. Over the very long term (eg after 20 or 30 years) there may be an opportunity to expand the land that is available for large format retailing, depending on the population and spending trends over that time period.
126. However, there is a large stock of industrial land that could potentially be 'up-zoned' for such uses, and this would be preferable to the dilution of retail development in the short to medium term if the proposed amendment goes ahead in its current form.

The benefits of agglomeration of retail development within higher order centres

127. It is generally well accepted that the integration of a variety of retail formats within activity centres generated community benefits in the form of savings on infrastructure costs and can minimise the externalities associated with excessive private vehicle travel by encouraging multi-purpose trip-making.
128. This has generally been the basis for activity centre policy analysis conducted by SGS and other urban and regional economic firms.
129. My reading of the Hume Retail Strategy leads me to conclude that the concept of a 'specialised regional bulky goods activity centre' was meant to preference the clustering of such activities (as per Nunawading) rather than the ad hoc spread of large format uses along transport corridors (as was noticed along the Hume Highway corridor in Somerton).
130. This is a matter which is relevant when planning large format retail development within established areas where large sites for such development are scarce.
131. However, there is little relevance when applied to urban growth fronts where sufficient land can be set aside to accommodate future large format retail needs, both within activity centres in smaller formats as well as in homemaker centres in larger formats.
132. In the case of the proposed amendment, there is clearly a community benefit to be gained where restricted retail development can be directed to already-planned sites in the Merrifield MTC and the Lockerbie PTC, as well as in a future precinct serving Beveridge, rather than allowing such development to occur on land that is more remote from residential communities and where the externality costs associated with excessive private vehicle travel are higher.

5. Summary of opinion

133. Amendment C198 proposes to include land within a designated commercial precinct in which the applied zone is the C2Z, enabling as-of-right development of restricted retail up to a maximum 35,000 sqm.
134. The amendment is supported by economic analysis conducted by SGS which concludes that the Craigieburn North Employment Area is the most suitable site to accommodate large format retail development.
135. In my opinion the analysis in the SGS report is flawed by placing little weight on the existing and planned activity centre hierarchy and by under-appreciating the importance of proximity to a residential catchment as a key criterion to support large format retail development.
136. If undertaken properly, the SGS report would have concluded that the future requirements for large format retailing could be adequately catered for within planned precincts including Merrifield MTC and Lockerbie PTC. The only gap in planned provision is in Beveridge where precinct planning is still underway.
137. The amendment in its current form would lead to a dilution in the activity centre hierarchy, particularly as it relates to large format retail development, and may delay such development taking place in planned centres such as Merrifield and Lockerbie where it can help to sustain activity levels and promote a wider diversity of economic activity.
138. My conclusion is that the proposed amendment in its current form would lead to a net community disbenefit by potentially allowing large format retailing in a location that would lead to greater infrastructure costs and larger externalities in the form of additional private vehicle travel (expressed in road maintenance and emissions costs).
139. The proposed C2Z designation should be removed in favour of applying the IN1Z provisions across the entire site in accordance with strategic policy as expressed in Plan Melbourne and the Northern Growth Corridor Plan.

I have made all the enquiries 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
4 November 2015

Appendix 1 Curriculum vitae for Matthew Lee



Curriculum Vitae

Matthew Lee Principal

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 Commence (Economics)
University of Melbourne (1994)

Professional Affiliations

Board Member, Victorian Planning and Environmental Law Association

Skills / Attributes:

Extensive experience in urban and regional economic assessment, industry sector analysis and property market evaluation throughout Australia. Range of experience includes:

- Market assessments for retail, commercial, industrial and residential property development
- Retirement village demand evaluation
- 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 included:
 - ♦ Store network planning and sales forecasting
 - ♦ Acquisition due diligence
 - ♦ Feasibility analysis
 - ♦ Economic impact assessment
- Deeps’ property clients include:
 - ♦ Amcor, AMP, Australand, Brookfield Multiplex, Cbus Property, Charter Hall Retail REIT, Centro Australia, Harvey Norman, ISPT, Lend Lease, MAB Corporation, Macquarie Bank, Mirvac, Northern Territory Airports, Orica, Places Victoria, Stockland and Walker Corporation
- Deep’s retail clients include:
 - ♦ ALDI, Anaconda, Baby Bunting, Beacon Lighting, Clark Rubber, Coles, Harris Scarfe, KFC, Masters, Pacific Brands, Spotlight, The Good Guys, Trade Secret and Woolworths
- Deep’s other clients include:
 ANZ, Bulky Goods Retailers Association, Crescendo Partners, InterContinental Hotels Group, KPMG, Melbourne Racing Club, Newcastle Permanent Building Society and Reading Entertainment.



Professional Experience continued

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.