



AMENDMENT C258: SUPPLEMENTARY EXPERT EVIDENCE OF JULIAN SZAFRANIEC

10 JUNE 2020

Prepared for
City of Casey

Independent
insight.



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1. INTRODUCTION

1.1 Introduction

1. I have been requested by Maddocks acting on behalf of the City of Casey to review and provide a response to each expert report, as relevant to my area expertise.
2. This supplementary report is my response to the various matters raised by the other experts where they have commented on the Casey Activity Centres Retail and Other Employment Floorspace Assessment or my expert evidence

1.2 Declaration

3. I have made all 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.



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28 May 2020

2. RESPONSE TO EXPERT REPORTS

2.1 Response to Expert Report of Gavin Duane, Location IQ

4. The expert report of Mr Duane focuses on the Eden Rise and Berwick Springs centres and aspects of the Amendment related to this location. To form conclusions on the Activity Centres Strategy and Amendment, the expert report almost entirely focuses on the retail floorspace and the retail anchor role of these two specific centres, rather than considering the broader economic role of the location and wider network. Given the significant size and growth in population occurring across Casey; the broader economic challenges; and the uncertainty in the retail sector, I believe a more holistic economic assessment is required to determine the most appropriate outcome for this location and impacts on the network.

SGS Report

5. Section 3 of Mr Duane expert report focuses on the SGS Report specifically and raises several concerns with the analysis and findings which I do not agree with.
6. Mr Duane expresses concern with the gravity model approach used in the SGS Report. Mr Duane's main concern is expressed at paragraph 3.16 where he states:

SGS Economics indicate they used the current shopping centre turnover to find its current attractive value. However, sales of centres are generally not reported and SGS Economics would not have accurate centre sales across numerous centres in the City of Casey. This is a serious flaw with the model.

7. I disagree with this critique and I believe it miss understands how the gravity model works and how it has been used to inform the Activity Centres Strategy and Amendment.
8. Firstly, in my expert report I have discussed the approach to the optimal centre rollout (from paragraph 61) and the use of the gravity model (from paragraph 65). The gravity model forms one aspect of a much broader and more holistic retail and employment assessment of Casey's Activity Centres. Like any model, the gravity model is a tool that presents results based on a set of assumptions. These provide useful additional information and should be considered alongside other information to then make a holistic and informed strategic decision.
9. To this end, much of the evidence and findings contained in the SGS Report does not rely on the gravity model and is supported through complementary retail, employment, economic and strategic analysis. As part of that broader approach, the gravity model is used to test the

strategic rollout assumptions associated with the retail component of centres. The model is not being used to precisely predict a single centre's future floorspace, but rather to better understand how the centre hierarchy performs collectively. Consistent with this, no individual centres floorspace is specified in the Amendment or Activity Centre Strategy.

10. Further, I also disagree with the assessment that a lack of accurate centre sales data is a serious flaw. The gravity model takes a system wide approach considering all centres and retail expenditure. This system wide framework ensures a level of robustness and internal consistency across the model. This framework ensures data gaps do not become serious flaws. For this reason, while the addition of actual sales data might refine the attractiveness factor for some centres, it will not fundamentally alter the results, which are also influenced by balancing the relative size and proximity of other centres and expenditure growth.
11. At paragraph 3.19 through 3.24 Mr Duane raises concerns with the high level of retail floorspace projected in the SGS Report. This is further iterated at 3.29 to 3.30 and appears to be Mr Duane's key concern with the SGS retail analysis component of the SGS Report.
12. Firstly, I do agree that there is currently significant change and uncertainty in the retail sector and which I have discussed in my expert report (at paragraph 52 and from paragraph 88). This uncertainty underscores importance of completing both strategic planning (which provides direction without being overly prescriptive) and then more localised planning overtime. It also highlights the critical importance of taking a broader economic perspective to centres. Limiting centres to their retail role is extremely risky, from an economic perspective, particularly when the broader metropolitan economy is structurally shifting toward more services-based employment, which is well suited to centre type locations.
13. Saying this, given the significant population growth projected for Casey, and the high-level sensitivity analysis of retail expenditure I completed from paragraph 54 of my expert report, I believe the original retail expenditure analysis and associated floorspace estimates in the SGS Report is still robust and appropriate for the purposes of this Amendment.
14. I further note in Mr Duane's Trade Area Analysis, at paragraph 4.15, he has assumed a 1.0 per cent real growth in retail spending per capita. This would sit within the range (0.5 to 1.36 per cent per annum real retail expenditure growth per capita) that I included in my expert report sensitivity test. He has also estimated the Main Trade Area retail expenditure (see Table 4.2) will increase by 60 per cent from 2020 to 2041 with population (Table 4.1) increasing by 32 percent over that period. How this then relates to retail floorspace requirements is not clear.

15. Of key concern is the resulting retail floorspace to population ratios (retail provision rates) discussed from paragraph 3.21 of Mr Duane's expert report. Based on these provision rates, Mr Duane indicates the retail floorspace forecast across Casey is too high in the SGS Report.
16. Mr Duane does not provide a source for the 'typical provision' range and does not consider this provision ratio when completing his own Trade Area Analysis in Section 4. I also have general concerns with using such a simple metric without considering the local area context which may vary this ratio for a number of sensible reasons including, visitor or worker demand, retail mix/form, development life cycles and the role of metropolitan scale centres.
17. The following table is from a public report¹ commissioned by the Greater Sydney Commission and provides average retail floorspace provision rates for Local Government Areas across Sydney for 2015. While it is for a different jurisdiction and 5 years old, I believe it still provides a useful source and understanding of likely retail floorspace provision ranges. The definition of retail varies slightly from that included in the SGS report, which includes pubs and taverns, meaning an equivalent rate in the SGS Report would be slightly higher.
18. These provision rates vary from 0.94 up to 7.66 for City of Sydney, with a metropolitan average of 2.35. Inner and established locations, with more diversified local employment, typically have higher provision rates. The report also indicates that, while growth in provision rates have slowed, they are still forecast increase at 0.56 per cent per annum.

¹ https://gsc-public-1.s3.amazonaws.com/s3fs-public/Sydney_retail_demand_and_supply_consultancy_Stage_2_final_report.pdf

FIGURE 1 RETAIL FLOORSPACE PROVISION RATE SUMMARY BY LGA, 2015

LGA	Average retail floorspace provision (sqm/capita)						
	Dept store	Disc dept store	Smkt (>1000sqm)	Specialty	Large format	Total	Non-centre
Ashfield (A)	0.00	0.16	0.24	1.09	0.43	1.93	0.10
Auburn (C)	0.00	0.08	0.15	0.91	1.64	2.77	0.15
Bankstown (C)	0.05	0.19	0.20	0.74	0.41	1.59	0.08
Blacktown (C)	0.03	0.15	0.22	0.67	0.78	1.85	0.10
Blue Mountains (C)	0.00	0.06	0.21	0.89	0.14	1.30	0.07
Botany Bay (C)	0.25	0.55	0.49	1.85	0.36	3.49	0.18
Burwood (A)	0.41	0.33	0.31	2.27	0.28	3.59	0.19
Camden (A)	0.00	0.09	0.42	0.72	0.68	1.91	0.10
Campbelltown (C)	0.08	0.24	0.34	0.95	0.81	2.42	0.13
Canada Bay (A)	0.00	0.04	0.18	0.90	0.35	1.47	0.08
Canterbury (C)	0.16	0.10	0.12	1.03	0.74	2.16	0.11
Fairfield (C)	0.00	0.17	0.23	1.00	0.61	2.01	0.11
Hawkesbury (C)	0.00	0.10	0.36	0.96	0.87	2.29	0.12
Holroyd (C)	0.00	0.19	0.26	0.71	0.21	1.37	0.07
Hornsby (A)	0.16	0.11	0.25	0.74	0.32	1.59	0.08
Hunters Hill (A)	0.00	0.00	0.17	1.09	0.05	1.31	0.07
Hurstville (C)	0.00	0.21	0.30	1.02	0.42	1.95	0.10
Kogarah (C)	0.00	0.00	0.09	0.58	0.31	0.99	0.05
Ku-ring-gai (A)	0.00	0.00	0.11	0.66	0.12	0.89	0.05
Lane Cove (A)	0.00	0.00	0.23	0.76	0.04	1.02	0.05
Leichhardt (A)	0.00	0.07	0.21	1.11	0.22	1.60	0.08
Liverpool (C)	0.09	0.15	0.22	0.88	0.89	2.23	0.12
Marily (A)	0.00	0.00	0.31	1.17	1.13	2.60	0.14
Marrickville (A)	0.00	0.09	0.14	1.75	0.77	2.75	0.14
Mosman (A)	0.00	0.00	0.05	1.32	0.19	1.55	0.08
North Sydney (A)	0.00	0.00	0.24	2.09	0.55	2.89	0.15
Parramatta (C)	0.21	0.08	0.19	0.93	0.42	1.83	0.10
Penrith (C)	0.10	0.16	0.28	0.87	0.87	2.29	0.12
Pittwater (A)	0.00	0.13	0.31	1.23	0.22	1.88	0.10
Randwick (C)	0.00	0.00	0.10	0.79	0.12	1.00	0.05
Rockdale (C)	0.00	0.09	0.15	0.72	0.60	1.56	0.08
Ryde (C)	0.31	0.20	0.32	1.09	0.41	2.33	0.12
Strathfield (A)	0.00	0.00	0.06	1.72	1.24	3.02	0.16
Sutherland Shire (A)	0.16	0.13	0.25	0.81	0.58	1.93	0.10
Sydney (C)	0.48	0.06	0.24	5.01	1.88	7.66	0.00
The Hills Shire (A)	0.16	0.24	0.35	0.83	0.85	2.43	0.13
Warringah (A)	0.27	0.10	0.24	0.88	0.64	2.12	0.11
Waverley (A)	0.51	0.16	0.19	1.86	0.26	2.98	0.16
Willoughby (C)	0.56	0.20	0.18	1.61	1.12	3.66	0.19
Wollondilly (A)	0.00	0.00	0.24	0.82	0.14	1.20	0.06
Woolahra (A)	0.00	0.00	0.15	1.39	0.14	1.68	0.09
Total Sydney Metropolitan Region	0.11	0.12	0.23	1.15	0.63	2.25	0.10

Source: Sydney Retail Demand and Supply Consultancy Stage 2 Report, DeepEnd

19. The estimated retail floorspace provision rate for Casey is 2.5 square meter per resident as of 2016 and based on the SGS Report analysis this is forecast to increase to 2.9 by 2036. Noting the difference in retail definitions, this is well within the provision rates outlined in Figure 1. In addition, similar to the expenditure sensitivity analysis I completed in my export report at paragraph 54, if aggregate provision rates were held constant, total retail floorspace would be approximately 12 per cent less by 2036. However, if higher population is also accounted for, the amount of floorspace required would return to a similar level as originally forecast.
20. Given the uncertain and rapidly evolving growth of the region and retail sector, I believe the retail analysis in the SGS Report is still robust and appropriate for this Amendment.
21. At paragraph 3.17 Mr Duane also expresses concern that individual centre analysis has not been complete in the SGS Report and a sub-region specific to Eden Rise has not been defined.
22. Given the size and growth planned for Casey and the scope of the Activity Centres Strategy and Amendment I believe this is impractical. The SGS Report is intended to consider broader

economic trends and implications for the centre hierarchy as a whole and is not intended to replace more detailed local planning required for individual centres. This is consistent with how it has been used to inform the Activity Centres Strategy and Amendment.

23. In addition, while an individual retail centre trade area analysis (as completed in Section 4 of Mr Duane expert report) is useful for particular situations, I do not believe it is an appropriate assessment approach when balancing the broader economic role and function of a network of over 80 centres. It does not consider the non-retail function of centres, nor does it clearly define how markets shares and trade areas would play out across the entire network. This means catchments could potentially be both double counted and under counted, potentially resulting in gaps and/or over provision across the network.

Trade Area Analysis

24. With regard to Mr Duane's Trade Area Analysis completed in Section 4 of his expert witness report I make the following comments, noting my points at paragraph 22 above.
25. From Mr Duane's assessment there is no way of understanding what market share or provision assumptions he has made for other centres across the network. Within the simple trade area definition that Mr Duane has defined based on professional judgement, there is also no way to clearly understand how this has considered the performance and market share other locations and there relative location to new growth areas or employment over time.
26. Mr Duane uses the same source for existing retail expenditure (MDS Market Info) and (as noted at paragraph 12 of this supplementary statement) a similar real expenditure growth per capita rates as used in the SGS Report. This results in Mr Duane estimating retail expenditure within the Main Trade Area will increase by 60 per cent by 2041, while population increases by 32 per over the same period. It is unclear how this is then used to inform floorspace requirements for Eden Rise and the surrounding network of centres.
27. The competitive environment (from paragraph 4.16) assessment includes locations that are all outside the defined Main Trade Area. Specific assumptions have not been made as to how these selected locations influence retail demand within the Main Trade Area.
28. Future proposals (from paragraph 4.21) identifies 28,000 square metres of additional retail floorspace within the Main Trade Area. Similar levels of growth are included in the optimal centre rollout of the SGS Report which (excluding Eden Rise and Minta Farm) identifies 24,700 square metres of additional retail floorspace across Mr Duane's Main Trade Area. This also identifies five other local Neighbourhood Activity Centres within the Main Trade Area (all with less than 2,000 square metres of retail). This section of Mr Duane's report also notes the

hypothetical capacity and total (retail and non-retail) floorspace forecast by 2036 from the SGS Report for Hardy's Rd (Clyde North) Major Activity Centre, while other (closer) centres that are also outside the Main Trade Area are not discussed.

29. Projected floorspace demand (from paragraph 4.22) then focuses on provision rates for discount department stores and supermarkets. It is unclear if, or how, the previous analysis directly links with this floorspace provision analysis. While Mr Duane's provision rates for discount department stores do indicate there is demand for one store within the Main Trade Area, and potentially 3 to 5 additional stores across the municipality, this is considered unlikely. Ultimately Mr Duane concludes at paragraph 4.42 that there is demand for about 8,000 – 9,000 sqm of additional retail floorspace at Eden Rise. Combined with the other future proposals and existing centres in Mr Duane's Main Trade Area, I have estimated that this would represent a total retail floorspace provision rate of approximately 1.03 at 2041. In my opinion, this level of additional retail floorspace seems low given the scale of growth forecasts for the surrounding catchment and broader region.
30. Based on the retail assessment and, in particular, the view that a discount department store could not be supported in this location, Mr Duane has concluded that the combined centres could not become a Major Activity Centre. There is no comment on demand for additional non-retail floorspace in the centre or the opportunity that presents for increased retail demand and supporting local employment opportunities.
31. I believe this miss understands the critical and much broader economic role that a Major Activity Centre provide to the local economy.

2.2 Response to Expert Report of Sean Stephens, Ethos Urban

32. I have reviewed Sean Stephens expert report which also focuses on the economic role of the Eden Rise and Berwick Springs centres in particular. I believe, Mr Stephens expert report has taken a more holistic assessment of the location and Amendment generally.
33. Mr Stephens is broadly supportive of the SGS Reports analysis as it is used to inform the Activity Centres Strategy and Amendment.
34. At paragraph 2.41 he identifies the purpose of the floorspace forecasts in the SGS Report as being 'conceptual in nature'. I believe this assessment is broadly consistent with my understanding. I believe this is also clearly stated in the SGS Report with the description of the optimal centre roll out on page 5 and in Section 6.3, page 74 of the SGS Report stating:

The optimal roll out should not be seen as a highly prescriptive, or fixed, view of the future. Rather it provides a strategic basis to understand how the network might roll out in a rapidly growing area.

Given the highly changeable nature of optimum floorspace levels at individual centres, the optimal centre roll out should be used in conjunction with up-to-date supply gap maps to understand the needs of a wider area and deviate from the optimum rollout if deemed appropriate. This should have consideration to a clearly defined decision-making hierarchy as proposed in Chapter 7.

2.3 Response to Expert Report of Suart McGurn and Tim Peggie

35. I have reviewed Mr McGurn and Mr Peggie's expert reports which focuses the planning and policy aspects of the amendment. I will not comment on these expert reports as the matter raised in these reports are largely outside my area of expertise.



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