Submission

to the

Competition Policy Review

made by

ALDI Stores

10 June 2014
1. Introduction

ALDI Stores Australia welcomes the opportunity to make this submission to the Competition Policy Review (the Review).

Since ALDI opened its first stores at Marrickville and Bankstown Airport in January 2001, our rapid growth has meant that an estimated 4.2 million people shop with us in an average four-week period.¹

Our arrival in Australia has helped redefine the retail landscape, introducing a new and higher quality standard in private-label groceries. In focussing relentlessly on delivering exceptional quality products, matching that of the market leading brands but at prices significantly lower, ALDI provides a unique alternative to the Australian consumer. Our strong sales growth is testament to customers voting with their feet and embracing the very fact that we offer something different.

Despite ALDI’s successful establishment in Australia over the last 13 years, the fact is that our expansion has been considerably slower than planned due to regulatory constraints. These take the form of rigid and overly-prescriptive land use planning and zoning rules at state and local government levels that have resulted in a chronic shortage of suitably zoned land for small format supermarkets in many built-up areas. The direct consequence of this significant barrier to expansion is that fewer Australians are able to benefit from the competition, lower prices and innovation that ALDI offers.

ALDI has been consistently making the case to Federal, State and Local Government in support of land use planning and zoning reform for over a decade. For this reason, we welcome the focus of the Review on identifying and removing unwarranted regulatory impediments to competition, including those relating to the grocery retailing sector.

2. About ALDI Stores Australia

From a standing start in 2000, ALDI now employs approximately 8,000 Australians in quality jobs in its stores, distribution centres and logistics supply chain. The company’s annual turnover in Australia now exceeds $5 billion and it is estimated to account for around 10% of the grocery market on the Eastern Seaboard.² Currently, our Australian operations comprise five distribution centres spread across NSW/ACT, Victoria and Queensland servicing 340 ‘small format’ stores (around one-third the size of a traditional full-line supermarket).

The company’s investment in Australia exceeds $2 billion. We are continuing to invest in new stores, employment and sourcing Australian products. We have excellent relationships with our suppliers and the benchmark industry supplier survey consistently rates ALDI as retailer of the year (64% in 2013, compared to 21% for Coles and 7% for Woolworths) as well as the highest net rating for quality of relationship (73% in 2013, compared to 57% for Coles and 9% for Woolworths).³

Our core offer consists of a carefully selected range of products, designed to match the needs of a consumers’ weekly shopping requirements. We seek to avoid duplication

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² Ibid., the report estimates ALDI’s market share to be 10.3%, compared to 39% for Woolworths, 33.5% for Coles and 9.5% for IGA.
wherever possible, providing the customer with a pre-selected range of market leading brand quality products saving them both time and money. ALDI strives to support Australian producers and manufacturers and, as an example, 100% of our fresh meat, eggs and bread range are sourced from Australian producers.

The company is able to offer lower prices because of its efficient and globally tested business model that is in several ways quite distinct from the major supermarket chains (MSCs). ALDI’s key points of difference include: substantially smaller store footprint (1,300-1,600m²); substantially lower number of product lines (around 1,350); shorter opening hours; fewer truck deliveries (typically 3-5 per day) and a truck vehicle fleet that is owned and operated by ALDI enabling a much greater level of control over delivery numbers and times.

Significantly, the scale and operational characteristics of an ALDI store mean that it is compatible with a range of adjacent and neighbouring land uses, including residential and commercial development.

We believe that by standardising and simplifying as many operations as possible, we can keep costs low and pass these savings on to customers in the form of everyday low prices. ALDI’s prices do not fluctuate wildly, but instead remain consistently low. Customers can be confident they are getting value for money each and every time they shop with us.

ALDI believes the potential exists to increase its store network on the eastern seaboard of Australia to between 500 and 600 stores. In addition, in 2013, we announced plans to introduce our competitive offering to South Australia and Western Australia over the next few years.

3. ALDI’s Impact on Competition and the Economy

ALDI is Australia’s only ‘hard discount’ supermarket operator, providing a range of exclusive brand, staple groceries at the lowest possible prices. Surveying by national consumer organisation, CHOICE, has shown that a comparable basket of goods at ALDI is in the order of 25% cheaper than at one of the MSCs. Additionally, over recent years, ALDI has expanded its offering into non-grocery merchandise and is now also challenging the established discount department store operators.

It is widely acknowledged that Australia’s grocery retailing sector is dominated by the MSCs, and that greater choice and price competition is in the community’s interest. The 2008 ACCC inquiry into grocery retailing verified the positive competitive impact of ALDI generally on supermarket competition and of the establishment of an ALDI store on nearby MSC store prices. For example, that inquiry found:

“ALDI has been a vigorous price competitor since its entry into Australia and has the incentive and the ability to engage in sustained price competition. This has had a dynamic impact on the grocery sector and brought about competitive responses from Coles and Woolworths on many products”.

Further:

“Even if a customer does not shop at ALDI, they obtain significant benefits from having an ALDI in their local area or state, as the Coles or Woolworths store prices more keenly”\textsuperscript{6}.

Indeed, the then ACCC chairman remarked to a Senate Committee on 10 February 2010:

“It has become well known that ALDI – I am not here to advertise for ALDI – through its specific business plan of a limited number of items but at very low prices, home brands – is providing a competitive tension to Coles and Woolworths and other supermarket operators – IGA, Supabarn and the like – in respect of the items that they sell. That has proved to be an important competitive tension. We demonstrated that in the grocery inquiry and I think it has been demonstrated in a number of surveys that have been taken since”.

ALDI continues to introduce innovation and new business practices into the Australian grocery retailing market. For example, ALDI was the first operator in the Australian market to introduce unit pricing (ie. price per quantity of product for ease of consumer comparison), which has now become an industry standard. ALDI has also introduced a range of initiatives relating to the environment and community well-being – for example, it is the first and only supermarket chain in Australia to be completely free of artificial food colours across the entire range of exclusive brands and branded food items.

Each new ALDI store employs on average 13 people on an ongoing basis and supports other employment within ALDI (eg. distribution/logistics) and indirectly through the company’s supply chain. Store-based employment within ALDI provides employment opportunities for some segments of the population where unemployment rates are the highest or where there are challenges in re-entering the workforce (eg. youth, working mothers). The development of a new ALDI store creates around 25 construction jobs over a 12 month period. Across a range of operating locations, the establishment of an ALDI store has been a catalyst for the revitalisation of a retail precinct or centre (examples in NSW, for instance, include Villawood and Erskine Park) and a driver of increased shopper activity.

A report prepared for ALDI by Urbis Pty Ltd dated July 2012, attached as Appendix 1, sets out in detail the economic and other significant community net benefits associated with the establishment of a new ALDI store. The report also includes a case study on the expansion of ALDI’s store locations in Geelong, Victoria, and the impacts for that community and its existing activity centres.

4. Site Availability is a Key Driver of Grocery Retailing Competition

It is obvious that one of the essential pre-requisites to expanding a grocery retailing business is the ability to secure appropriate premises across metropolitan and regional locations. More so than any other country in which it does business, ALDI has found the challenge of securing appropriate property holdings in Australia the single most significant brake on its expansion.

ALDI’s approach in all countries in which it operates is to typically own and develop its stores for reasons of business continuity and to optimise layout and efficiency of operations. The lack of supply of correctly zoned land for development of new freehold

\textsuperscript{6} Ibid., p. xvi.
stores in eastern Australia has led ALDI to enter into a large number of leaseholds within shopping centres, which accounts for around 45% of our store network. With 13 years of operations on Australia eastern seaboard, ALDI now finds that leasehold store development opportunities are also highly constrained.

ALDI is not alone in the retail sector identifying site availability as a key business issue. Yet the competitive impact for ALDI and other non-incumbent grocery retailers is far more acute than for the MSCs who, while they continue to expand in certain regions, have mature store networks particularly in the areas that are most challenging from a property perspective (i.e. established urban centres). As the ACCC stated in its 2008 report:

“Zoning and planning regimes act as an artificial barrier to new supermarkets establishing in areas with a, likely unintended, consequence of thereby potentially impacting on competition between supermarkets to supply consumers. As noted, the barriers to entry created by planning laws are particularly pronounced for independent supermarkets.”

ALDI is already confronting similar issues as it plans for the establishment of its business in South Australia and Western Australia.

4.1 Planning and Zoning System Constraints

Since 2001, ALDI’s growth has consistently been faced with the obstacle of locating and securing appropriately zoned and sized land for the development of new stores, despite strong consumer demand. It is ALDI’s view that this situation is fundamentally a result of a lack of supply of correctly zoned land as well as rigidity in the current state planning systems and their administration by state and local governments. In eastern Australia, the situation is particularly poor in NSW, somewhat better in Victoria and better again in Queensland - even Queensland, however, has significant room for improvement.

The major issues that ALDI has observed in the planning and zoning systems include:

- Non-availability of appropriately zoned and sized land. The structure planning process for ‘activity centres’ at local government level is often years behind the contemporary demographic, community, business and economic needs of an area.
- A lack of ‘as of right’ retail/commercial zones in and around activity centres.
- No recognition of innovative retail formats, such as small format supermarkets, and the way in which they should be accommodated in the planning/zoning systems. For instance, while it may not be appropriate to permit a traditional full-line 4,500m² supermarket in a smaller activity (e.g. village) centre, a 1,600m² grocery store with shorter opening hours and fewer deliveries should be considered differently.
- Large numbers of highly prescriptive zones and very specific descriptions of businesses allowed in these zones.
- Inconsistent and unclear implementation guidelines to describe project eligibility for alternative development assessment pathways.
- Slow, costly and unpredictable land rezoning processes with a high degree of uncertainty, with very limited rights of appeal from local council decisions.

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7 Ibid., p. 195.
• Limited incentive for councils to consider competition or ‘net community benefit’ in outweighing third party objections.

• Vexatious or baseless third party objections and appeals.

The NSW planning and zoning system provides a good illustration of the fact that there are too many zones and their overly-prescriptive nature. In an attempt to introduce great standardisation and consistency into the key local government planning instrument, known as Local Environment Plans (LEPs), the NSW Government formulated the Standard Instrument LEP in March 2006, to be implemented and adopted by councils over subsequent years. The Standard Instrument LEP includes seven Business zones, primarily based on the centres hierarchy model (e.g. ‘B1 Neighbourhood Centre’, ‘B2 Local Centre’, ‘B3 Commercial Core’, ‘B4 Mixed Use’) with additional zones encouraging particular types of development in specific scenarios (e.g. ‘B6 Enterprise Corridor’ along main roads and ‘B7 Business Park’).

Currently, ALDI stores are totally prohibited within the ‘B5 Business Development’ zone under the Standard Instrument LEP. ALDI Stores may be permissible within the B1 Neighbourhood Centre and ‘B6 Enterprise Corridor’ zones, but this is wholly dependent on individual councils including “shops” as permissible development with consent within these zones. At a practical level, ALDI is permitted by only some councils in ‘B1 Neighbourhood Centre’, and is prohibited by most councils in ‘B6 Enterprise Corridor’.

The perverse consequence of the rollout of Standard Instrument LEPs by NSW councils to date has had the effect of significantly reducing the availability of suitably zoned retail land within metropolitan Sydney. This has occurred because land previously zoned ‘General Business 3A’ or ‘Special Business 3B’ has predominantly been rezoned to ‘B1 Neighbourhood Centre’, ‘B5 Business Development’ or ‘B6 Enterprise Corridor’ and ALDI Stores are prohibited within these zones in many or most LGAs.

In Appendix 2, we have provided indicative case studies from several local government areas in Sydney to illustrate the issue of identifying potential sites for the establishment of new stores in the context of existing planning instruments.

ALDI’s experience has been that where it has been able to lodge a development application (DA) (i.e. where the zoning provides that development is permitted with consent), councils have overwhelmingly approved these given the high level of compliance with the applicable statutory town planning controls, careful management of the environmental impacts of the development on surrounding properties and the locality and the strong levels of community support.

4.2 Recent Policy Reviews

Following on from the ACCC’s 2008 report into grocery retailing, the issue of barriers to entry/expansion in Australia’s supermarket sector has been of interest to the Federal Government and the Council of Australian Governments. A number of significant studies and reviews have been commissioned over recent years including:

• SGS Economics (commissioned by Federal Treasury) – ‘An Evaluation of Planning Systems – Barriers to Entry for Grocery Retailing’ (July 2010)8;
• Productivity Commission – ‘Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments’ (April 2011)\(^9\); and

• Productivity Commission – ‘Economic Structure and Performance of the Australian Retail Industry’ (November 2011)\(^10\).

Each of these pieces of work provides valuable analysis and verification of the planning and zoning issues that ALDI discusses in this submission. The recommendations from these inquiries, which remain broadly unimplemented by state and local governments, include the following key themes:

• Broaden business zoning and significantly reduce prescriptive planning requirements;

• More as-of-right development processes are required to reduce business uncertainty and remove the scope for gaming by competitors;

• The development of clear retail policy frameworks;

• The importance of regular reviews of retail floorspace supply and demand (i.e. to ensure that the retail requirements of growing or changing population in a particular area are adequately catered for);

• The importance of key planning definitions not operating to exclude new retail formats; and

• Flexibility in assessment of retail development proposal that do not strictly confirm with activity centre boundaries.

5. Efforts at Land Use Planning/Zoning Reform

The policy reviews referred to above have been useful in identifying key competition-constraining issues affecting grocery retailers and in proposing potential solutions to address these. Unfortunately, they have not served as the catalyst for the necessary systemic, practical reform by state and local governments to planning and zoning regulation and its administration.

In NSW, the Government embarked upon a process in 2011 to rewrite the state’s 30 year old planning legislation. This process culminated in the release of a White Paper in mid-2013 which proposed a sensible strategic planning hierarchy, fewer and less prescriptive zones, preparation of floor space demand and supply assessments, and an expansion of code assessable development. While the principles and directions contained in the White Paper were strongly supported by ALDI and many other stakeholders, the legislation ultimately introduced into parliament by the NSW Government was so weakened and compromised as to represent very little improvement on the current system. This legislation has not yet been passed by the NSW parliament.

A substantial improvement in the operation of the Victorian planning system was flagged in July 2012 when the state government announced its intention to consolidate the existing business/commercial zones to two in number and industrial zones to three. In addition, the Government proposed to address the issue of overly-restrictive zoning, including permitting retail uses as-of-right in both business zones. The effect of these changes would have permitted ALDI (and other retailers) to establish stores in all business/commercial zones and one of the key industrial zones, with a significant positive impact on competition. Whilst ALDI has benefitted from these changes resulting in some new store opportunities, the Victorian Government’s determination to limit the

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scope to only apply to areas within the Urban Growth Boundary (UGB) excludes several significant regions outside of the UGB such as Geelong and the Surf Coast.

6. Measures to Effectively Address Land use Planning/Zoning Barriers to Expansion

Based on the preceding discussion, ALDI believes that there are a number of planning and zoning-related measures that would facilitate greater competition in the grocery retailing sector.

6.1 Streamlining of commercial/industrial zones and establishment of ‘as-of-right’ retail zones

It is critically important that the long list of commercial and industrial zones with highly prescriptive definitions and uses be consolidated and simplified. This streamlined system, as has recently been applied in most of the Melbourne metropolitan area, should permit the use of land for retail/shop to be ‘as of right’ in all commercial zones and at least some industrial zones.

If uniform as-of-right retail zones were established for retail/shops uses, a supermarket operator like ALDI would be able to identify sites appropriate to its requirements within the zones and know that it need only apply and obtain development approval for buildings and works to facilitate the use.

Once simplified zones are established it will also be important to ensure the zones are applied in appropriate locations, particularly in and around existing and any planned future activity centres. In order to aid government in its application of the zones, floor space demand and supply assessments or retail catchment studies should be prepared to objectively identify the areas where there is demand - for example, for additional competitive grocery retailing but a shortfall of appropriately zoned land. Although the studies may not result in an immediate rezoning of land, they would pinpoint locations where government needs to facilitate statutory or policy change if it is to assist non-incumbent operators to enter the market and establish themselves as a viable business.

6.2 Planning system flexibility to permit an adequate supply of land in appropriate locations

As set out above, the key issue ALDI faces (together with other non-incumbent supermarket operators and other retailers) is the scarcity of appropriately zoned and sized land. Planning policy throughout Australia seeks to locate larger scale retail and commercial uses in ‘activity centres.’ While there is public policy merit underpinning activity centres policy, it is critical that planning authorities ensure that there is an adequate supply of land in activity centres (where physically possible). This is manifestly not the case at present, particularly in metropolitan areas of Australia’s eastern seaboard states, and ALDI’s initial observation is that a similar situation prevails in South Australia and Western Australia.

There is then the important (and common) scenario to consider where, for whatever reasons, there is no available land in a designated activity centre. A ‘sequential test’ should be implemented under which edge-of-centre or out-of-centre locations can be considered where there it can be demonstrated that there is no available land within activity centres. A draft Sequential Test is attached as Appendix 3.
6.3 ‘Future proofing’ activity centres

In the case of planned (new) activity centres in growth areas, ALDI has observed that in many cases, local planning authorities are failing to ‘future proof’ activity centres. The standard approach is to designate an area of land as an activity centre and then encircle it with periphery land uses including medium density residential development. There needs to be substantial rethink on how activity centres are planned and how they can be future-proofed to cater for inevitable and predictable growth.

ALDI considers that this can be achieved by restricting the fragmentation of land in edge-of-centre locations and identifying areas for future retail/commercial development through targeted strategic planning. Local planning authorities could then take into consideration the future growth needs of the activity centre before approving long term, ‘generational’ type land uses, such as residential land use on the periphery of activity centres which clearly creates a barrier to future expansion.

6.4 Recognise and permit ‘small format’ supermarkets in smaller activity centres

As an alternative to the proposals in 6.1 and 6.2 (sequential test), above, ALDI believes that the concept of ‘small format’ supermarkets (ie. up to 1,600 square metres gross floor area) could be adopted in state and territory planning policies. This would provide further opportunities for expansion of non-incumbent competitive grocery retailers like ALDI who, by virtue of their size, limited trading hours and relatively fewer truck movements, are qualitatively different from ‘full-line’ supermarkets.

As indicated in the earlier discussion, an ALDI store is typically included within the broader definition of ‘retail shop’ and assessed as any other supermarket despite significant differences in the scale and intensity of development. As a result, the distinctive characteristics of ALDI as a small format supermarket are not acknowledged or understood when applications are assessed by relevant authorities. This issue could be resolved by governments adopting a specific definition for this smaller-scale supermarket which sits between a traditional ‘corner store’ and a full-line supermarket. This categorisation would then facilitate government setting policy that provided for the siting of small-format supermarkets on an as-of-right basis in a broader range of zones, providing greater certainty and a positive competitive impact for the community.

6.5 Streamline the rezoning process

Unlike the development application process, there are commonly no rights of appeal should a planning authority reject a rezoning request, nor are there often any statutory timeframes. This leads to significant uncertainty, time and cost delays. Amending the rezoning process to include rights of appeal and statutory timeframes would be an effective means of lowering current barriers and providing increased levels of certainty.

The rezoning process could also be improved through delegating the assessment of rezoning applications to a specialised state or regional committee. The committee could include planning experts, representatives from local governments and perhaps appropriate others who would assess the rezoning request against local and state planning policy. In our view, this process would enable rezoning requests to be considered on the merits of the proposal, by experts at arm’s length and decisions made that reflect a balancing of all of the issues at hand.

Some improvement in this regard has occurred in NSW where, in late 2012, the Government introduced a process under which a proponent can request a review of decisions made at key stages during the process of assessing and deciding on a rezoning proposal.
6.6 Limit third party rights in development application and rezoning requests

We believe that the scope should be minimised for non-bona fide third party involvement in development applications and rezoning requests. While ALDI supports the principle of consultative planning, there is substantial scope in most planning systems for objectors (individual persons or competing businesses) to use appeal rights in order to frustrate the development approval (or rezoning) process. This is inappropriate and is significantly impacting competition in many market sectors and adding significant time and cost to development.

Solutions which could be considered to address this issue include:

- Adoption of an ‘objector pays’ model – A person or business entity that wishes to object to a development application or rezoning request would pay a fee to do so. This would have the impact of discouraging objections for persons or businesses that do not have legitimate claims. We consider that the amount to be paid should be less for individuals than businesses and a system could be set up to waive the fee where financial hardship etc was demonstrated.

- Monitor objections from retail operators to ensure any anti-competitive action is identifiable. This could be achieved by requiring commercial objectors (businesses) to clearly detail the grounds on which the objection is made and the businesses interest in the proposal (i.e. location and type of business etc). This would help planning authorities to identify commercially based and vexatious objections. The previous NSW Government proposed guidelines for considering planning objections, including possible sanctions against those with vexatious or anti-competitive objections, but this was not adopted.
Appendix 2: Indicative Sydney Case Studies

**Hurstville**: ALDI has been unable to secure a single site for development in the Hurstville LGA in ten years, and currently has one leasehold store in Westfield Hurstville. ALDI considers there is a market for three additional stores in the Hurstville LGA.

The draft Hurstville Local Environment Plan (LEP) 2011 and City Centre LEP 2011 provided an opportunity for ALDI to comment on its aspirations in the Hurstville LGA. The unfortunate exclusion of “shops” (and, therefore, ALDI) from the proposed ‘B1 Neighbourhood Centre’ zone and only minor adjustments to the existing business zones, prompted ALDI in February 2012 to nominate two sites for rezoning (in Peakhurst) to Hurstville City Council (Council). Both of these sites span two zones under the current LEP – ‘Neighbourhood Business’ and ‘Light Industrial’. Council has not supported either rezoning proposal, erroneously identifying an ALDI store as a “large format supermarket” and also suggesting that a rezoning in the suggested locations would have “the potential to detrimentally affect the economic viability of these centres”.

Under the existing and future planning framework and Council’s process, it is difficult to see how ALDI can establish another Store in the Hurstville LGA in the short to medium term (0-5 years).

**Blacktown**: ALDI currently has four ALDI stores within the Blacktown LGA, located at Arndell Park, Seven Hills, Quakers Hill and Mount Druitt. Notwithstanding, ALDI considers that there is a market for an additional eight stores within this large LGA.

In 2012, ALDI identified a suitable site for an additional Store at 552 Richmond Road, Glendenning. The site is currently zoned ‘2(a) Residential “A” Zone’ and directly adjoins the Plumpton Hotel. To permit the construction of an ALDI store, however, the site needs to be rezoned to ‘3(a) General Business’ in which shops are permissible. Under the NSW Standard Instrument LEP, a ‘B1 Neighbourhood Centre’ rezoning would be suitable subject to permissibility of shops within the B1 zone. There is sound planning merit for rezoning of the Glendenning site on the basis of an existing unmet demand for grocery retailing, enhanced grocery competition and that the area will experience substantial residential and economic growth within the North West Growth Centre and the site is suitably located on an arterial road with good connectivity.

ALDI met with Blacktown City Council’s Strategic Planning Unit in February 2012 to discuss the potential for a spot rezoning of the Glendenning site. Council indicated that it does not support rezoning of the site for two reasons; Council considers that the site is not appropriate for an ALDI store on the basis that there is potential for adverse impacts to the nearby North West Growth Centre land release precincts of Schofields and Colebee and existing nearby village centres of Woodcroft Plaza and Plumpton. In addition, Council advised that its Strategic Planning Unit was significantly under-resourced as it was preparing the draft Blacktown Standard Instrument LEP for public exhibition; therefore, Council did not have the resources to review and submit a planning proposal.

**Marrickville**: ALDI owns and operates a single ALDI store within the Marrickville LGA, located at the Marrickville Metro Shopping Centre on Victoria Road, Marrickville. ALDI has had no success in obtaining other sites in the Marrickville LGA since commencing operation in Australia in 2001.

In February 2011, ALDI prepared a submission to the draft Marrickville LEP 2011. The submission raised three pivotal concerns as follows: a lack of any proper audit of the existing business zoned land in the Marrickville LGA; an inadequate supply of land capable of supporting retail development; and the prohibition of “retail premises” (an ALDI store) in a number of the business zones, including the ‘B6 Enterprise Corridor Zone’, contrary to the Metropolitan Plan for Sydney 2036 objectives for flexible land use
controls. We requested that Council amend the draft LEP 2011 to increase the extent of business zones, include a ‘small format supermarket’ definition capped at either 1,100sqm of grocery retail sales area or 1,500sqm total floor area as well as amend the ‘B6 Enterprise Corridor Zone’ provisions to permit retail premises. Council did not support these suggested amendments.

Council’s decision means that the gazetted Marrickville LEP 2011 actually represents a reduction in suitably zoned business land and further restricts the ability to establish an ALDI store when compared to the previous LEP 2001.

**Fairfield:** ALDI operates four freehold ALDI stores within the Fairfield LGA located at Bonnyrigg, Fairfield, Fairfield West and Villawood. From thorough ongoing inquiries, ALDI is aware that all other existing centres in Fairfield LGA are fully developed or constrained, restricting roll out of any new stores.

ALDI lodged a submission to the draft Fairfield LEP 2011 in March 2012 which highlighted the difficulties experienced by ALDI to secure further new sites. Council’s implementation of business zonings in the draft Fairfield LEP 2011 was informed by a Commercial Centres Study prepared by economic consultants seven years earlier, in 2005. ALDI’s submission raised our interest in establishing a new store in Cabramatta Town Centre. Council responded by stating “the rezoning of additional land for ‘mainstream’ retailing (in particular) supermarket developments” is not supported as the Centres Study does not recommend the zoning of additional land to create any new centres in the Fairfield LGA.

On this basis, the current draft Fairfield LEP 2011 does not provide any new opportunities for ALDI in the Fairfield LGA.
Appendix 3: Proposed Sequential Test

The following Draft Sequential Test is proposed for use in the assessment of proposals to allow for retailing at the edge-of-centres or out-of-centre locations.

These assessment criteria are to be applied in addition to any other provisions of the relevant planning framework. They relate to rezoning requests and applications outside Activity Centres.

For the purpose of applying the test, proposals are divided into the following categories:

- Rezoning proposals within a designated activity centre boundary
- Rezoning and use and development applications outside of designated activity centre boundaries.

In each case the level of detail and analysis required should be proportionate to the scale and nature of the proposal.

Rezoning proposals within a designated activity centre boundary

Where a proposal for rezoning is in accordance with and consistent with a State policy, local policy and a structure plan that has been approved and implemented into the relevant planning scheme:

- No economic impact assessment is required
- Proposals are required to demonstrate they have been designed to enhance the character and functioning of the centre and reinforce the public realm.

Rezoning and use and development applications outside of designated activity centre boundaries

For this category the assessment process will proceed in the following sequential steps:

- An assessment to determine whether a policy preferred in-centre or edge-of-centre location is available.
- An assessment of the strategic merits of the proposal in its proposed location.
- An assessment of a range of local matters relating to the proposed site.
- Economic impact assessment of the proposal.
- Consideration of other suitable sites in or edge-of-centre.
- These assessments should be guided by the concepts of net community benefit and sustainability, where the objective is to balance economic sustainability with environmental and social-cultural sustainability.

The assessment criteria listed should be used to assist the discussion in these two areas.

Assessment of alternate locations

Where a proposal for rezoning and for development applications is located in an edge-of-centre location or an out-of-centre location, require an assessment which demonstrates a sequential test has been applied to consider alternative locations for the proposal, in the following order:
a. First, look for locations in appropriate existing centres where suitable sites or buildings for conversion exist, or are likely to become available, taking account of an appropriate scale of development in relation to the role and function of the centre, and then if no sites are available

b. Look for edge-of-centre locations, with preference given to sites that are or will be well connected to the centre and then if no sites are available

c. Look for out-of-centre sites, with preference given to sites that are well served by a range of transport (including public transport) and are able to be linked to the existing network of centres.

This assessment needs to:

- Demonstrate the development or centre is connected to appropriate public transport services and includes appropriate connectivity to adjacent pedestrian and road networks.
- Require all options in the centre to be thoroughly assessed before less central sites are considered for development.
- Demonstrate that an in or edge-of-centre location is not available, suitable and viable.
- Demonstrate there is an appropriate sized existing and predicted residential and employment catchment immediately available to the proposal and there is an existing unmet demand for the proposal.

Strategic assessment of the proposal

An assessment is required which examines the strategic context of the proposal. This strategic assessment is the overarching principle for decision making once the locational assessment has been undertaken. Specifically the strategic assessment needs to consider:

- Consistency with relevant planning objectives.
- The demonstrated need for the development, including how it will fill a gap in the network and/or meet increased demand for retail floor space.
- The extent to which the proposal would put at risk the spatial planning strategy for the area and the strategy for a particular centre or network of centres, or alter its role in the hierarchy of centres.
- The likely effect on the existing and future public or private sector investment needed to safeguard the vitality and viability of the centre or centres.
- Changes to the range of services or opportunities provided by centres that could be affected
- Potential changes to the quality, attractiveness, physical condition and character of the centre or centres and to its role in the economic and social life of the community.
- Whether the proposal will facilitate the entry of an operator not currently trading in the area to facilitate increased competition.
• Notwithstanding the above, the likely impact of the development on the commercial viability of an individual business, including loss of trade, is not a relevant consideration.

**Implementation**

To ensure that orderly and economic development of land occurs and to serve the public interest, merit based appeal rights and statutory timeframes are applicable to the Sequential Test.
Planning Barriers and Economic Benefits of ALDI entering markets

July 2012
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The purpose of this report is to demonstrate the significant economic and community benefits realised as a result of opening ALDI stores in new markets where land has been rezoned to accommodate new stores.

These benefits include increased competition resulting in lower prices for consumers, new employment opportunities, increased levels of construction activity, higher income streams for local councils via commercial rates and the preservation of existing activity centres.

However, the extent to which these benefits are being realised by the community is being constrained by the challenges ALDI is experiencing in securing sites for new stores.

Despite our existing network of 280+ stores across the eastern seaboard states and the ACT achieved during the past 10 years, the biggest brake on our future expansion plans for 500+ stores is the lack of correctly zoned land and the failure of policy makers to adequately address the need for strategic planning reform.

Since the entrance of ALDI in Australia, a number of representations have been made to various State Governments to improve the planning system to facilitate increased competition and choice within the supermarket sector. To date, these representation have had very limited success.

ALDI has injected new competition into the market which is having significant benefit for communities and the broader economy.

ALDI is experiencing challenges in securing sites for new stores, which is impacting the realisation of benefits the retailer provides to the market.

Representations by ALDI to State Governments to remove planning barriers has had limited success.
Despite these concerns, ALDI is encouraged by the findings from two separate and significant investigations into the planning system undertaken by SGS Economics on behalf of the Federal Treasury and the Productivity Commission as follows:

1. SGS Economics – *An Evaluation of Planning Systems – Barriers to Entry for Grocery Retailing* (July 2010)


In summary, these recommendations are as follows:

- To develop a clear retail policy framework within the State planning system.
- Regularly undertake a supply and demand review to determine if there is enough commercially zoned land on a regional basis.
- Reviewing the wording of current strategic planning and policy documents to ensure that anti-competitive statements are not included within these regulations and supporting materials.
- Ensure that the definition of retail is sufficiently broad to incorporate innovative retail formats.
- Adopting a nationally consistent methodology in all planning regimes for sequentially testing the net community benefit offered by proposals which do not immediately comply with centres policy.
- Promoting land assembly policies within activity centres to facilitate the entry or expansion of competitors and to monitor land banking.

This report briefly summarises the following key points:

- The uniqueness of the ALDI format and offer provided to consumers
- Planning barriers that ALDI currently face in expanding the store network
- Significant economic and community benefits offered by ALDI
- Case study of ALDI’s experience in sourcing new sites in Geelong in Victoria since 2003
- Recommendations regarding improvements to the planning system
The ALDI Format

ALDI is a unique retailer providing a genuine point-of-difference to other supermarkets. ALDI is the only ‘hard discount’ supermarket operator in Australia, with a business model that limits operating costs to ensure the lowest possible prices for its range of exclusive brands of staple groceries. ALDI also invests extensively in product development to ensure their products uphold stringent quality standards and adapt to changing consumer tastes and preferences.

ALDI provides a breadth but not depth of their exclusive range of private labelled products, allowing small format stores (usually 1,300 to 1,600 sq.m of gross leasable area) to provide for the weekly shopping needs of customers. The retailer also offers weekly special buys for general merchandise products thus extending its positive influence on retail expenditure of households.

ALDI offers the cheapest prices for staple groceries in Australia and has had a significant impact on lowering prices of groceries in markets they enter, as indicated by various industry surveys and the ACCC in its 2008 enquiry into the competitiveness of retail prices for standard groceries. With food and groceries being one of the largest items in a household budget, lower prices for groceries is a significant contributor to reducing the cost of living of households.

ALDI is the only “hard discount” supermarket operator in Australia.

ALDI offers the cheapest prices for groceries in Australia.

ALDI has a significant impact on reducing the cost of living of households.
ALDI has introduced new business practices and proved a leader in:

- Unit Pricing. ALDI was the first supermarket operator in Australia to introduce unit pricing across all products in its stores. This clarifies the real cost of groceries for consumers and aids them in choosing groceries at the cheapest prices.
- A National Pricing Strategy. ALDI is the only supermarket operator in Australia to operate an everyday low pricing model across its entire store network which provides price equity and same benefits for all customers of ALDI.
- Private Labels. ALDI provides an extensive range of private (home brand) labels cutting the cost of everyday groceries through reduced marketing overheads.

ALDI is also committed to the ongoing innovation of the supermarket sector and to supporting the Australian economy:

- ALDI's meat is 100% sourced from Australian suppliers and its produce lines are 97% sourced from Australian growers.
- 100% of profits are invested back into the Australian market to open new stores and keep prices low.
- ALDI promotes social awareness through:
  - The introduction of no artificial colourings throughout the entire food and grocery range
  - Food that can no longer be sold is donated to the needy through OzHarvest and Foodbank
- ALDI promotes environmental awareness through:
  - Eco efficiency measures that have made it the first grocery retailer to achieve ecoBiz accreditation.
  - Phasing out the sale of phosphate laundry detergents, identified as a contributor to blue green algae.
  - ALDI in conjunction with Planet Ark has launched an olive oil range which is the first grocery line to feature a Carbon Reduction Label to allow shoppers to reduce their own carbon footprint through their shopping.

ALDI provides a genuine value proposition and distinctive choice for households when shopping for groceries. This unique offer of ALDI results in the retailer providing clear and demonstrable benefits for the community, based around the advantages of a more competitive market.

ALDI Site Requirements

Generally ALDI require sites within or adjacent to activity centres which can accommodate a gross building area of 1,650 sq.m and approximately 80 car parking spaces. This can be generally accommodated on sites of between 2,000 sq.m and 6,000 sq.m depending on locational and site constraints.

Despite the requirement for smaller sites compared with the major chain supermarkets, this has not alleviated the challenges faced by ALDI in finding and securing sites for new stores.
ALDI in Victoria

ALDI opened its first store in Victoria at Heidelberg West in 2003 and now has a network of 94 stores. ALDI has identified the opportunity to open in excess of 160 stores in Victoria, 66 more than today. ALDI stores in Victoria are serviced from two distribution centres at Derrimut and Dandenong.

ALDI’s real estate investment in Victoria to date is substantial and exceeds $700 million. The retailer is also employing more than 1,700 people across its stores, distributions centres and head offices.

ALDI’s investment in Victoria will increase significantly with its plans for in

ALDI’s investment in Victoria exceeds $700 million.

ALDI plans to open 66 more stores in Victoria.
Planning Barriers

From ALDI’s experience in the Australian marketplace over the past decade, there have been a number of recurring planning impediments to the roll out of ALDI stores. These impediments are holding up significant investment and future employment opportunities as well as the broad range of associated economic benefits achieved through a more competitive marketplace for grocery shopping.

The principal planning issues being faced by ALDI within the planning system are as follows:

- Insufficient provision of appropriately sized and zoned land, particularly within established metropolitan locations and high street activity centres. This is particularly the case within the inner metropolitan locations of major capital cities.

- Lack of as of right retail/commercial zones in and around activity centres.

- Limited clarity around locational issues relating to edge of centre and out of centre locations.

- Slow, costly and unpredictable land rezoning processes with a high degree of uncertainty, even with appropriate strategic support which is controlled entirely by local Councils with limited rights for review.

- Limited incentive for Council’s to consider competition and/or net community benefit matters outweighing third party objections.

The extent to which ALDI can continue to contribute to economic and employment growth and enhance the competitiveness of the supermarket sector will be significantly influenced by the effectiveness of the planning system in each state and territory.
By removing the barriers to new retail development associated with existing planning policy and availability of sites within suitably zoned land, the expansion of the ALDI store network will be facilitated and the benefits that ALDI brings to the community will be realised by more households and have a greater and wider impact on the economy.

Given the unique market positioning and offer of ALDI, the expansion of the ALDI store network provides a demonstrable net community benefit by way of:

- Stimulating competition which:
  - Lowers prices for food and groceries
  - Provides greater choice for food and grocery shopping
  - Improves the accessibility to and convenience of shopping at supermarkets

- Creating stable retail jobs and training opportunities for the workforce

- Increasing Council rates revenue which can assist in delivery of services to the community

- Providing flow-on benefits to other nearby retailers and services as well as acting as a catalyst for other development

These benefits are all in the economic interests of the individual States and Territories and its residents. A summary of these benefits follows.
Lower grocery prices reduces the cost of living of households.

ALDI offers groceries at cheaper prices and enhances price competition in markets they enter.

The larger the rollout of ALDI stores the greater the impact the retailer has on lowering grocery prices.

ALDI expands choice and enhances competition in the supermarket sector.

A greater range of supermarket reduces the time and cost to shop for food and groceries.

**Lower Grocery Prices**

A key positive effect of a competitive market is lower prices for goods and services. Given expenditure on food and groceries accounts for approximately 45% of all retail expenditure by households, lower prices for groceries provides a benefit for the community by significantly reducing the cost of living of households.

Surveys undertaken by the consumer advocate body Choice and analysis undertaken by the ACCC in its 2008 enquiry into the competitiveness of retail prices for standard groceries, shows that ALDI offers groceries at cheaper prices than other supermarket operators and enhances price competition in markets they enter. The ALDI effect is a significant downward effect on the prices consumers pay for food and groceries. The 2008 ACCC enquiry highlighted the following:

“Stronger price competition between the MSCs is most likely to occur through disruption of their prevailing pricing behaviour caused by entry or expansion of other grocery retailers.” “...ALDI has employed its lower cost structure to compete directly with the MSCs on the price of similar items. “ALDI has enhanced price competition particularly in the MSCs’ private label products.”

“Even if a customer does not shop at ALDI, they obtain significant benefits from having an ALDI in their local area or state, as the Coles and Woolworths stores price more keenly.”

It is apparent that the opening of an ALDI store has a significant impact on lowering prices of groceries and the positive effect is greatest on nearby competing stores. The larger the roll-out of ALDI stores the greater the impact the retailer will have on lowering prices for the benefit of the community.

**Improved Choice and Accessibility to Supermarkets**

Other positive effects from the opening of ALDI stores and a subsequent heightened competitive market are improved access to supermarkets and choice for food and grocery shopping.

In a market where Coles and Woolworths account for the vast majority (70% share) of supermarket floorspace across the eastern seaboard of Australia, ALDI brings a unique offer and alternative choice of supermarket for grocery shopping and reduces the market share of these two chains. In other words, a greater range of supermarkets, particularly different operators, enhances competition and the realisation of the benefits associated with new competition.

Furthermore, the addition of new supermarkets such as ALDI improves the accessibility and convenience of shopping at supermarkets. A wider array of supermarkets in varying locations satisfies the needs of residents who are seeking conveniently located supermarkets close to where they live, work and/or undertake day-to-day activities. Consumers benefit from travelling shorter distances (and incurring lower costs) and spending less time to undertake and fulfil their grocery shopping needs.
Creation Of Stable Retail Jobs

A key determinant of a healthy economy and sustainable communities is the level of employment and notably growth in employment. The retail sector is a key provider of employment for local communities across Australia.

Retailers such as ALDI which have plans to significantly expand their network of stores will have a sizeable positive impact in creating new jobs in local communities and the broader economy. The expansion of the ALDI network of stores creates new employment to manage and operate the stores, operate the distribution centres and deliver goods to the network of stores, in head-office administration and in the construction of new stores/retail developments.

ALDI currently employs 5,100 people to service its existing network of 280 stores in Australia and has generated additional jobs in the construction of its freehold stores.

- ALDI currently employs approximately 3,700 people in its stores in permanent part-time or full-time positions. This is on average 13 people per store.
- The construction of an ALDI store typically creates around 25 jobs, equivalent for one year.
- ALDI employs about 1,400 people within its distribution centres/head offices and across its fleet of delivery trucks.
- Employment generated in the construction and ongoing operation of ALDI stores has multiplier effects throughout the economy as a result of employees spending their wages and purchase/supply of goods and services.

In addition to the creation of jobs ALDI delivers other employment benefits:

- The mix of in-store part-time and full-time positions help to provide employment opportunities for some segments of the population where unemployment rates and challenges in re-entering the workforce are typically the highest (e.g. youth, working mothers, etc.). ALDI therefore can have a real impact on lowering unemployment rates where new stores are opened.
- ALDI also provides new employees with an extensive training program and career opportunities, and therefore contributes to expanding the skilled labour force in Australia.

The employment benefits can also extend beyond the ALDI store. As an ALDI store serves as an anchor tenant that provides flow-on benefits to nearby retailers and services, other such businesses may increase employment levels to serve the greater level of shopper activity attracted to the area by ALDI.

Increase Council Rates Revenue

In instances where the development of an ALDI store or broader retail development based around an ALDI store provides a higher and better use for the relevant site, the rates revenue extracted from that site by a Council will increase.

ALDI has created 5,100 jobs since opening its first store in 2001.

ALDI also creates jobs in the construction of its stores.

Multiplier effects increase the employment benefits even further.

ALDI provides career opportunities and new employees with an extensive training program.

Development of ALDI stores increases the revenue base of Councils.
The extent of the increase in rates revenue will vary depending on the difference in the uses before and after the ALDI development. Nevertheless, an expanded rates revenue base provides Councils with a larger pool of funds and stronger financial position to deliver services to the community. These benefits may take the form of new projects built or existing community facilities being improved earlier than originally planned and/or help provide the necessary financial capacity for some projects to be realised at all.

Improved services (infrastructure or facilities) provide significant economic and social benefits for the local community.

**Flow on Benefits to Nearby Uses/Catalyst for Other Development**

The attraction of ALDI customers to a location can have significant flow-on benefits to other retailers and uses in the vicinity of the store. Survey work undertaken by Urbis indicates ALDI can generate a net additional 200,000-300,000 visits to a centre annually. These additional visits enhance the overall vitality and performance of a centre and there are a range of examples where a failing or underperforming centre has been resurrected following the addition of an ALDI store. Examples include:

- **Dalton Village (Epping, Victoria).** Prior to ALDI being added to this centre and general refurbishment works, this centre was failing with more than half of the shops vacant. The well presented centre is now fully leased, trading well and provides the community with a convenient local centre.

- **Mordialloc, Nepean Highway (Victoria).** The development has rejuvenated the northern end of the Moorabbin Major Activity Centre and provided competition to the long-standing Woolworths supermarket.

In addition to rejuvenating a centre/location, ALDI stores can be a catalyst for other development (retail and other uses) and stimulate further economic activity. The SGS report (An Evaluation of Planning Systems – Barriers to Entry for Grocery Retailing, 2010) highlighted one such example in Villawood, New South Wales “The development of an ALDI store on **Woodville Road in Villawood (New South Wales)** has been a catalyst for the regeneration of the neighbourhood centre……The development of (the) ALDI (store) in 2001 induced further private sector investment into the area.”

Improving the range of quality of retailing and services in centres benefits the local community and added investment and development in an area also benefits the wider economy.
Geelong has been an attractive market for ALDI to expand its network since entering the Victoria market in 2003. Greater Geelong is a sizeable market with a resident population of about 225,000 but also attracts a high number of visitors/tourists throughout the year, peaking during the summer holiday period. In addition, Geelong mainly consists of households with lower than average incomes (-13% to the Australian average) who would benefit significantly from ALDI’s discount pricing and paying less for groceries.

The roll-out of ALDI stores in Geelong has been a long and protracted process and despite significant attempts from ALDI only three stores were opened between 2003 and 2010, i.e. at Belmont, Newcomb and Corio. The opening of stores in Geelong has been constrained by a shortage of available sites for new retail development within existing B1 zoned land, poor structure planning by the City of Geelong Council and lack of support for re-zonings. Further, the Corio store resulted from a long re-zoning process over a three year period.

In 2010 and during a period of significant economic circumstances following the Global Financial Crisis, the Victorian State Government acknowledged the importance of generating economic activity and the issue facing ALDI and called in four development sites for Panel Review for re-zonings under the banner of ‘State Significance’. The relevant sites were at Geelong West, Drysdale, Grovedale and Highton.

The four proposed re-zonings were approved and since then three of the four developments have been completed with the Highton store currently under construction. The Geelong case study is used to demonstrate that the expansion of the ALDI store network in Geelong, realised in part by re-zonings, has contributed to the economic benefits of ALDI entering Geelong's market.
The rezoning of sites have provided a range of net community benefits. The new ALDI stores have addressed a market need for more supermarkets. The new ALDI stores have diversified the choice for supermarket shopping.

Through the re-zoning of five sites, ALDI has created significant net community benefits for residents of Geelong and the wider economy. The net community benefits realised are as follows:

- ALDI has provided a more balanced supply of supermarkets in Geelong and expanded the choice and accessibility of supermarkets.
- ALDI has contributed to a healthy and more competitive supermarket sector.
- ALDI has lowered grocery prices and reduced the cost of living for Geelong residents.
- ALDI has created new employment opportunities in a market under threat from the progressive decline of the manufacturing industry.
- ALDI has had no adverse impacts to the ongoing operation of existing activity centres and incumbent supermarket operators.

**More Balanced Supply and Greater Choice of Supermarkets**

The expansion of the ALDI network was critical in addressing a real need for more supermarkets and choice in supermarkets in Geelong.

- Prior to ALDI entering the Geelong market in 2003, Geelong was significantly underprovided in supermarket floorspace, 13% below the average for Victoria. The opening of ALDI stores has been integral in addressing market need for more supermarket floorspace in Geelong and contributed to a more robust supermarket sector in the region, benefiting the community at large.

- From 2003 to today, twelve new supermarkets were opened in Geelong, including the six ALDI stores, adding 43% more supermarket floorspace. Over this period, ALDI accounted for nearly 40% of all new additional floorspace and now accounts for about 11% of all supermarket floorspace in Geelong. The new ALDI stores have been integral in diversifying the supermarket offer in Geelong and addressing a previous undersupply of supermarket floorspace in Geelong.

The expansion of the ALDI network has provided a more balanced supply of supermarket floorspace in terms of operators for supermarket shopping. This has reduced the local dominance of the major supermarkets.

- Prior to ALDI entering the Geelong market, Coles and Woolworths accounted for 91% of supermarket floorspace in Geelong. Today this share has fallen to 76%, largely due to the opening of six ALDI stores. With this greater level of competition, Geelong residents now have improved accessibility to and choice of supermarkets and lower prices for food and groceries.
A Healthy and More Competitive Supermarket Sector

Improvements to the overall offer and quality of supermarkets in Geelong and an appropriate increase in the level of the supply of supermarkets have contributed to a sustainable and well performing supermarket sector in Geelong. This is evidenced by:

- In 2006, it is estimated that supermarkets in Geelong traded at an average of $10,500 per sq.m. By 2012, the average trading level is estimated to have increased by 10.5% to $11,600 per sq.m, which is above the Australian average. The Geelong supermarket sector has continued to grow and prosper with the addition of the ALDI stores.

- No supermarkets have closed due to the opening of an ALDI store.

- Geelong supermarkets have continued to expand or refurbish since ALDI entered the market including: Belmont Coles, Geelong West (Shannon Avenue) Coles, Drysdale Safeway, Bellarine Village Safeway and Coles Geelong City. This is in part the result of ongoing cycles of store upgrades but also in competitive response to ALDI entering the market.

Continued investment in Geelong supermarkets has delivered an improved retail offer and lower grocery prices for Geelong residents and illustrates how a healthy, competitive food and grocery sector operates to the benefit of the community.

Since ALDI entered the Geelong market:

- Coles and Woolworths share of supermarket floorspace has fallen from 91% to 76%

- The productivity of supermarkets has increased

- No supermarkets have closed due to the opening of an ALDI store

- The quality and range of supermarkets has improved
No Adverse Impact on Activity Centres

A review of activity centres in Geelong indicates that the opening of ALDI stores has had no adverse impact on the role and performance of activity centres in the region. Rather the retailer has had a positive impact by:

- Providing a higher and better use for the sites where ALDI has opened a store
  - Corio. ALDI store was developed on a vacant site.
  - Drysdale. ALDI store was developed on a largely undeveloped site.
  - Grovedale. ALDI store replaced a rundown motel and provided an anchor for the adjoining retail centre.
  - Geelong West. ALDI developed a store on a former rundown church site.
  - Highton. ALDI store will replace a former brickworks business.
- Attracting additional activity to a centre or location which provides flow-on benefits which can enhance the overall vitality and performance of an activity centre. There has been no increase in vacancy rates.
- Serving as a catalyst for development of other uses that may eventuate to take advantage of the ALDI customer base.

All of these have associated benefits in the form of greater opportunity for linked trips, access to more services and retailers locally and reduced travel times.

New Employment Opportunities

In the case of the Geelong stores, the employment benefits have been as follows:

- ALDI currently provides employment for approximately 100 workers, including 28 full-time staff and 72 part-time staff. Almost all of these positions are filled by residents within the local community and provides Geelong residents with greater opportunities to work close to where they live.
- In addition, ALDI provides new employees with an extensive training program, career opportunities and stable jobs in the retail sector. The 2009 Nielsen Barometer placed ALDI first in fairness of trading terms and negotiations.
- The ongoing employment has multiplier effects throughout the economy by way of workers spending their wages, the supply of goods to each store, etc. Annually, the multiplier effects provide an additional 172 jobs in the wider economy.

Lower Grocery Prices

As discussed earlier, ALDI has a significant impact on lower prices for food and groceries in the markets they open a store. It is therefore expected that the expansion of the ALDI network has lowered grocery prices in Geelong and reduced the cost of living for (the mostly lower income) households in the region.
Increased Council Rates Revenue

In the case of Geelong, most of the new ALDI stores have opened on sites that were vacant or had low intensity uses and were providing marginal or no benefit to the community. Each ALDI store has provided a higher and better use for the site that has increased the value and potential Council rates realised from the site. An analysis of the increased revenue for the City of Greater Geelong Council from development of three ALDI stores (Grovedale, Drysdale Corio) has indicated the following:

- Development of a standalone ALDI creates direct and indirect increases in statutory revenue. This is reflected in the higher income earning potential and lower yields resulting in increased capital values (statutory) for supermarket shopping centres. Our analysis indicates an increase in statutory revenue of approximately $11,000 annualised and $290,000 in perpetuity per store.

- The new stores are likely to be a catalyst for surrounding retail development and co-location of complementary uses as well as uplift or renewal of surrounding retail uses, driven by the increase in retail traffic associated with the development and car parking offered. An uplift in the value of adjoining properties, with increases in the rental value and capital value of adjoining retail properties, will directly result in increased statutory revenue on the back of a general uplift in value in the immediate area.

In total, the six ALDI stores generate annual rates revenue of approximately $120,000 for the City of Geelong. The rates revenue ALDI provides to the City of Geelong enhances the Council’s ability to provide services and facilities to the community.

The six ALDI stores generate annually $120,000 in rates revenue for the City of Geelong.
Conclusions & Planning Recommendations

ALDI brings significant and long standing benefits for the community and broader economy.

ALDI stimulates economic growth and reduces the cost of living of households.

Changes to the planning framework and legislation would assist the rollout of ALDI stores.

Expanding the development opportunities of ALDI will enhance competition and choice to the benefit of communities and the wider economy.

The investment by ALDI in the expansion of its store network brings significant and long standing benefits for the community and broader economy. ALDI has been integral in providing greater price competition, expanding the choice and improving accessibility of supermarkets and creating new employment opportunities in markets where they have opened new stores. These benefits drive economic growth and reduce the cost of living of households which is in the economic interests of the states and its residents.

There are a number of changes to the planning framework and legislation that would assist ALDI in achieving its expansion plans and providing the significant flow on effects in terms of investment and benefits to the community.

The following recommendations have been prepared by ALDI and put forward to various state governments and as a submission to the Productivity Commission Report into grocery retailing. The principal changes that would assist ALDI in the delivery of more stores are the following:

• A review of the availability of appropriately zoned land for commercial and retailing purposes in and around activity centres. Regularly monitor and undertake a supply and demand review of appropriately located commercial/retail zones to determine if there is enough commercial zoned land on this basis.

• Planning schemes and planning frameworks to contain clear state policy objectives and decision guidelines for retailing at a range of locations. This policy framework should also address broader issues such as competition and net community benefits that can outweigh third party objections.

• Improved rezoning processes with a high degree of certainty and timing to be introduced into the planning framework and systems, including an appropriate right of appeal or similar.

• The development of a sequential test for retailing at edge of centre and out of centre locations. A draft of the sequential test is attached as Appendix A to this report.

• The promotion of land assembly policies in and around activity centres to facilitate the entry or expansion of competitors and to monitor land banking.

These changes are integral in providing more land and making available more sites for new retail development and enhancing supermarket competition and choice to the benefit of households and local communities in Australia.
Attachments
Belmont 2003
The store is located within the Belmont High Street activity centre and was appropriately zoned to enable a planning permit application to be made. The store is a good example of an infill and higher and better use development within an existing activity centre.

Corio 2007
Planning Scheme Amendment C91 Residential 1 Zone to Business 1 Zone. The site is strategically located with frontage to the Princes Highway. The store is a good example of a stand-alone store which was facilitated on the basis that there were no available sites in or around existing centres. Prior to the development of the ALDI store the site was vacant.

Newcomb 2007
The store is located in the Newcomb Village Shopping Centre which features a Woolworths and a range of speciality retail and service businesses. As the store is located within an existing shopping centre a rezoning was not required.
Amendment C185 rezoned the site from the Business 4 Zone to the Business 1 Zone. Whilst the site was not in a designated retail centre, the site is within an established commercial area next to an existing retail centre. The site also provided the opportunity to develop a supermarket conveniently located for commuters and visitors travelling to Torquay. The ALDI store provides an anchor tenant for the adjacent retail centre and a higher and better use for the site which previously was occupied by a run down motel.

Planning Scheme Amendment C103 rezoned the site from Business 4 Zone to Business 1 Zone. The site is located 200 metres from the Drysdale retail core and on Murraduc Road which is a main road. The site represented a logical expansion of the town centre given the exiting town centre was fully developed and the site is within a short walking distance of the Woolworths store.

Planning Scheme Amendment C125 rezoned land at the corner of Shannon Avenue and Albert Street in Geelong West from the Residential 1 Zone to the Business 1 Zone. The site represented a logical extension of the Shannon Avenue retail centre as it is directly next to a Coles Supermarket. Prior to the ALDI store the site was underutilised and contained a derelict church. The community has benefited from a higher and better use on the site.
Planning Scheme Amendment C200 rezoned the land from Residential 1 Zone to Business 1 Zone to facilitate the development of the land for an ALDI Store. The site was formerly used for a brickworks business. The site is well located to the existing Waurn Ponds shopping centre demonstrating an appropriate edge-of-centre retail development.
The following Draft Sequential Test is proposed for use in the assessment of proposals to allow for retailing at the edge-of-centres or out-of-centre locations.

These assessment criteria are to be applied in addition to any other provisions of the relevant planning framework. They relate to rezoning requests and applications outside Activity Centres.

For the purpose of applying the test, proposals are divided into the following categories:

- Rezoning proposals within a designated activity centre boundary
- Rezoning and use and development applications outside of designated activity centre boundaries.

In each case the level of detail and analysis required should be proportionate to the scale and nature of the proposal.

Rezoning proposals within a designated activity centre boundary

Where a proposal for rezoning is in accordance with and consistent with a Stage policy, local policy and a structure plan that has been approved and implemented into the relevant planning scheme:

- No economic impact assessment is required
- Proposals are required to demonstrate they have been designed to enhance the character and functioning of the centre and reinforce the public realm.

Rezoning and use and development applications outside of designated activity centre boundaries

For this category the assessment process will proceed in the following sequential steps:

- An assessment to determine whether a policy preferred in-centre or edge-of-centre location is available.
- An assessment of the strategic merits of the proposal in its proposed location.
- An assessment of a range of local matter relating to the proposed site.
- Economic impact assessment of the proposal.
- Consideration of other suitable sites in or edge-of-centre.

These assessments should be guided by the concepts of net community benefit and sustainability, where the objective is to balance economic sustainability with environmental and social-cultural sustainability.

The assessment criteria listed should be used to assist the discussion in these two areas.

Assessment of alternate locations

Where a proposal for rezoning and for development applications is located in an edge-of-centre location or an out-of-centre location, require an assessment which demonstrates a sequential test has been applied to consider alternative locations for the proposal, in the following order:

- First, look for locations in appropriate existing centres where suitable sites or buildings for conversion exist, or are likely to become available, taking account of an appropriate scale of development in relation to the role and function of the centre, and then if no sites are available
- b. Look for edge-of-centre locations, with preference given to sites that are or will be well connected to the centre and then if no sites are available
- c. Looks for out-of-centre sites, with preference given to sites that are well served by a range of transport (including public transport) and are able to be linked to the existing network of centres.

This assessment needs to:

- Demonstrate the development or centre is connected to appropriate public transport services and includes appropriate connectivity to adjacent pedestrian and road networks.
- Require all options in the centre to be thoroughly assessed before less central sites are considered for development.
- Demonstrate that an in or edge-of-centre location is not available, suitable and viable.
- Demonstrate there is an appropriate sized existing and predicted residential and employment catchment immediately available to the proposal and there is an existing unmet demand for the proposal.

Strategic assessment of the proposal

An assessment is required which examines the strategic context of the proposal. This strategic assessment is the overarching principle for decision making once the locational assessment has been undertaken. Specifically the strategic assessment needs to consider:

- Consistency with relevant planning objectives.
- The demonstrated need for the development, including how it will fill a gap in the network and/or meet increased demand for retail floor space.
- The extent to which the proposal would put at risk the spatial planning strategy for the area and the strategy for a particular centre or network of centres, or alter its role in the hierarchy of centres.
- The likely effect on the existing and future public or private sector investment needed to safeguard the vitality and viability of the centre or centres.
- Changes to the range of services or opportunities provided by centres that could be affected.
- Potential changes to the quality, attractiveness, physical condition and character of the centre or centres and to its role in the economic and social life of the community.
- Whether the proposal will facilitate the entry of an operator not currently trading in the area to facilitate increased competition.

Implementation

To ensure that orderly and economic development of land occurs and to serve the public interest, merit based appeal rights and statutory timeframes are applicable to the Sequential Test.