

09 March 2021

Emily Dickson
Senior Environmental Assessment Officer
Department of Planning, Industry and Environment

Via NSW Planning Portal

Dear Ms Dickson,

Submission regarding SSD-10457 – Eastern Creek Retail Outlet Centre

I write on behalf of Scentre Group, co-owners of Westfield Mount Druitt, to make a submission to the Department of Planning, Industry and Environment (DPIE) regarding the proposed concept plan for a retail outlet centre (Eastern Creek Quarter (ECQ) Stage 3) on Lot 3 at the Eastern Creek Business Hub, including food and drink premises, an indoor recreation facility and stage 1 early works.

Scentre Group has a number of concerns with the proposed development, including:

1. There is no standard instrument or widely accepted definition of 'outlet retail'. Reliance on a condition of consent to enforce the use will be ineffective at prohibiting traditional retail uses at the site. The potential for creep to traditional retail, which has not been appropriately considered, is high.
2. The Economic Impact Assessment (Macroplan, December 2020) has potentially underestimated the economic impacts of the development.
3. Traditional retail uses should be retained in identified local and strategic centres. The out-of-centre location of the proposal could reduce the retail primacy of existing strategic centres, such as Mount Druitt.

The sections below provide more detailed discussion on these points.

1.0 THE PROPOSAL

Based on the exhibition documentation, we understand the SSDA seeks concept approval for a new retail outlet centre at Lot 3 of the ECQ site comprising:

- Land uses including retail (factory outlet), ancillary food and drink premises and recreation facilities;
- A building footprint, including basement, with a maximum height of 12m across the site;
- A maximum total gross floor area (GFA) of 39,500m² on Lot 3 which will be staged as follows
 - Phase A: 29,500m²
 - Phase B: 10,000m²

- A concept landscape design; and
- Various road upgrades and modifications.

2.0 OVERVIEW OF WESTFIELD MT DRUITT

Scentre Group are co-owners of Mt DrUITT Westfield and operate 42 Westfield living centres in Australia and New Zealand. The Mt DrUITT site comprises a single allotment at 49 North Parade, Mount DrUITT (Lot 100/DP 1036517). The site is located immediately north of Mount DrUITT Interchange and has a total site area of approximately 15.7ha.

The Mt DrUITT Westfield provides a total retail GLA of 60,373sqm, including a range of supermarkets, shops, medical centres, food and drink premises, gyms, etc. The centre's catchment extends to Penrith in the west and to Blacktown in the East, and includes the proposed ECQ Stage 3 as shown below.

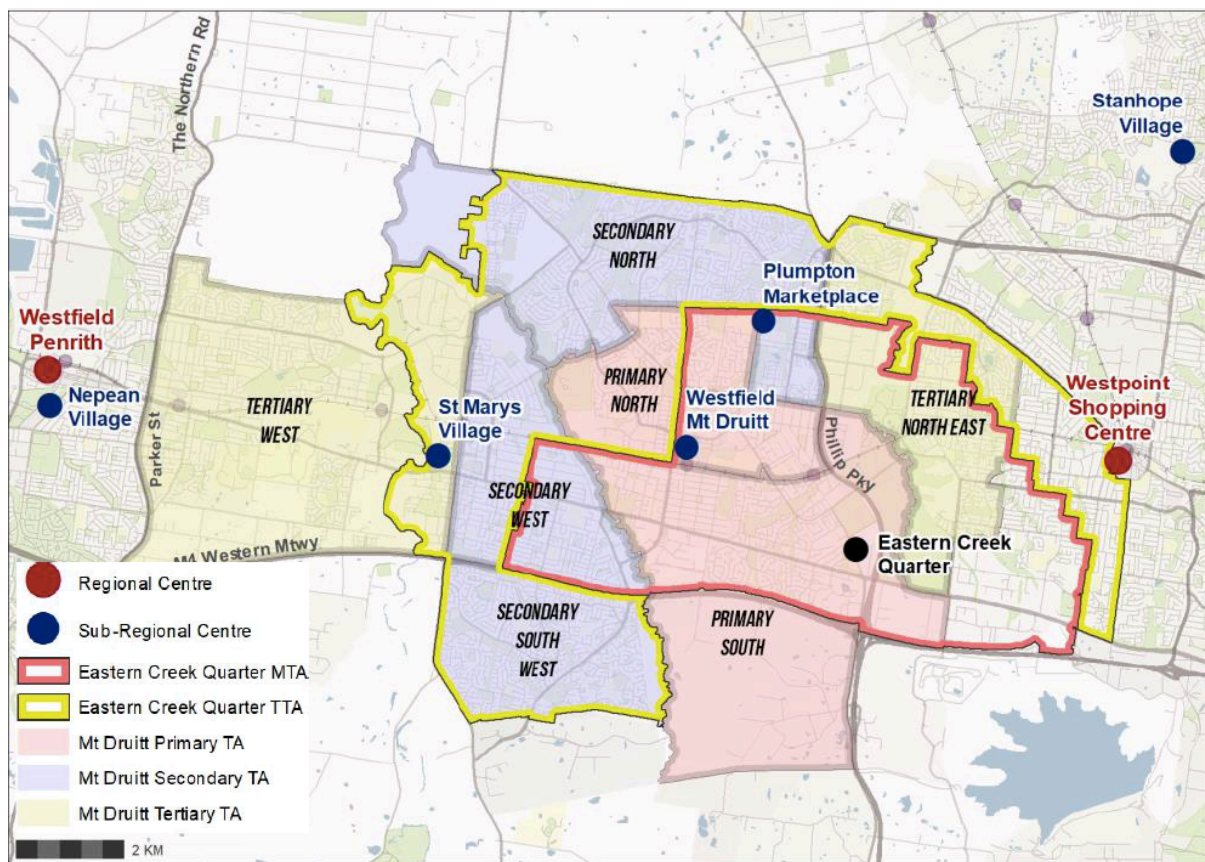


Figure 1: Locational analysis
Source: Urbis

3.0 ECONOMIC ANALYSIS

An *Eastern Creek Retail Impact Assessment* (Urbis, 2020) has been prepared for Scentre Group to assess the potential economic impact of the proposal on the Mt Westfield shopping centre. This report is confidential and not for public viewing but can be made available to DPIE upon request. Select findings from the report are discussed below.

The assessment considers two development scenarios for the proposed outlet retail centre, differing by the type of retail uses:

- **Development Scenario 1:** A factory outlet centre with approximately 25,000sqm of retail GLA dedicated to traditional 'outlet-type' tenancies (i.e., excluding bulky goods). The outlet centre would be in addition to the existing Woolworths-anchored Eastern Creek Quarter Centre (~8,000sqm retail GLA), which opened in June 2020.
- **Development Scenario 2:** A traditional retail centre (i.e., retail shops usually found in neighbourhood, sub-regional and regional centres) providing an additional ~25,000sqm of retail GLA (or ~33,000sqm including the existing Eastern Creek Quarter Centre anchored by Woolworths. This scenario has been considered to understand the potential impact of an outcome that could possibly eventuate should the outlet centre concept not be fully realised or maintained.

The estimated turnover impact of the outlet centre on the existing Mt Druitt Westfield is summarised in the table below.

Table 1. Estimated turnover impact on Westfields Mount Druitt, 2023 (Urbis)		
Development Scenario	Impact (\$ millions)	Impact (%)
Scenario 1: Outlet Centre	-\$30.9m	-8.0%
Scenario 2: Shopping Centre	-\$45.5m	-11.9%

4.0 KEY CONCERNS

No standard definition for outlet retail

There is no Standard Instrument definition of 'outlet retail' and no widely accepted definition of the term. Acknowledging this fact, the Environmental Impact Assessment (EIS) (Ethos Urban, December 2020) proposes the following definition:

Outlet retail premises means a retail premises which is primarily used for the purpose of selling discounted, factory seconds, direct to outlet, out-of-season, samples or surplus stock. An outlet retail premises does not include a supermarket, food and drink premises or business premises.

To enforce the use, the EIS proposes the following condition of consent:

To ensure the development operates as an outlet centre, the Lessor must ensure that each outlet retail premises operates in accordance with the following:

- *A minimum of 70% of stock for sale in the outlet is discounted from its ordinary retail price or recommended retail price (for reasons including but not limited to being out-of-stock, seconds, samples, discontinued or surplus stock); or*
- *Stock offered for sale is specifically manufactured for sale only in outlet stores; and,*
- *Highly visible signage must be displayed distinguishing the tenancy as a discount outlet.*

We applaud the attempt to restrict the use to outlet retail in principle; however, as explained in the following section, we have serious concerns that future operators would either circumvent the condition intentionally or else unwittingly fail to comply, offering normal retail that would compete with nearby retail centres.

Potential for creep to traditional retail

The 70% requirement in the condition would be very difficult to enforce in practice, as would the requirement that the stock be specifically manufactured for sale on in outlet stores. Any truly effective compliance program would require extensive ongoing investigation and monitoring, which is likely to be outside the ability and resources of either Council or DPIE.

There is also risk that future operators may utilise the provisions of *State Environmental Planning Policy (Exempt and Complying Development Codes) 2008* (Codes SEPP) to transition to traditional retail. For instance, it is unclear how a future consent for outlet retail, even with a condition of consent to restrict the use, would prevent operators from utilising cl. 2.20A of the Codes to change an outlet use from a 'shop' to another 'shop' as exempt development. In the absence of a Standard Instrument definition of outlet retail, one could reasonably classify an outlet retail shop as a plain shop for the purposes of the Codes SEPP. Cl. 2.20A requires that the change of use not contravene any existing condition of the most recent development consent relating to 'hours of operation, noise, carparking, vehicular movement, traffic generation, loading, waste management and landscaping', but it does not prohibit contravention of a condition of consent related to use. As such, the cl. 2.20A change of use pathway would appear available even if the EIS's recommended condition were in place.

The above suggests that a full and proper economic impact assessment of the proposal as a traditional retail centre needs to be undertaken.

Underestimated economic impacts

The *Economic Impact Assessment* (Macroplan, December 2020) forming part of the EIS concludes the following in relation to impacts on surrounding centres:

The potential impacts from a factory outlet centre at Eastern Creek Quarter are expected to be relatively modest and well within the reasonable bounds of normal competition (Page 48, Macroplan, December 2020)

We are concerned that the modest impacts identified in the Macroplan report are underestimated. The Macroplan and Urbis reports both consider the estimated impacts of the proposed retail outlet centre on Westfield Mount Druitt. As shown in the table below, the Macroplan report identifies significantly more sales in the no-development scenario as well as a far lower estimated impact following the development. We request that DPIE carefully review the methodology of the Macroplan report to ensure the assumptions are fair and accurate.

We also request that DPIE take into consideration the potential for creep to traditional retail in its assessment of economic impacts. If the development functioned as a traditional rather than outlet retail centre, the impacts on Westfield Mount Druitt would be significant (-11.9% as noted in Table 1 above).

Table 2. Differences in estimated sales impact on Westfields Mount Druitt

Development scenario	Macroplan 2024 sales	Urbis 2023 sales
No development	\$435m	\$384m
With development	\$425m (-2.3%)	\$353m (-8%)

Consideration of population growth

The Macroplan report relies on pre-COVID 19 forecasted population growth for the Western Sydney region in its conclusion that the proposal will not adversely affect surrounding retail centres:

To an extent, the significant population growth occurring throughout the surrounding region, will mitigate these trading impacts, allowing retailers in the main trade area would achieve more sales, in real terms, in 2023/2024 compared with the current levels, even following the development of the Eastern Creek Quarter.

The COVID-19 pandemic, however, will likely have a significant medium-term impact on Sydney's population growth. The *Annual population insights supplement to the NSW population projections* (DPIE, December 2020) notes:

In 2018–19, net overseas migration added 82,000 people to the NSW population (or 60% of population growth). For Greater Sydney, it contributed 72,500 people (70% of population growth). Overseas migration has been the largest contributor to population change for the past 15 years.

So far, overseas migration is the population driver most affected by the COVID-19 pandemic. Australia's borders closed on 20 March 2020, and since then, there has been a 99% fall in the number of people both leaving and coming to Australia.

DPIE's report notes that these impacts, although assumed to be relatively short term, may not return to normal until at least 2022/23.

Given the collapse on net overseas migration, which accounts for 70% of Sydney's annual population growth, it is reasonable to expect that Sydney population growth will slow significantly in the short term. It is therefore questionable whether retailers in Blacktown will have more sales in real terms, in 2023/2024, compared with the current levels, as argued by the Macroplan report.

Traditional retail should be retained in local and strategic centres

The application emphasises the synergies that would develop between Stages 1, 2 and 3 of the ECQ, effectively creating a one-stop shopping destination:

*A factory outlet centre development could potentially synergise with Stages 1 and 2 of the Eastern Creek Quarter development, intensifying the draw of the overall precinct. A factory outlet development **co-locating with the Woolworths anchored neighbourhood centre** developed in Stage 1 and the specialised retail/large format uses approved in Stage 2, is likely to form a **comprehensive shopping destination** with positive flow on effects between the different stages of the development (Page 47, Macroplan, December 2020) [emphasis added].*

This framing of the development as a comprehensive shopping destination is contrary to the argument put forth in Macroplan's report that the development's estimated small economic impacts are largely due to the 'particular nature of factory outlet developments, which serves a wide-ranging trade area with small impacts dispersed across a broad area'.

Clearly, the vision for the development is for much more than outlet retail as described in the EIS. The centre has the potential to draw significant shoppers from Westfield Mount Druitt's southern catchment.

From a strategic planning perspective, it is preferable that existing local and strategic centres maintain their traditional retail dominance and viability.

Under the *Central City District Plan*, Eastern Creek is not nominated as either a local or strategic centre. Instead, it forms part of 'Major urban parkland' within the 'Greater Penrith to Eastern Creek Growth Area'. Strategic planning for the area does not envision significant traditional retail premises at this location, which is what the SSDA would potentially provide.

Furthermore, the \$1.49 billion Mount Druitt CBD planning proposal (PP) has recently been approved by the State Government. Development of a new retail centre at ECQ Stage 3 may dampen potential investment in Mount Druitt CBD as envisioned, detracting the commercial primacy of the Mount Druitt strategic centre. The PP is expected to generate up to 15,000 jobs associated with new cafes, restaurants, retail outlets and commercial space. The 'comprehensive shopping destination' at ECQ may stymie demand for retail and commercial uses at Mount Druitt, threatening job creation and the overall vibrancy of the strategic centre.

Conclusion

This submission has raised several concerns on behalf of Scentre Group regarding the proposed ECQ Stage 3 SSDA including:


- The EIS documentation fails to consider the potential for 'creep' towards traditional retail, whereby outlet uses may convert to traditional retail over time through various means.
- There are significant differences in estimated trade impacts between the Macroplan report and those of the Urbis report prepared for Scentre Group. We encourage DPIE to carefully review the assumptions and methodology used in the Macroplan report. We also note that the Macroplan report does not consider COVID-19-related immigration decrease, which may reduce the extent to which population growth will mitigate trade impacts.
- The development could ultimately function as a traditional retail centre, which would threaten the primacy, viability and vibrancy of identified strategic centres, such as Mount Druitt.

Overall, we believe the potential trade impacts on surrounding retail centres, in particular Mt Druitt Westfield, are not fully appreciated by the EIS documentation and should be further investigated.

Scentre Group are open to further engagement with DPIE should they like to discuss the points raised in more detail.

Thank you for considering this submission. If you would like to discuss these matters further, please do not hesitate to contact me at 0419 711 114 or acoburn@mecone.com.au.

Yours sincerely,



Adam Coburn
NSW State Director