27 February 2020

By email: DPTI.PlanningReformSubmissions@sa.gov.au

Dear Sir/Madam

Re: Submission on behalf of ALDI Stores in relation to the Phase 3 (Urban Areas) Planning and Design Code Amendment.

EXECUTIVE SUMMARY

ALDI seeks resolution of the following matters:

- To be further consulted on the next iteration of the Code (‘Version 2’) and have the opportunity to utilise a live version of the electronic lodgement and assessment system, to effectively understand and test the application of the new Code.

- Amendments to the following zones:
  - Urban Corridor (Living) Zone
  - Urban Corridor (Business) Zone
  - Suburban Business and Innovation Zone
  - Business Neighbourhood Zone
  - Innovation Zone
  - Employment Zone
  - Suburban Employment Zone

  Specifically:
  - ‘Table 4 – Restricted Development Classification’ be amended for a ‘shop’ to identify an exclusion of ‘any shop with a gross leasable floor area of less than 2,000m²’.
  - Relevant Performance Outcomes (PO) and DTS/DPF criteria be amended to provide flexibility for a ‘shop’ up to 2,000m². NB: We have identified all relevant provisions for each Zone which require amendment within Appendix 2.

- Amendments to the following ‘Neighbourhood Zones’:
  - Urban Renewal Neighbourhood Zone
  - Housing Diversity Neighbourhood Zone
  - General Neighbourhood Zone
  - Suburban Neighbourhood Zone
  - Suburban Master-Planned Neighbourhood Zone
  - Suburban Greenfield Zone
  - Residential Neighbourhood Zone

  Specifically:
  - ‘Table 4 – Restricted Development Classification’ be amended for a ‘shop’ to identify an ‘exclusion’ as follows:
    - ‘with a gross leasable area less than [insert relevant zone floor space cap] other than where the development comprises a ‘shop’ in an adjacent ‘Activity Centre’ zone or ‘Main Street’ zone which expands into the [insert relevant zone]’
1.0 INTRODUCTION

We write in relation to ‘Phase Three (Urban Areas) Planning and Design Code’ (‘the Code’) scheduled to become operational in September 2020.

Since opening its first stores on the east coast in 2001, ALDI has established a network of 546 stores across NSW, Victoria, Queensland, the ACT, Western Australia and South Australia. ALDI’s entrance to the supermarket sector has been accompanied by demonstrable community benefit in terms of stimulating competition (which in turn lowers prices for food and groceries), creating stable retail jobs and training opportunities and providing flow-on benefits to nearby retailers and service providers.

ALDI offers staple food and grocery lines through quality private label brands, a limited range of national branded products and weekly special buys and promotions on a wide range of non-food, clothing and household items. The business model aims to reduce operating costs through the supply chain, store development and layouts, merchandising, store operations and marketing with savings passed to the consumer through lower prices. The business adopts a generic store layout and minimum retail area to carry standard product lines and weekly specials. The total stock keeping units (SKUs) are approximately 1,800 compared to a full-line Coles or Woolworths carrying in excess of 20,000 SKUs.

With its most recent openings at Blackwood and Mount Gambier, ALDI has established a network of 33 stores in South Australia, including 25 in the Greater Adelaide region, eight (8) in regional areas as well as its dedicated Regional Office and Distribution Centre at Regency Park. ALDI intends to further expand its store network and is actively seeking other locations in Adelaide and regional areas to achieve its planned distribution of approximately 50 stores across South Australia.

The 25 stores in Greater Adelaide range from 1,400m$^2$ to 1,900m$^2$ Gross Leasable Area (GLA) with a standard retail selling area of approximately 1,150m$^2$ which position ALDI as a small to mid-size supermarket.

In establishing its South Australian network, ALDI has adopted a consistent position of engagement with the Government of South Australia, to advocate for planning policy reform. In particular, we have repeatedly highlighted that the existing policy framework, as it relates to retail, is outdated and inflexible, with a zoning structure which fails to provide for any form of retailing (other than bulky goods) outside of designated centre and shopping zones. This is in stark contrast to other Australian jurisdictions, where there is scope for retailing to be developed in compatible zones (such as commercial, office, light industry and the like) where defined ‘sequential test’ criteria are met.

While we acknowledge, and as we will discuss further below, that Phase 1 of the Existing Activity Centres Policy Review DPA has partly assisted ALDI to establish Stores in certain locations - In our view, the existing policy framework is highly ‘restrictive’ and is a significant barrier, frustrating the efficient and effective roll out of the ALDI store network.

To inform this submission, ALDI have undertaken extensive research of the draft version of the Code, particularly the Zone and policy framework proposed to apply to existing ALDI sites, as well as future development sites of strategic interest to ALDI. This analysis has also included a comparison of the Code framework relative to existing planning ordinance under the Development Act, 1993 and Development Regulations, 2008.

Our analysis is also supported by independent expert investigations undertaken by Deep End Services (a highly respected economic research and property consultancy), who have critiqued the Code on behalf of ALDI, which is attached as Appendix 1.

As an outcome of this analysis, ALDI is of the view that further Code amendments are necessary to ensure delivery of a more contemporary and flexible retail policy framework. In this regard, we acknowledge the release of the Code Amendment Update Report, issued on 23 December 2019, which identifies proposed changes to the Code with respect to ‘out of centre’ development. The report highlights that the State Planning Commission (‘SPC’) recognises the need to further consider requirements for ‘shops’ outside activity
centres and main streets, including the scale and intensity of development and land uses contemplated in different zones.

We welcome this approach by the SPC and seek the opportunity to be consulted on further amendments to the Code, to effectively understand the application of these changes.

However, and before turning to the detailed aspects of this submission, we wish to highlight that, in our view, public consultation for the Code, has not delivered to date on key ‘performance outcomes’ of the State Planning Commission Community Engagement Charter. While we are aware of the scale of work required to reform the State planning system, as well as considerable efforts undertaken to date, the engagement process has been compromised and we do not believe that we have been suitably informed. In particular:

- An ‘E-planning’ version of the Code has not been made available for review and ‘testing’. While we acknowledge that a draft version of the Code has been provided in PDF format; given it extends to some 3,031 pages, and fails to include ‘simple’ wayfinding tools such as ‘headers and footers’, analysis of the Code has been time consuming and cumbersome, and in particular, it has been difficult to confirm the proposed policy framework that will apply to individual land holdings.
- This has been compounded, as the draft version of the Code made available for consultation contains drafting errors and apparent omissions (as acknowledged within the Phase Three – Update Report).
- While we support the introduction of the Planning and Design Code Consultation Map Viewer to deliver a spatial representation of the Code; extraction of data from this tool is not appropriately automated (determining zones, sub-zones, overlays, technical and numeric variations etc. which apply to individual sites) and is also an extremely time-consuming process. This has further exacerbated the difficulties in confirming the proposed policy framework that will apply to individual land holdings.

To address these concerns, ALDI wish to be further consulted on the next iteration of the Code (‘Version 2’) and have the opportunity to utilise a live version of the electronic lodgement and assessment system, to effectively understand and test the application of the new Code.

2.0 BARRIERS TO ENTRY

As outlined in the Deep End Report (Appendix 1), despite having made steady progress to develop our South Australian network, we have encountered significant impediments within the existing planning system. In particular, we highlight the following challenges:

- Inflexible zoning arrangements, where shops and other forms of retail (other than bulky goods) are heavily restricted by land use, and include onerous floor space restrictions (‘floor caps’) outside of designated centres and shopping zones;
- The supply of suitable retail and business land is in short supply, with entrenched zoning patterns merely reflecting the ‘status-quo’ and presence of existing land uses – rather than anticipating or accommodating future needs;
- Little attention has been afforded to contemporary retail trends, and the acceptance that larger floor plate retail is now more common than was prevalent when existing retail policy and floor area thresholds were created. Neither has consideration been given to the needs of ‘new’ entrants to the sector, or stimulation of competition, within recent policy reform or Development Plan Amendments; and
- There has been too much policy emphasis on centres hierarchy and protecting the entrenched interests that benefit from a severe shortage of competing land.

The effect of such tight and onerous controls and land supply opportunities are pronounced, and in particular have allowed the incumbent supermarket retailers to maintain a dominant position in the market. These groups control the timing and scale of development and effectively restrict competition on existing retail/centre zoned land.
This issue has been further compounded by owners of retail-zoned land seeking to control ‘the market’ through the lack of competing sources of supply and artificially creating price/rental pressure for retail land/centres.

3.0 POLICY DRIVERS

The barriers to entry highlighted within Section 2.0 are well understood and recent policy drivers have acknowledged the need for retail policy reform within the South Australian planning system. This is discussed in greater detail within the Deep End Report and we highlight those key policy drivers below:

**Activity Centres Review DPA 2016**

Retail policy and code reform was planned through a two-phase process initiated by the previous Planning Minister (The Hon. Minister Rau).

Phase 1 of the reform involved the ‘Existing Activity Centres Policy Review DPA’ endorsed by the Minister and enacted in April 2016.

This DPA was applied to many Development Plans across the State and sought to ensure that procedural requirements and desired land uses were appropriately aligned to support more on-merit assessments and consistent processes in existing ‘centre’, ‘shopping’ and some selected mixed use zones that display centre Zone characteristics. The Phase 1 DPA is seen as a successful reform and has assisted ALDI in some locations.

Phase 2 (not enacted as part of the DPA) was to consider the permissibility of commercial uses, but particularly shops, in a wider range of circumstances outside of designated activity centres and mixed use areas covered by Phase 1.

Phase 2 was to be initiated via a new DPA. It was to consider the requirements of new and different retail formats and other industry needs and ensure there is capacity for services and facilities to expand and new ones to be provided within Adelaide’s established areas, as envisaged in the 30 Year Plan for Greater Adelaide.

Phase 2 was not initiated, and as we understand, it was instead to be incorporated within the new Code. It is not apparent or clear how or to what extent the intent of Phase 2 has been applied in the current draft Code.

**State Planning Policies for South Australia (May 2019)**

State Planning Policies for South Australia (SPP) are intended to be given statutory effect through Regional Plans and the Code. SPP No. 9 ‘Employment Lands’ states:

*The challenge in realising the potential of centres policy is to strike the right balance between achievement of the desired urban form and the maintenance of healthy competition and investment in the retail sector, which is a major economic agent and employer in its own right. The changing structure of retailing requires a range of different formats and methods of distribution of goods and services. It also requires land to accommodate large-format outlets and the revitalisation of main streets and mixed-use precincts. (our emphasis)*
Further, SPP 9 identifies the Principles of Retail Planning as follows:

![Figure 5: Principles of Retail Planning](image)

The SPP raises the important principle of maintaining healthy competition in the retail sector. This can be achieved through allowing for the expansion of retail at the ‘edge of centre’ locations; new centre locations; and allowing smaller-scale activity centres to emerge and diversify.

### 4.0 BENEFITS OF POLICY REFORM

To evidence the benefits of retail policy reform, the attached Deep End Report provides a case study analysis of recent changes to the Victorian planning system. In 2013, a series of amendments were implemented in Victoria, intended to ‘stimulate business and economic growth while protecting valued neighbourhoods’. Some of the major changes included:

- Simplification and reduction in the number of ‘business’ zones;
- Removal of ‘floor space caps’ from the Commercial 1 zone for all shopping centres in Metropolitan Melbourne, other than growth area councils;
- A supermarket up to 1,800m² became a permitted use in the Commercial 2 Zone in all metropolitan planning schemes;
- Up to 500m² of shops can be built on the site of a supermarket without a planning permit; and
- A supermarket up to 1,800m² and associated shops of 500m² became a permitted use in the Industrial 3 Zone in Metropolitan Melbourne.

In short, the reforms enabled small to mid-sized supermarket to establish in areas traditionally zoned for showroom, bulky goods and light industry.

The Deep End Report documents the positive effects of these planning reforms, and they conclude:

> Despite initial fears when the reforms were announced, they have not resulted in the wholesale spread of new supermarkets. Centre hierarchies have not been disrupted but selective openings have occurred in areas where there was a lack of available Commercial 1 zoned land. Rather than distorting the market, the reforms have addressed the limitations of historic zoning patterns where new Commercial 1 zoned land is not easily created. It has produced new supermarket opportunities where there were previously none.

### 5.0 REVIEW OF THE CODE

Deep End Services have undertaken detailed analysis of the draft version of the Code as it relates to ‘shop’ development.
Table 1, extracted from the Deep End Services Report, provides an overview of relevant Code Zones (as it relates to a ‘shop’) identifying the contemplated ‘retail floor space threshold’ (as identified by the relevant DTS/DPF) within each zone, the ‘Assessment Pathway’ (including the floor space trigger for ‘Restricted’ development) and likelihood of ‘public notification’ being required.

### Table 1 – Analysis of Code Zones

<table>
<thead>
<tr>
<th>Zones / Zone Categories</th>
<th>Residential Priority</th>
<th>Commercial / Industrial Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Zone</td>
<td>Retail Floor Space Threshold (m²)</td>
</tr>
<tr>
<td></td>
<td>Zone</td>
<td>Commercial</td>
</tr>
<tr>
<td></td>
<td>Zone</td>
<td>Retail Floor Space Threshold (m²)</td>
</tr>
<tr>
<td>Capital City</td>
<td>City Living</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>City Main Street</td>
<td>2,000</td>
</tr>
<tr>
<td>Urban Centre</td>
<td>Urban Corridor (Living)</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>Urban Corridor (Business)</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>Urban Corridor (Main Street)</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>Urban Neighbourhood</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Service Neighbourhood</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Residential Neighbourhood</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Recreation Park</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Karrakatta / Tuncurry Park</td>
<td>50</td>
</tr>
</tbody>
</table>

The findings outlined in Table 1 are summarised as follows:

- There are six (6) primary retail and commercial zones with no retail floor space caps and no ‘shop’ floor space triggers for ‘Restricted Development’.
- There are four (4) Urban Corridor (mixed-use) type zones. Two (2) have retail floor space thresholds of 2,000m² and two have thresholds of 500m². The two (2) zones with lower retail floor space thresholds have ‘shop’ floor space triggers for ‘Restricted Development’ at >1,000m².
- The four (4) suburban mixed-use zones which cross over between residential and commercial purposes (i.e. Suburban Business and Innovation Zone; Business Neighbourhood Zone; Innovation Zone and Home Industry Zone) have retail thresholds of zero (0) to 500m² and ‘shop’ floor space triggers for ‘Restricted Development’ at either >500m² or >1,000m².
- The two (2) Employment zones (i.e. Employment Zone & Suburban Employment Zone) have retail thresholds of 500m² and ‘shop’ floor space triggers for ‘Restricted Development’ at 1,000m².
- Nine of the 10 residential-type zones (‘Neighbourhood Zones’) have retail floor space caps of between 50-250m² with ‘shop’ floor space triggers for ‘Restricted Development’ mainly at 1,000m² or less.

Section 3.2.2 of the Deep End Services Report includes a detailed discussion of the implications of these Zone arrangements for ALDI. We highlight the following critical concerns:

1. In general, retail development (other than bulky goods) over 1,000m² is largely confined to ‘Activity Centre’ and ‘Main Street’ Zones.
2. Outside of these zones, in most cases the ‘Restricted’ development trigger for a ‘shop’ is either >500m² or >1,000m².
3. This will effectively implement a ‘supermarket hierarchy’, heavily restricting the development of supermarkets greater than 500/1000m² outside of established Activity Centre/Main Street Zones.

In our view, the draft Code therefore protects very small supermarkets concentrated in inner areas, and existing large scale ‘dominant’ supermarkets in established ‘centres’. The Code does not address the need of mid-sized supermarkets (1,000-2,000m²), such as ALDI, and the policy framework is unlikely to stimulate or support the growth of this market segment.
6.0 OPPORTUNITY FOR FURTHER REFORM

ALDI seeks further amendment to the Code to present moderate opportunities for mid-sized retailers (1,000-2,000m²), to develop retail formats (‘supermarkets’) outside of established centres.

In doing so, it is important to note that ALDI is not advocating for major out-of-centre development which could potentially disrupt existing centres, rather, we seek small variations to the Code to allow for greater flexibility and opportunities for mid-sized supermarkets, akin to recent amendments to the Victorian Planning Provisions.

We see this as an opportunity to carry out the Phase 2 work that was not enacted under the Existing Activity Centres Policy Review DPA 2016 (refer to Section 3.0 above).

Accordingly, we have identified key strategic zones within the Code, which warrant amendment to facilitate appropriate opportunities for the development of mid-sized supermarkets, in ‘out of centre’ locations. These Zones are identified as follows:

- Urban Corridor (Living) Zone
- Urban Corridor (Business) Zone
- Suburban Business and Innovation Zone
- Business Neighbourhood Zone
- Innovation Zone
- Employment Zone
- Suburban Employment Zone

In our view, amendments are required to these zones to:

1. Ensure mid-sized supermarkets are subject to the ‘Performance Assessment’ Pathway (rather than being a form of ‘Restricted’ Development) – to ensure the assessment process is less onerous and protracted; and
2. Provide more flexible assessment provisions (Performance Outcomes and DTS/DPF criteria) which support (or at the very least, do not preclude) the development of mid-sized supermarkets and provide clear and unambiguous guidance regarding the appropriate scale and intensity of land use within the zone.

Requested Amendment to the Planning and Design Code

ALDI seeks amendment to the following zones:

- Urban Corridor (Living) Zone
- Urban Corridor (Business) Zone
- Suburban Business and Innovation Zone
- Business Neighbourhood Zone
- Innovation Zone
- Employment Zone
- Suburban Employment Zone

Specifically:

1. ‘Table 4 – Restricted Development Classification’ be amended for a ‘shop’ to identify an exclusion of ‘any shop with a gross leasable floor area of less than 2,000m²’.
2. Relevant Performance Outcomes (PO) and DTS/DPF criteria be amended to provide flexibility for a ‘shop’ up to 2,000m².
As highlighted within the Deep End Report, the 2,000m² floor space trigger is recommended for the following reasons:

- There are no retailers in the market aggressively opening supermarkets up to 1,000 sqm or even 1,500 sqm GLA.
- 2,000 sqm GLA will allow delivery of an ALDI store (approx. 1,800 sqm) or a mid-sized independent supermarket and potentially a small provision of supporting specialty shops or services.
- It will rule out a typical full-line Coles, Woolworths, Foodland and Costco stores however either group may look to establish their smaller inner suburban supermarkets within this limit. These would be acceptable outcomes.
- Other retail / tenancy combinations could be considered however the viability of 2,000 sqm GLA of retail floorspace without a supermarket would be doubtful in most areas. This provides a natural market ‘brake’ on the number of proposals likely to come forward. As the Victorian experience shows (Section 4) the reform will bring forward a small but selective number of proposals.
- The occasional development up to 2,000 sqm GLA is not likely to materially impact an existing centre or disrupt wider hierarchies.
- The Victorian experience (and the various openings by ALDI in South Australia to date) have shown there to be few, if any, closures of other supermarkets from the opening of these mid-sized supermarkets.
- A strong retail tenant can improve the viability of a mixed-use project or the performance and / or presentation of a homemaker centre or light industrial area.
- To give protection to smaller, more vulnerable town centres in regional areas, the floorspace control should only apply to the Greater Adelaide area.

In addition, we also seek amendments to the Code to facilitate opportunities to accommodate the expansion of existing and constrained ‘centres’, as contemplated by Phase 2 of the Existing Activity Centres Policy Review DPA 2016’. These existing ‘centres’ are, by and large, surrounded by residential areas (‘neighbourhood zones’).
Deep End identify that implementation of the policy reforms outlined above, would facilitate additional development opportunities for mid-sized supermarkets within Greater Adelaide and deliver a range of benefits including:

- A broader choice of location options for small to mid-sized retailers which will bring forward development proposals including construction jobs and ongoing retail employment positions.
- The opportunity for more interest, diversity and a more varied (but compatible) business mix in areas that might otherwise be developed as single-dimensional land uses. For example, a mid-sized supermarket at the entry to a business park, within a homemaker centre or part of a mixed use development will have synergies and cross-use benefits with other on-site activities.
- In some cases, mid-sized supermarkets can activate a commercial area bringing new activity and land use change.
- As retailing continues to be disrupted by changing consumer tastes and preferences, technology and on-line retailing, the reforms allow supermarkets greater freedom and choice to locate in places where consumers can shop with convenience, still close to home or work.

On this basis, Deep End Services conclude:

_The reforms, if adopted, reflect a mature but modern planning system that is responding to industry and consumer needs for greater convenience and retail service delivery where and when they need it. It can achieve this without impacting the established centres hierarchy._

_The reforms reflect the vision of Adelaide as a modern, higher density city under its strategic plan. They will also bring the state in line with similar changes implemented in other states (e.g. Victoria)._ 

### 7.0 SUMMARY

In closing, we highlight the key issues which are of critical importance to ALDI:

1. ALDI seeks to be further consulted on the next iteration of the Planning and Design Code and have the opportunity to utilise a live version of the electronic lodgement and assessment system to effectively understand and test that application of the new planning system; and
2. The ‘floor space’ trigger for ‘Restricted’ Development for a ‘shop’ should be increased to 2,000m² in seven (7) zones – namely; Urban Corridor (Living), Urban Corridor (Business), Suburban Business and Innovation; Business Neighbourhood; Innovation; Employment; and Suburban Employment Zones.
3. Amendment to the Code to facilitate opportunities to accommodate the expansion of existing constrained shops within an ‘Activity Centre’ or Main Street’ Zone, into adjacent residential areas (i.e. ‘neighbourhood zones’).

We thank the State Planning Commission for the opportunity to make this submission in response to consultation for Phase Three (Urban Areas) Planning and Design Code.

We would welcome the opportunity to meet with the Commission to discuss and further explain our position in relation to the matters identified above.

Yours sincerely

Via email

Nigel Uren
Property Director
APPENDIX 1 (Deep End Report)
Deep End Services
Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

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F +61 3 9826 5331
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Enquiries about this report should be directed to:

Chris Abery
Director

Document Name
ALDI P&D Code submission (Deep End Services) - 20 Feb 2020
20.02.20

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This report contains forecasts of future events that are based on numerous sources of information as referenced in the text and supporting material. It is not always possible to verify that this information is accurate or complete. It should be noted that information inputs and the factors influencing the findings in this report may change hence Deep End Services Pty Ltd cannot accept responsibility for reliance upon such findings beyond six months from the date of this report. Beyond that date, a review of the findings contained in this report may be necessary.

This report should be read in its entirety, as reference to part only may be misleading.
Introduction

This report is a submission to the Draft Planning and Design Code on behalf of ALDI Stores Ltd.

The new Planning Development and Infrastructure Act 2016 provides for the creation of the new Planning and Design Code (P&D Code), a single planning rule book for assessing all development applications in South Australia. The P&D Code will become the basis for a new planning system replacing the complex and inconsistent provisions of planning rules in 72 development plans across the state.

As incorporated within the ‘Guide to the Draft Planning and Design Code – rural and Urban Council Areas (Phases Two and Three)’ [pg 10], benefits of the draft Planning and Design Code include:

- A single reference point will be provided for state planning and design rules.
- Consistent planning rules will improve certainty in decision making.
- Standardised interpretation of legislation will improve assessment and reduce delays.
- The Code will streamline zones and policy to drive a faster and more efficient development assessment process.
- Performance-based planning will support consistent policy while allowing decision makers to respond to local context.
SA Supermarket retailing

2.1 Retail & supermarket industry

The ‘Retail trade’ industry contributed $5.2 billion in gross value added (GVA) to the South Australian economy in 2018-19, representing 4.8% of total gross state product (GSP)\(^1\). The related downstream industry of ‘Wholesale trade’ generated $4.7 billion of GVA or 4.3% of GSP.

In employment terms, Retail trade’s contribution is proportionally larger with 11.1% of all working people in South Australia at the 2016 Census, employed in the retail sector. This was higher than the Australian average (10.3%). Wholesaling generates about 3% of all jobs in the state.

The ‘supermarket & grocery store’ industry in South Australia generated $8.34 billion in sales in the year ending December 2019\(^2\). About 39 cents in every dollar spent in South Australia takes place in a supermarket. In the last 10 years, this share has increased from 34 cents in the dollar.

Growth in supermarket sales at the state and national level from 2010 to 2019 are shown in Figure 1, indexed to 100 in 2010. It shows that, despite a lower population growth rate, South Australia’s supermarket industry has grown at the same rate as the national industry for the last nine years – at 4.0% per annum.

This steady, predictable growth rate stands in stark contrast to the fluctuations of many non-food and discretionary retailers over the same period.

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\(^1\) Government of South Australia, Department of Treasury & Finance

\(^2\) Australian Bureau of Statistics, Retail Trade (Catalogue 8501.0)
Supermarkets in South Australia take a higher share of the total supermarket, specialty food and liquor market (87%) compared to the Australia wide benchmark (83%). The gap has widened in recent years indicating supermarkets in South Australia are fulfilling an increasingly larger proportion of consumers’ daily and weekly needs.

South Australia has a diverse and competitive supermarket sector. Woolworths and Coles have 111 supermarkets between them and account for 55% of all supermarket floorspace (refer Table 1). The two have a similar average store size of just over 3,300 sqm.

### Table 1—South Australia supermarkets

<table>
<thead>
<tr>
<th>Group</th>
<th>No.</th>
<th>%</th>
<th>sqm GLA</th>
<th>%</th>
<th>Avg. size (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woolworths</td>
<td>66</td>
<td>18%</td>
<td>219,192</td>
<td>30%</td>
<td>3,321</td>
</tr>
<tr>
<td>Coles</td>
<td>55</td>
<td>15%</td>
<td>183,744</td>
<td>25%</td>
<td>3,341</td>
</tr>
<tr>
<td>Foodland / Drakes / Chapley</td>
<td>127</td>
<td>34%</td>
<td>209,371</td>
<td>29%</td>
<td>1,649</td>
</tr>
<tr>
<td>ALDI</td>
<td>33</td>
<td>9%</td>
<td>53,748</td>
<td>7%</td>
<td>1,629</td>
</tr>
<tr>
<td>IGA</td>
<td>77</td>
<td>21%</td>
<td>40,611</td>
<td>6%</td>
<td>527</td>
</tr>
<tr>
<td>Foodworks / Other</td>
<td>16</td>
<td>4%</td>
<td>8,040</td>
<td>1%</td>
<td>503</td>
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<tr>
<td>Costco</td>
<td>1</td>
<td>0%</td>
<td>14,000</td>
<td>2%</td>
<td>14,000</td>
</tr>
<tr>
<td>Total</td>
<td>375</td>
<td>100%</td>
<td>728,706</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Deep End Services
The independent sector is a major force with the Foodland, Drakes and Chapley banners on 127 supermarkets covering 29% of all space. Within this group, there are large variations in store size and quality.

There are 77 supermarkets under the IGA banner however these are generally small, averaging 527 sqm. They make up just 6% of the state’s supermarket floorspace.

ALDI’s 33 stores in South Australia represent 9% of all supermarkets and 6% of all space. The average gross leasable floor area is 1,629 sqm, less than half that of Coles and Woolworths average size.

2.3.1 History & network expansion

Since opening its first stores on the east coast in 2001, ALDI has established a network of 546 stores across NSW, Victoria, Queensland, the ACT, Western Australia and South Australia. It has done this by building stores within a 4-5 hour drive-time of its major warehouses in Melbourne, Sydney, Brisbane, Adelaide and Perth.

ALDI opened its first stores in South Australia in February 2016. With the latest openings at Blackwood and Mt Gambier, there are now 33 stores in the state including 25 in the Greater Adelaide region (refer Figure 3) and eight in regional areas.

ALDI’s South Australian distribution centre and regional office at Regency Park also services an ALDI store at Mildura and will service a future store at Broken Hill.

ALDI is working on other locations in Adelaide and regional areas towards its planned network of approximately 45-50 stores across South Australia.

ALDI has filled a gap in the discount market after the demise of the Franklins and Bi-Lo supermarket chains. It has been well received by South Australians and currently serves over 200,000 customers every week.

2.3.2 Characteristics

ALDI has embraced a wide range of location opportunities. It is situated in major regional centres, sub-regional and neighbourhood centres, main street settings and operates a number of freestanding stores.

The pattern of existing ALDI stores in Adelaide reveals there are further network opportunities in the inner and middle suburbs. In these areas, suitable zoned sites are more difficult to find and secure.

ALDI offers staple food and grocery lines through quality private label brands, a limited range of national branded products and weekly special buys and promotions on a wide range of non-food, clothing and household items. The weekly special buys coupled with low price grocery lines are strong drivers of traffic which can effectively expand the catchment beyond an area that would otherwise be expected for a relatively small food and grocery store.
The business model aims to reduce operating costs through the supply chain, store development and layouts, merchandising, store operations and marketing with savings passed to the consumer through lower prices.

The business has a generic store layout and minimum retail area to carry standard product lines and weekly specials. The total stock keeping units (SKUs) are approximately 1,800 compared to a full-line Coles or Woolworths carrying in excess of 20,000 SKUs.

The 25 stores in Greater Adelaide range from 1,400 sqm to 1,900 sqm GLA with a standard retail selling area of approximately 1,150 sqm.

The larger supermarket chains such as Coles and Woolworths have denser store networks than ALDI. In large metropolitan areas, a Coles or Woolworths supermarket is typically provided at one for every 14,000-15,000 people however ALDI’s larger catchment requirements result in store densities in mature markets of one store for every 30,000-35,000 people.

ALDI’s larger catchment requirements mean that site selection, high customer convenience and car parking are critical to building a successful, well-spaced store network.

Notwithstanding its growth in the last four years, ALDI has about 6% market share of ‘Supermarkets and Grocery store’ turnover in South Australia. This relatively low market share compared to about 10% in the eastern states suggests there are further opportunities to develop under serviced catchments in Adelaide and regional areas to compete with the long-established national chains and other major operators.

2.3.3 Employment & benefits

Employment

ALDI directly employs 496 team members within its 34 store network in South Australia and Mildura. A further 157 people are employed in the regional office and warehouse at Regency Park across a range of management, administration, warehousing and logistics roles. ALDI’s payroll for all directly employed staff is over 33 million per annum.

When the 45-50 store rollout is achieved, ALDI’s total employment in South Australia (and Mildura) is expected to grow from its current 650 people to approximately 950.

There are multiplier effects from ALDI’s property development activities and ongoing store operations. On the basis of modelling by Property Insights, the average $6 million construction cost for an ALDI store would generate approximately 35 direct full-time equivalent employment jobs during its construction phase. The indirect employment multiplier effect is estimated to be double this level.

--

3 Source: Australian Bureau of Statistics Retail Trade, Deep End Services.
4 Property Insights research for the Urban Development Institute of Australia, 2009
Price competition

The latest Choice quarterly Consumer Pulse survey (June 2017)\(^5\) has again shown that ALDI has the lowest price for a basket of comparable supermarket items. Choice reported as follows:

> Our basket of leading brand products cost on average $170.54 at Coles and $168.74 at Woolworths (excluding specials), while a comparable basket of Aldi brand products ($102.50, excluding specials) offered savings of about $66-$68 (49-50%), assuming you’re prepared to forgo leading brands. And by switching to even more budget options where available, you can save as much as 59% when buying your groceries from Aldi, rather than shopping for leading brands at Coles and Woolworths.

> Intensive price monitoring between the duopoly means that grocery prices at both chains are very closely matched. Just $1.80 (1%) separated the regular prices of our leading brand basket at Coles and Woolworths, although if you include the savings from specials at the time of our shop, our basket ended up $2.85 (almost 2%) cheaper at Coles.

> The most expensive place to shop is at independent chain IGA, which charged 5-7% more than Coles and Woolworths for an identical basket of leading brand items. If you include specials, however, the IGA basket price was on par with the regular basket price (excluding specials) at the major chains – a testament to IGA’s ‘price match promise’

Effects on competition

ALDI embraces competition and is the only supermarket chain in the country actively seeking out and opening new stores in or near existing Coles and Woolworths stores. In Greater Adelaide, 18 of the 25 ALDI supermarkets are located in or adjoining centres with 1, 2 or 3 major competitors.

Competitor openings and closures are closely monitored. To our knowledge, there have been no closures of competing supermarkets that could be directly attributed to the opening of ALDI in any part of Adelaide or regional South Australia.

2.3.4 Barriers to entry

Since 2013, when ALDI announced its decision to expand into South Australia, ALDI has made steady progress but found the planning system in many areas presents significant impediments. Where suitable land has been obtained, the system can present lengthy delays and costs on what otherwise are simple proposals.

The main shortcomings of South Australia’s planning system are as follows:

- Zoning and relevant land use codes are more pronounced and inflexible than other states. Shops and other forms of retailing (other than bulky goods) are heavily restricted by land use and onerous (low) floorspace caps outside of

designated centres and shopping zones. This contrasts with other planning regimes where shops can be developed in compatible zones based on more flexible floorspace criteria, ‘sequential test’ criteria or other performance criteria or preferred outcomes.

- The supply of suitable retail and business land is in short supply with entrenched zoning patterns merely reflecting the status quo and presence of existing land use – rather than anticipating or accommodating future needs. In other areas, the narrow depth of main road lots and the hard edges to existing centres severely restricts viable site assembly.

- While Councils are required to periodically review their Development Plans, the experience is that little attention is given to retail needs, changes and new entrants to the industry or the importance of bringing new competition to a market.

- The process of amending a Development Plan to accommodate a specific proposal is onerous, costly and lengthy.

- Too much policy emphasis on centre hierarchies and protecting the entrenched interests that benefit from a severe shortage of competing land.

The effect of the general shortage and tight controls over retail and commercial-zoned land has led to:

- Coles and Woolworths entering the market as developers and aggressively buying greenfield or other development sites to secure a long term and often dominant position in a market or growth corridor. These groups then control the timing and scale of development and effectively restrict competition on surplus or residual land. Examples of site acquisition and developments by either group are at Blakeview, Munno Para West, Torrensville, Mount Gambier, Walkerville, Golden Grove, Murray Bridge, Brighton, St Clair, Victor Harbor and Evanston. In some cases, the sale of valuable retail land by the Government has helped entrench some positions.

- Unrealistic price expectations by owners of retail-zoned land due to the lack of competing sources of supply.
3.1.1 Activity Centres Review DPA 2016

Retail policy and code reform was planned through a 2-phase process initiated by the previous Planning Minister (The Hon. Minister Rau).

Phase 1 of the reform was the ‘Existing Activity Centres Policy Review DPA’ endorsed by the Minister and enacted in April 2016.

This DPA was applied to many Development Plans across the State and sought to ensure that procedural requirements and desired land uses were appropriately aligned to support more on-merit assessments and consistent processes in existing ‘centre’, ‘shopping’ and some selected mixed use zones that display centre Zone characteristics. The Phase 1 DPA is seen as a successful reform and has assisted ALDI in some locations.

Phase 2 (not enacted as part of the DPA) was to consider the permissibility of commercial uses, but particularly shops, in a wider range of circumstances outside of designated activity centres and mixed use areas covered by Phase 1.

Phase 2 was to be initiated via a new DPA. It was to consider the requirements of new and different retail formats and other industry needs and ensure there is capacity for services and facilities to expand and new ones to be provided within Adelaide’s established areas, as envisaged in the 30 Year Plan for Greater Adelaide.

As we understand it, Phase 2 was not initiated in favour of incorporating the work through the new P&D Code.
3.1.2 State Planning Policies for South Australia May 2019

New State Planning Policies for South Australia (SPP) prepared by the State Planning Commission are the highest order policy document in South Australia’s planning system. They are to be given statutory effect through Regional Plans and the Planning and Design Code.

Under SPP 9: Employment Lands, the policy states:

Activity centres have been one of the pillars of South Australia’s growth and development. They have contributed to the form and pattern of development and enabled more equitable and convenient access to shopping, administrative, cultural, entertainment and other facilities that enable a number of activities in a single trip.

The challenge in realising the potential of centres policy is to strike the right balance between achievement of the desired urban form and the maintenance of healthy competition and investment in the retail sector, which is a major economic agent and employer in its own right. The changing structure of retailing requires a range of different formats and methods of distribution of goods and services. It also requires land to accommodate large-format outlets and the revitalisation of main streets and mixed-use precincts.

The Principles of Retailing Planning are set out as follows:

**Figure 5: Principles of Retail Planning**

**Existing centres** – recognise existing activity centres, main streets and mixed-use areas as the primary place for commercial and retail activity.

**Expansion** – allow for expansion of designated centres at ‘edge-of-centre’ locations.

**New activity centres** – allow new activity centres to be established to support equitable and convenient access to services, while supporting productive settlement patterns.

**Hierarchy** – protect higher-order centres that support a productive settlement pattern, while allowing for smaller-scale activity centres to emerge and diversify.

**Urban design** – reinforce the role of land use policies to guide urban form and place-making in mixed-use activity centres.

The SPP raises the important principle of maintaining healthy competition in the retail sector. This can be achieved through allowing for the expansion of centres at ‘edge of centre’ locations, new centre locations and allowing smaller-scale activity centres to emerge and diversify.

The P&D Code can give effect to these policy principles through higher or more flexible Restricted Development triggers on ‘shop’ floorspace in a range of commercial and employment zones.
3.1.3 Productive Economy Policy Discussion Paper November 2018

The ‘Productive Economy’ Policy Discussion Paper is one of four discussion papers released in November 2018 to explore land use policies in South Australia under different themes. The papers are informed by State Planning Policies and other Government and technical reports. They are intended to be read as a ‘family’ and will assist the Commission to establish the planning rules for the assessment of development proposals.

The papers recommend policy directions for the Planning and Design Code, including identifying where existing policy is likely to be transitioned to the Code and areas where further investigations or reform are necessary.

One of three Policy Conversation Areas in the ‘Productive Economy’ paper is ‘Centres policy and retail investment’. The discussion themes can be summarised as follows:

- When properly designed and implemented, activity centres policy can produce a range of benefits including better access to services, more sustainable travel, more compact urban forms and improved productivity.
- There is a strong nexus between centres policy and urban consolidation. Vibrant centres are a focus around which dense housing can form.
- Containing the urban footprint, facilitated by an activity centre policy, can reduce overall land consumption and save infrastructure costs.
- Prevailing retail and centres policy has focused on setting land aside for growing suburban and regional centres, the application of a strategic centres zone hierarchy, the separation of land uses and discouraging ‘out of centre’ retailing.
- The result has been a legible hierarchy of centres where customers agglomerate to the benefit of retailers and constraints are reduced on new businesses within a rigid policy environment.
- However, most retailing still occurs outside centres and there is debate on whether centralised land use regulation reduces competition, limits market forces, promotes monopolies, stifles innovation and impacts productivity.
- The changing retail sector is impacting planning policy requiring a review of activity centre and mixed use zones.
- The review should consider:
  - Policy flexibility to increase diversity of retail activities and support emerging formats to ensure their viability and competitiveness.
  - How centres can continue to grow through flexible policies on land use diversity and built form.
  - Encouraging specialist retail clusters where their viability is justified.
  - A centres hierarchy need not imply a prescriptive approach but incorporate ways to measure costs and benefits to ‘out-of-centre’ or non-complying development.

The section on Centres Policy concludes with two valid discussion questions:

1. What policy approaches or other levers could be used to help ensure South Australia’s retailing sector is competitive, well-located and provides ample opportunity for new entrants to the market?
2. How do we harmonise planning objectives for an efficient pattern of settlement at the metropolitan level with the need to encourage investment in new retail facilities?

The policy discussion is an important one as it raises, for the first time, valid questions about the long-held approach to a rigid and centralised centres policy based on traditional hierarchies. While this policy may have generally served retailers and consumers well in the past, there are growing perceptions that it can distort the market, entrench existing interests and inhibit new entrants.

Changes in the retail industry, the emergence of new retailers with different location criteria and a focus on a more compact urban form where services can be provided from different locations, all warrant the consideration of more flexible interpretations and possibilities in the P&D Code, while still ensuring the integrity of the established centres hierarchy.

3.2 Relevant P&D Code provisions

3.2.1 Typology of relevant zones and ‘shop’ floorspace triggers for Restricted Development

The primary retail / commercial, mixed use, employment and residential zones in the draft Code are listed in Table 2 under their generalised priority being either ‘residential’ or commercial / industrial – as shown in the Guide to the Draft Planning & Design Code (p.30), noting that the Suburban Business and Innovation, Neighbourhood Business, Innovation and Home Industry zones have both residential and commercial purposes.

The table shows the ‘Assessment Pathway’ for retail development highlighting Zones with retail floor space caps and those with shops over a certain size as ‘Restricted Development’.

<table>
<thead>
<tr>
<th>Zones / Zone Categories</th>
<th>Intensity</th>
<th>Residential Priority</th>
<th>Commercial / Industrial Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Zone</td>
<td>Retail floorspace threshold</td>
<td>Assessment Pathway (floorspace trigger for ‘Restricted Development’)</td>
</tr>
<tr>
<td></td>
<td>City Living</td>
<td>50 sqm</td>
<td>&gt; 2,000 sqm</td>
</tr>
<tr>
<td></td>
<td>City Main Street</td>
<td>2,000 sqm</td>
<td>&gt; 200,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Urban Corridor (Living)</td>
<td>500 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Urban Corridor (Business)</td>
<td>500 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Urban Corridor (Boulevard)</td>
<td>2,000 sqm</td>
<td>&gt; 4,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Urban Neighbourhood</td>
<td>500 sqm</td>
<td>10,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Suburban Areas &amp; Townships</td>
<td>200 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Urban Renewal Neighbourhood</td>
<td>200 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Housing Diversity Neighbourhood</td>
<td>200 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>General Neighbourhood</td>
<td>200 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Suburban Neighbourhood</td>
<td>200 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Suburban Masterplanned Neighbourhood</td>
<td>300 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Suburban Greenfield Neighbourhood</td>
<td>250 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Residential Neighbourhood</td>
<td>250 sqm</td>
<td>&gt; 200 sqm</td>
</tr>
<tr>
<td></td>
<td>Residential Park</td>
<td>250 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Caravan &amp; Tourist Park</td>
<td>150 sqm</td>
<td>&gt; 1,000 sqm</td>
</tr>
<tr>
<td></td>
<td>Township</td>
<td>250 sqm</td>
<td>&gt; 300 sqm</td>
</tr>
</tbody>
</table>

Source: Ekistics, Guide to Draft Planning and Design Code (State Planning Commission)
A summary of the retail and shop floorspace provisions across the draft Code and zone provisions are:

- There are six primary retail and commercial zones with no retail floorspace caps and no ‘shop’ floorspace triggers for ‘Restricted Development’.
- There are four Urban Corridor mixed-use type zones. Two have retail floorspace thresholds of 2,000 sqm and two have thresholds of 500 sqm. The two zones with lower retail floorspace thresholds have ‘shop’ floorspace triggers for ‘Restricted Development’ at >1,000 sqm.
- The four suburban mixed-use zones which cross over between residential and commercial purposes have retail thresholds of 0-500 sqm and ‘shop’ floorspace triggers for ‘Restricted Development’ at either >500 sqm or >1,000 sqm.
- The two Employment zones (Employment & Suburban Employment) have retail thresholds of 500 sqm and ‘shop’ floorspace triggers for ‘Restricted Development’ at >1,000 sqm.
- Nine of the 10 residential-type zones have retail floorspace caps of between 50-250 sqm with ‘shop’ floorspace triggers for ‘Restricted Development’ mainly at >1,000 sqm or less.

After the release of the draft Code and industry consultations, the Department issued a ‘Code Amendment Update Report’ on 23 December 2019 which specifically identifies proposed changes to the Draft P&D Code with respect to ‘Out of Centre’ Development. Its states that the Commission recognises the need to further consider requirements for shops outside activity centres and main streets, including the scale and intensity of development and land uses contemplated in different zones.

The Department advised that they are reviewing the following:

**Proposal: Review floor limits, notification and restricted development triggers for shops to ensure they are more attuned to the intensity of development expected in the zone and to improve consistency with similar zones.** For example:

- **Activity centre/main street zones:** Shops of any floor area are envisaged, not subject to notification, and not classified as restricted.
- **Urban mixed use zones:** Shops are envisaged, only subject to notification if adjacent to sensitive land uses, and not classified as restricted.
- **Suburban mixed use zones:** Shops of a certain floor area are envisaged, only subject to notification if adjacent to sensitive land uses, and are restricted if they exceed a specified floor area.
- **Employment/rural productive zones:** Only small shops or shops that are ancillary to envisaged uses are envisaged (e.g. value-adding). Shops are notified if adjacent to sensitive uses and are restricted if they exceed a specified floor area.
- **Residential zones:** Only small shops are envisaged and will be subject to notification if they exceed a certain floor area. Large shops are classified as restricted.

While some changes are already being contemplated to the Code, this submission has to confine itself to the exhibited instrument noting that some of the changes sought by ALDI may already be partly, or wholly, envisaged by the Department.
3.2.2 Discussion on the Draft Planning and Design Code

Notwithstanding possible amendments by the Department, the main challenge confronting ALDI by the exhibited Code is the apparent broad adoption of either a >500 sqm GLA or, in most cases, >1,000 sqm GLA trigger on ‘shop’ where it becomes ‘Restricted Development’ in six of the 9 mixed use zones, both employment zones and most of the 10 residential zones. In other words, any retail development (other than bulky goods) over 1,000 sqm is largely confined to Activity Centre and Main Street Zones.

Given that most new supermarkets developed by Coles, Woolworths, ALDI and the larger independents in Adelaide are over 1,000 sqm and there are few other retailers opening stores above 1,000 sqm outside of the Capital City Zone or major activity centres, the Code is effectively implementing a ‘supermarket’ hierarchy confined to the existing pattern of activity centres.

In doing so, the Draft Code is reinforcing the long-standing centres hierarchy by proactively restricting supermarkets or any form of shop development over 1,000 sqm GLA.

Bulky Goods, on the other hand, is separately defined and exempt from the restrictions on shop, allowing the use to now establish without hierarchy considerations or floorspace controls in the Employment and Suburban Employment zones. While the bulky goods change is in line with other states, such as Victoria, the relaxation for these retailers is inconsistent with the bias against small to mid-sized supermarkets above 1,000 sqm GLA.

The 1,000 sqm GLA ‘shop’ limit is arbitrary and has no particular significance in retail planning. While the Department may argue that the control promotes the development of small supermarkets and associated shops in mixed-use zones, there are very few, if any, small supermarkets opening in Adelaide in this range. Without the development of a viable supermarket, other small shops will only be developed in very small numbers in the mixed use zone. The effect of limiting the opportunity for supermarkets above 1,000 sqm in the mixed use zones will have unintended consequences of limiting the development of other small shops and services.

To help demonstrate the effect of the policy, the spatial pattern of small (0-1,000 sqm GLA), mid-sized (1,000-2,000 sqm GLA) and large (2,000+ sqm GLA) supermarkets in Greater Adelaide is mapped in Figure 4 and summarised in Table 3.

The observations are:

- The central, inner & some middle suburban areas of Adelaide tend to be serviced by very small (<1,000 sqm GLA) or large supermarkets (2,000 sqm GLA). While the numbers of each appear to be even, the large supermarket chains dominate the market by their share of total supermarket space.
- Major supermarkets have opened new stores or extended others in these areas while the small supermarket sector reflects the smaller formats built during the 1960’s and 1970’s. These small-format supermarkets are not growing in number.
- The mid-sized supermarkets (1,000-2,000 sqm) GLA operated by ALDI, Drakes and Chapley have a much lower presence in these areas. The planning and other
constraints referenced earlier are a major challenge to establish new supermarkets in these areas.

- As they are currently drafted, the mixed use zones in these inner areas restrict the establishment of an ALDI store (circa 1,800 sqm GLA) or other mid-sized supermarket.
- In the outer areas, mid and large-sized supermarkets tend to dominate the market. Again, zoning controls that only allow small scale retailing within the mixed use and employment zones will probably see little or no response from the supermarket industry given the uncompetitive nature of the smaller formats against much larger nearby operators.

Table 3 shows how ALDI and the larger independents occupy the important space between the large and small supermarkets. The smaller store formats (<1,000 sqm) make up 26% of all supermarkets in Adelaide by number but account for just 6.4% of the floorspace. A policy and Planning and Design Code that favours these stores over others is flawed because few stores will open and those that do will have little or no effect on overall service levels.

The 1,000-2,000 sqm GLA supermarket range is an important and growing part of the industry. While ALDI’s preferred size falls within this range, it also makes up one-third of the larger and more viable independent supermarkets. Coles and Woolworths have just two of their combined 89 supermarkets in this range.

The full-sized supermarkets (>2,000 sqm GLA) which make up 76% of all supermarket space have limited development opportunities left in Adelaide. Coles and Woolworths have increased their store numbers in the last 20 years and now tend to be focussed on selective store closures and refurbishment.

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**Table 3—Adelaide supermarkets by floorspace range**

<table>
<thead>
<tr>
<th>Group</th>
<th>0-500 sqm</th>
<th>500-1,000 sqm</th>
<th>1,000-2,000 sqm</th>
<th>2,000+ sqm</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woolworths</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>43</td>
<td>44</td>
</tr>
<tr>
<td>Coles</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>44</td>
<td>45</td>
</tr>
<tr>
<td>Foodland / Drakes / Chapley</td>
<td>3</td>
<td>15</td>
<td>26</td>
<td>33</td>
<td>77</td>
</tr>
<tr>
<td>ALDI</td>
<td>0</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>IGA</td>
<td>22</td>
<td>10</td>
<td>4</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>Foodworks / Other</td>
<td>8</td>
<td>7</td>
<td>2</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Costco</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33</td>
<td>32</td>
<td>59</td>
<td>121</td>
<td>245</td>
</tr>
</tbody>
</table>

| No. supermarkets by floorspace range (sqm GLA) | 13.5% | 13.1% | 24.1% | 49.4% | 100.0% |

**Total supermarket floorspace by floorspace range (sqm GLA)**

<table>
<thead>
<tr>
<th>Group</th>
<th>0-500 sqm</th>
<th>500-1,000 sqm</th>
<th>1,000-2,000 sqm</th>
<th>2,000+ sqm</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Groups</td>
<td>11,804</td>
<td>22,133</td>
<td>91,991</td>
<td>405,596</td>
<td>531,524</td>
</tr>
</tbody>
</table>

|                | 2.2% | 4.2% | 17.3% | 76.3% | 100.0% |

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Source: Deep End Services
Figure 4—Supermarket distribution by size

Source: Deep End Services
The draft code therefore protects:

- The very small supermarkets who are concentrated in the inner areas. While important and valuable to their local catchments, these stores only make a small contribution to Adelaide’s total floorspace. The policy is unlikely to grow this segment.
- The large supermarkets who tend to dominate the market in all areas with 76% of all space.

The mid-sized supermarkets (1,000-2,000 sqm) can grow their presence in the inner and middle areas, offering better choice and competition for consumers. In these areas, planning policy supports their expansion by encouraging higher residential densities and population growth.

### 3.3 Opportunity for retail reform in South Australia

The 30 Year Plan for Greater Adelaide contemplates a changing metropolitan form with higher population densities, a high reliance on public transport and delivery of retail and other services close to home. As the pattern of development changes with new forms of housing, the planning system should also adapt to present moderate opportunities for retailers to bring retail formats and services to areas of growth outside the established centres hierarchy.

ALDI is not advocating major out-of-centre development that is disruptive to existing centres but small variations to the draft Code that will allow greater flexibility for mid-sized supermarkets, operated by ALDI and other independents. The changes are consistent with the successful implementation of zoning and land use reforms in Victoria, introduced in 2013.

In South Australia, the Phase 1 reform (‘Existing Activity Centres Policy Review DPA’) enacted in April 2016 was considered to be successful state-wide planning initiative. From ALDI’s perspective, it helped facilitate the successful development of sites such as Aldinga.

The current code review presents an opportunity to carry out the planned Phase 2 work that was never undertaken. That work was to consider the needs of different and new retail formats and the circumstances where commercial uses, including shops, could be permitted in areas outside designated centres and mixed use areas covered by the Phase 1 reforms.

The opportunity for retail form is also contemplated in the Productive Economy Discussion Paper and alluded to in State Planning Policy 9 Employment Lands.

In our view there is a strong, arguable case to amend the Draft Planning and Design Code to introduce a higher ‘shop’ floorspace trigger for ‘Restricted Development’ to a range of employment, industry, urban corridor and mixed use zones, replacing the current 500 sqm or 1,000 sqm triggers.
In our view, the new floorspace trigger should be set at 2,000 sqm GLA and should apply to the following zones:

- Urban Corridor (Living)
- Urban Corridor (Business)
- Suburban Business and Innovation
- Business Neighbourhood
- Innovation
- Employment
- Suburban Employment

The higher 2,000 sqm GLA limit is recommended for the following reasons:

- There are no retailers in the market aggressively opening supermarkets up to 1,000 sqm or even 1,500 sqm GLA.
- 2,000 sqm GLA will allow an ALDI store (approx. 1,800 sqm) or a mid-sized independent supermarket and potentially a small provision of supporting shops.
- It will rule out a typical full-line Coles and Woolworths stores however either group may look to establish their smaller inner suburban supermarkets within this limit. These would be acceptable outcomes.
- Other retail / tenancy combinations could be considered however the viability of 2,000 sqm GLA of retail floorspace without a supermarket would be doubtful in most areas. This provides a natural market ‘brake’ on the number of proposals likely to come forward. As the Victorian experience shows (Section 4) the reform will bring forward a small but select number of proposals.
- The occasional development up to 2,000 sqm GLA is not likely to significantly impact an existing centre or disrupt wider hierarchies.
- The Victorian experience (and the various openings by ALDI in South Australia to date) have shown there to be few, if any, closures of other supermarkets from the opening of these mid-sized supermarkets.
- A strong retail tenant can improve the viability of a mixed-use project or the performance and / or presentation of a homemakers centre or light industrial area.

To give protection to smaller, more vulnerable town centres in regional areas, the floorspace control should only apply to the Greater Adelaide area. Like Victoria, any development should front an Arterial or Secondary Arterial Road and proposals over the scheduled maximum should be subject to thorough need and impact assessments.

Other ‘Restricted Development’ exemptions could also include:

- Where the development involves an expansion of an existing shop; and
- Where the development involves a shop in an ‘Activity Centre’ zone’ or ‘Main Street’ zone that expands into a different zone.
3.4 Benefits

On the assumption that the suggested reforms in this paper are adopted, a range of benefits can be identified:

- A broader choice of location options for small to mid-sized retailers will bring forward development proposals including construction jobs and ongoing retail employment positions.
- In the absence of the reforms, market participants are left to negotiate complex and lengthy processes with no certainty or wait for expensive and often secondary opportunities in centres.
- The reforms create the opportunity for more interest, diversity and a more varied (but compatible) business mix in areas that might otherwise be developed as single-dimensional land uses. For example, a mid-sized supermarket at the entry to a business park, within a homemaker centre or part of a mixed use development will have synergies and cross-use benefits with other on-site activities.
- In some cases, mid-sized supermarkets can activate a commercial area bringing new activity and land use change.
- As retailing continues to be disrupted by changing consumer tastes and preferences, technology and on-line retailing, the reforms allow supermarkets greater freedom and choice to locate in places where consumers can shop with convenience, still close to home or work.

The reforms, if adopted, reflect a mature but modern planning system that is responding to industry and consumer needs for greater convenience and retail service delivery where and when they need it. It can achieve this without impacting the established centres hierarchy.

The reforms reflect the vision of Adelaide as a modern, higher density city under its strategic plan. They will also bring the state in line with similar changes implemented in other states (e.g. Victoria).
Victorian case study of planning reforms

4.1 2013 Planning reforms

In July 2012, the Victorian Minister for Planning announced a review into the state’s commercial and industrial zones with the objective to “stimulate business and economic growth while protecting valued neighbourhoods”.

In July 2013, the reformed zones came into effect, implemented via amendments to the state-wide ‘Victoria Planning Provisions’. The major changes were:

- Business zones were simplified and reduced from five business zones to 2 commercial zones.
- Floorspace caps were removed from the Commercial 1 zone for all shopping centres in metropolitan Melbourne, other than growth area Councils.
- The range of land use activities allowed without a planning permit was broadened.
- A supermarket up to 1,800 sqm became a permitted use in the Commercial 2 zone in all metropolitan planning schemes. The Commercial 2 zone replaced the former Business 3 (mixed use) zone and the Business 4 (bulky goods retailing) zone. The only condition is that the supermarket site must adjoin, or have access to, a road in a road zone. This provision was later extended to Greater Geelong.
- Supermarkets above 1,800 sqm in the Commercial 2 zone require a planning permit.
- Up to 500 sqm of shops can be built on the site of the supermarket without a permit.
- In regional areas, a supermarket up to 1,800 sqm in the Commercial 2 zone requires a permit to give some protection to established centres.
- A supermarket up to 1,800 sqm and associated shops of 500 sqm also became a permitted use in the Industrial 3 zone in metropolitan Melbourne. A supermarket above 1,800 sqm is a prohibited use in the Industrial 3 zone.
The reforms enabled a small scale supermarket to establish in areas traditionally zoned for showroom and bulky goods development and light industrial areas. The floorspace control effectively restricted Coles and Woolworths from as-of-right use because of their larger footprints or forced them through a planning permit process where local planning policy and economic impact are given weight.

Country areas outside Melbourne and Geelong were given a measure of protection as the 1,800 sqm supermarket was a permit-required-use in the C2 zone and prohibited in the Industrial 3 zone.

The effect of the zoning reform can now be evaluated almost 7 years after the changes were legislated.

Figure 5 shows the distribution of all ALDI stores in the greater Melbourne and Geelong region at February 2020 with 11 stores highlighted that were approved and built under the planning reforms. ALDI responded quickly to the opportunity created by the reforms and have effectively opened 1-2 stores per annum, as a direct result. This, it should be remembered, is across a region of 5.2 million people growing by 130,000 people each year.

From June 2014 (the month and year when the first ALDI store developed 12 months after the reforms were legislated) to February 2020, ALDI opened 29 supermarkets in Victoria, of which 11 can be attributed to the new reforms. Of these:

- 8 are in the Commercial 2 zone and 3 in the Industrial 3 zone.
- 6 could be classified as locations in or near homemaker centres or major hardware stores, such as Bunnings. In these locations, ALDI is situated close to, or shares, car parking with other established retail uses.
- 5 could be classified as main road commercial sites where they are positioned with other general retail or commercial uses.

Despite initial fears when the reforms were announced, they have not resulted in the wholesale spread of new supermarkets. Centre hierarchies have not been disrupted but selective openings have occurred in areas where there was a lack of available Commercial 1 zoned land. Rather than distorting the market, the reforms have addressed the limitations of historic zoning patterns where new Commercial 1 zoned

<table>
<thead>
<tr>
<th>Group</th>
<th>Total stores Victoria (Feb 2020)</th>
<th>Total new stores</th>
<th>New stores due to planning reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woolworths</td>
<td>203</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Coles</td>
<td>172</td>
<td>36</td>
<td>2</td>
</tr>
<tr>
<td>ALDI</td>
<td>118</td>
<td>29</td>
<td>11</td>
</tr>
<tr>
<td>IGA</td>
<td>131</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Foodworks</td>
<td>84</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Costco</td>
<td>4</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>712</strong></td>
<td><strong>88</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

n.a. = insufficient available information
land is not easily created. It has produced new supermarket opportunities where there were previously none.

Coles and Woolworths have also secured 5 new stores from the zoning changes however these went through normal and, in most cases, rigorous planning processes. These five stores are relatively few in the context of 56 new Coles and Woolworths stores opened in Victoria in the same 6 year period.

The 16 supermarket openings from Coles, Woolworths and ALDI resulting from the reforms represent about 20% of all new supermarkets in Victoria over the 6 year period. This contribution could be seen as supplementing the normal stock of new floorspace for a growing city. It has enabled new space and more competition in some of the tightly held areas of Melbourne’s bayside suburbs, eastern suburbs and Geelong.

ALDI has not closed or relocated any stores to these sites and to our knowledge, no other supermarkets have closed as a result of these openings. In some cases, such as Mentone, Bell Park and Springvale, ALDI has established in redundant or difficult-to-lease space. ALDI has improved and reinvigorated these homemaker centres with its strong traffic flow.

The independent supermarket sector in Victoria has had a low response to the reforms largely due to their weaker position and brand recognition in Victoria – compared to the independent sector in South Australia.

Despite the weak response from independents, the targeted planning reforms in Victoria have been highly successful. The market has seen a measured and positive response from developers and retailers with successful stores built in areas that would otherwise not have accommodated them. This has been to the ultimate benefit of consumers with improved choice and access to goods, greater competition and reduced grocery bills.
Figure 5—ALDI stores developed under Victorian planning reforms 2014-2020

ALDI stores
- All stores at Feb 2020
- ALDI stores approved and built under reformed Vic. zones since July 2013
- Urban Growth Boundary
Figure 6—Illustrates stores developed under reformed Vic. zones

Source: Google, Nearmap
APPENDIX 2 (Relevant Zone Provisions)
The following key provisions should be amended to provide additional flexibility for a shop up to 2,000m² in each zone, with key issues highlighted – particularly to remove ambiguity and to clarify scale and intensity of land use:

**Urban Corridor (Living Zone)**

PO 1.2
A range of **small to medium scale** non-residential uses, services and facilities such as shops, offices and consulting rooms that meet the **day to day needs for the local community**.

DTS/DPF 1.2
Shop, office, or consulting room uses **not exceeding a maximum gross leasable floor area of 500m²**, or is contained within an existing building

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry (other than a light industry)</td>
<td>Restaurant</td>
</tr>
<tr>
<td>Shop</td>
<td>Shop with a gross leasable floor area less than 1000m²</td>
</tr>
</tbody>
</table>

**Urban Corridor (Business Zone)**

PO 1.2
A range of **small to medium scale** non-residential uses, services and facilities such as shops, offices and consulting rooms that meet the **day to day needs of the local community**.

DTS/DPF 1.2
Shop, office or consulting room uses **not exceeding a maximum gross leasable floor area of 500m²**.

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Light Industry</td>
</tr>
<tr>
<td>Shop</td>
<td>Restaurant</td>
</tr>
<tr>
<td></td>
<td>Shop with a gross leasable floor area less than 1000m²</td>
</tr>
</tbody>
</table>
Suburban Business and Innovation Zone

PO 1.2
Retail, business and commercial development of a scale that provides a local convenience service without undermining the vibrancy and function of zones primarily intended to accommodate such development.

DTS/DPF 1.2
The gross leasable floor area of a shop, office, or consulting room does not exceed 500m$^2$.

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop</td>
<td>Restaurant</td>
</tr>
<tr>
<td></td>
<td>Any other shop with a gross leasable floor area less than 1000m$^2$</td>
</tr>
</tbody>
</table>

Business Neighbourhood Zone

PO 1.2
Small scale business and commercial land uses complement the prevailing neighbourhood character.

DTS/DPF 1.2
The gross leasable floor area of a shop, office or consulting room does not exceed 250m$^2$.

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop</td>
<td>Restaurant</td>
</tr>
<tr>
<td></td>
<td>Any other shop with a gross leasable floor area less than 500m$^2$</td>
</tr>
</tbody>
</table>
Innovation Zone

PO 1.1
Development is associated with or ancillary to the provision of health and education services and the conduct of research.

DTS/DPF 1.1
Development comprises one or more of the following land uses:
- Consulting room
- Community facility
- Dwelling
- Residential flat building
- Educational establishment
- Hospital
- Hotel
- Library
- Light industry (including high technology and research-based activity)
- Office
- Place of worship
- Pre-school
- Public transport terminal

PO 1.4
Commercial activity is of a small-to-medium scale to meet the day-to-day needs of the local community.

DTS / DPF 1.4
Shops, offices or consulting room gross leasable floor area does not exceed 250m².

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusions</th>
</tr>
</thead>
</table>
| The following Classes of Development are classified as
Restricted subject to any "Exclusions" |
| Light industry |
| Shop |
| Restaurant |
| Any other shop with a gross leasable floor area less than
500m² |
Employment Zone

PO 1.3
Shops, other than a bulky goods outlet and shops not ancillary to an industry, primarily cater to the surrounding workforce to enhance the amenity of the zone for those workers.

DTS/DPF 1.3
Shop:
(a) with a gross leasable floor area up to 500m²; (Note: there should be an ‘or’ here)
(b) in the form of a bulky goods outlet; or
(c) ancillary to and located on the same allotment as an industry.

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Special Industry</td>
</tr>
<tr>
<td>Shop</td>
<td>Where:</td>
</tr>
<tr>
<td></td>
<td>(c) the gross leasable floor area is no more than 1000m²; or</td>
</tr>
<tr>
<td></td>
<td>(d) it is a bulky goods outlet; or</td>
</tr>
<tr>
<td></td>
<td>(e) it is ancillary to an industry on the same allotment.</td>
</tr>
</tbody>
</table>
Suburban Employment Zone

PO 1.1
A range of employment generating light industrial, service trade, motor repair and other compatible businesses servicing the local community that do not produce objectionable emissions.

PO 1.2
Shops, other than bulky goods outlets, provide a local convenience service to meet the day to day needs of the local community and surrounding businesses as well as support the sale of products made on-site as a supplement to a business activity to enhance local job opportunities.

DTS/DPF 1.2
Shop:
a. with a gross leasable floor area up to 500m²; (Note: there should be an ‘or’ here)
b. in the form of a bulky goods outlet; or
c. ancillary to and located on the same allotment as a light industry.

Table 4 – Restricted Development Classification

<table>
<thead>
<tr>
<th>Class of Development</th>
<th>Exclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Light industry</td>
</tr>
<tr>
<td>Shop</td>
<td>Where:</td>
</tr>
<tr>
<td></td>
<td>(f) the gross leasable floor area is no more than 1000m²; or</td>
</tr>
<tr>
<td></td>
<td>(g) it is a bulky goods outlet; or</td>
</tr>
<tr>
<td></td>
<td>(h) it is ancillary to a light industry on the same allotment.</td>
</tr>
<tr>
<td>Waste reception, storage, treatment or disposal</td>
<td></td>
</tr>
<tr>
<td>Wrecking yard</td>
<td></td>
</tr>
</tbody>
</table>

Note – Procedural Matters – Nothing specified in Zone

Procedural Matters

Notification of Performance assessed development

All classes of performance assessed development are excluded from notification except where it involves any of the following:

(d)