



ESSENTIAL ECONOMICS

City of Swan

Local Commercial and Activity Centres Strategy Best Practice Review of Key Issues

DRAFT

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INTRODUCTION

Background

The City of Swan are preparing an updated Local Commercial and Activity Centres Strategy to provide strategic guidance for activity centres and to inform future Council decision-making in relation to relevant development proposals.

As input to the development of the Strategy, Council is seeking a 'best-practice review' of key issues that are relevant to the development of activity centre policy. It is intended that this best-practice review will ensure the Strategy is guided by lessons and examples from across Australia, and that the City of Swan will have a policy framework which:

- Responds to the latest trends in retail and commercial development
- Supports employment, investment and economic development
- Enhances liveability and community well-being
- Is realistic and achievable.

In effect, Council is to develop a Local Commercial and Activity Centres Strategy which is at the forefront of activity centre policy in Western Australia.

Approach

In preparing this best-practice review, the following approach has been undertaken:

- 1 identify, in consultation with the City of Swan, six key issues for consideration in the best-practice review
- 2 Define the key issues in context of the development of the Local Commercial and Activity Centres Strategy
- 3 Provide commentary on lessons to be learnt from across Australia, and if relevant, overseas, in relation to the key issues
- 4 Consider how to apply those lessons to the City of Swan through the development of the Local Commercial and Activity Centres Strategy.

OVERVIEW OF KEY ISSUES FOR THE CITY OF SWAN

In consultation with the City of Swan, a total of six key issues have been identified which require specific consideration in the Local Commercial and Activity Centres Strategy. These are as follows:

Issue 1: Out-of-date Activity Centre Policy and Response to SPP 4.2

Current activity centre policy for the City of Swan pre-dates State Planning Policy 4.2 (SPP 4.2) prepared by the Western Australian Planning Commission and no longer reflects the needs of the local community.

Issue 2: Planning for increased residential uses in activity centres

Activity centres in the City of Swan are increasingly popular as locations for housing. Policy needs to ensure that appropriate residential development is supported, while also retaining the role of activity centres as locations for a wide range of important retail, commercial and community infrastructure.

Issue 3: Introduction of new retail market entrants (e.g. ALDI, Costco)

The retail sector is highly dynamic, with continuous innovation by retailers in response to shifts in consumers spending preferences and habits. In Australia, new retail formats by retailers such as ALDI and Costco are providing challenges for land use policies which are seeking to accommodate the evolution of the retail sector in a manner that continues to reflect overall policy goals.

Issue 4: Location planning for bulky goods and the Highway Service Zone

Activity centres policy needs to provide more clarity in relation to how development of large-format bulky goods retailing and development of the Highway Service Zone can be undertaken in an appropriate manner.

Issue 5: Pressure for retail development in industrial areas

Industrial areas in the City of Swan are increasingly subject to retail interest and development applications and from retailers. Guidance is required on the appropriate scale and nature of retail development in industrial areas that balances activity centre policy objectives with consumer and economic development benefits.

Issue 6: Planning for retail and commercial activity in the Swan Valley

The Swan Valley is an area of significant natural beauty and environmental value which is quite rightly subject to policies seeking to protect these values. However, as a tourist region of national importance it is appropriate to consider how retail and commercial development can occur in a manner consistent with these protections.

ISSUE 1 OUT-OF-DATE ACTIVITY CENTRE POLICY AND RESPONSE TO SPP 4.2

1.1 The Issue

In August 2010 **State Planning Policy 4.2 (SPP 4.2) 'Activity Centres for Perth and Peel'** was prepared by the Western Australian Planning Commission. The policy provides a broad policy framework for the planning and development of new and existing activity centres in Perth and Peel.

A critical important component of the Western Australian planning system, SPP 4.2 has a significant influence on how a wide range of activities are accommodated by land use planning, including:

- Retail
- Higher-density housing
- Tourism
- Higher education
- Commercial
- Entertainment
- Civic/community
- Medical services.

In providing for these land uses at appropriate locations, SPP 4.2 also seeks to achieve broad policy outcomes related to aspects such as public transport provision, economic development, environmental sustainability and high quality urban design.

The implementation of the latest version of SPP 4.2 in 2010 was subsequent to the preparation of the City of Swan Commercial Centres Strategy (2004). As result, current activity centre policy in the City of Swan does not fully reflect the policy framework identified in SPP 4.2 including:

- An increased emphasis on public transport accessibility and delivery
- Promoting a mix of uses in activity centres in addition to retail
- Measures to improve urban design outcomes.

Furthermore, since 2004 the context for planning and development of activity centres in the City of Swan has changed due to both the general passage of time, and more direct changes in general policies and objectives sought by Council. In this context, the City of Swan Commercial Centres Strategy 2004 is no longer an appropriate basis for directing activity centres policy in the City.

Issue 1:	Current activity centre policy for the City of Swan pre-dates State Planning Policy 4.2 (SPP 4.2) prepared by the Western Australian Planning Commission and no longer reflects the needs of the local community.
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1.2 Current Context for City of Swan

The existing Commercial Centres Strategy was adopted by the City of Swan in June 2004 with the objective of providing the basis for the planning and development of commercial centres within Swan for the subsequent 15-year planning period. This intended 15-year timeframe for the policy is now approaching completion, and the overall context for planning and development of activity centres has changed on the basis of factors including:

- **Policy Objectives:** Changes to State and Local planning policies including SPP 4.2 and the recently completed Urban Housing Strategy.
- **Demographic Trends:** Including rates of population growth and urban development which are above previous expectations.
- **Shifts in Industry Trends and Consumer Expectations:** The nature of retailing and other land uses relevant to activity centres are changing rapidly due to shifts in how goods and services are provided, as well as the expectations of users.
- **Technology:** Technological changes such as the rapid take-up of smart phones and the growth of so-called 'clicks and mortar' retailing.
- **Other:** A range of cultural and lifestyle factors are influencing the ways in which activity centres are used, for example the increased focus on retailing as a form of social interaction and leisure rather than simply as a means of obtaining goods and services.

In 2010, the City undertook a 'Retail Needs Assessment', which is a requirement of SPP 4.2. On this basis, the City of Swan is developing a new Local Commercial and Activity Centres Strategy in order to ensure that the policy context for the City is up-to-date and that future Council decision-making in relation to activity centres can be informed by a high quality policy framework.

Change in Smartphone Technology Between 2004 and 2016



1.3 Best Practice Review – Trends in Activity Centres Policy

Need for Consistent Policy Review

Activity centres represent a unique challenge for strategic land use policies. As a focus for commerce, community interaction, provision of key infrastructure and increasingly, as places to live, activity centres have an important role to play in meeting a wide range of community needs within specific, and often constrained, urban locations.

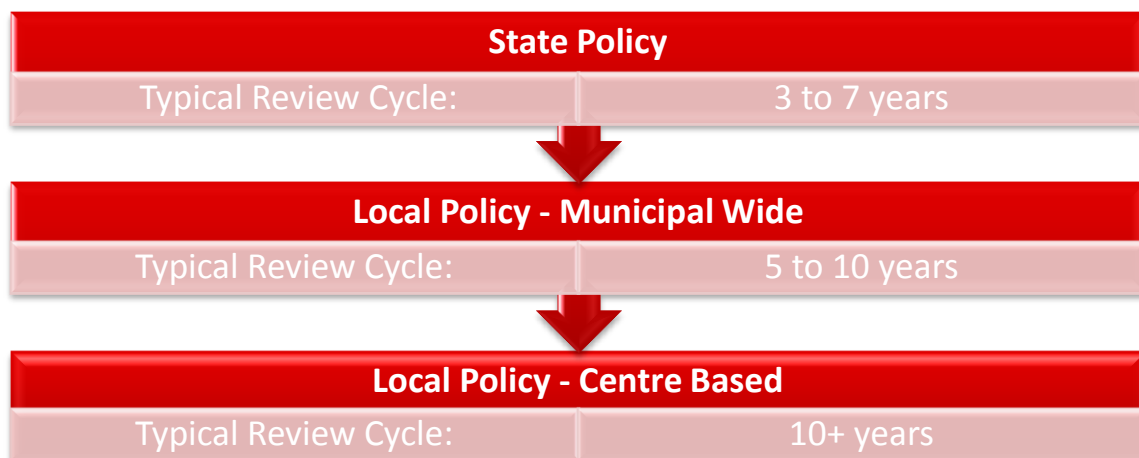
The costs of out-of-date activity centre policy can include:

- Unrealistic policy guidance which no longer meets industry or community need
- Excessive and often unnecessary negotiation/resolution of issues between applicants and consent authorities to overcome vague or irrelevant policy guidelines
- Incentives for arbitrary and ‘spot’ decision-making to overcome policy shortfalls
- Lost or reduced investment and economic development opportunities.

Ensuring that policy settings for activity centres are up-to-date is considered a particularly important component of State and Local planning policy development, Australia-wide. In Perth, most Councils have undertaken updates of their Activity Centre policies since the City of Swan Commercial Centres Strategy 2004 was prepared.

In general terms, activity centre policy can be described as a hierarchy which follows a top-down set of policy directions from State Government. These policy directions inform a municipal-wide policy (such as the City of Swan Commercial Centres Strategy 2004) and subsequent individual centre-based policies (such as in relevant components of the Bullsbrook Townsite Land Use Masterplan). State policies tend to be updated more often than Local policies, as shown in Figure 1.1.

Figure 1.1 General Cycle of Activity Centre Policy Reform



Source: Essential Economics

Hierarchy of Centres

Adopting a ‘hierarchy of centres’ remains a common characteristic of activity centre policy, nationally, and internationally. The use of a hierarchy is an effective means of:

- Providing high-level guidance in terms of the location, scale and nature of investment and land uses intended for activity centres
- Ensuring policy reflects the very different role and function of various centres within the hierarchy
- Creating a coherent network of activity centres which meet the various needs of the community at the locations where these needs can, and should, be met
- Directing the planning and provision of transport infrastructure and other aspects of urban development influenced by activity centres.

In SPP 4.2, a relatively traditional approach to the centres hierarchy is adopted, with a seven-level hierarchy (excluding the currently un-used Primary centre classification identified in Directions 2031).

In recent metropolitan planning strategies prepared in Sydney and Melbourne, activity centre hierarchies have been adopted, but greater discretion has been provided for Local planning policies to provide more fine-grained guidance on the hierarchies relevant to each municipality. This includes, in some instances, Local Government adopting their own ‘local and neighbourhood’ centres hierarchy.

Use of Floorspace Caps and Limits

The use of floorspace caps and guidelines in the application of activity centre policy is generally declining throughout Australia. Planning reforms have typically adopted a ‘performance-based’ approach where guidance in respect to floorspace is only used where absolutely necessary, and guidance on where floorspace is directed occurs through the assessment of broader policy objectives.

The general exception to the above trend appears to be:

- In urban growth areas on the metropolitan fringe where the use of floorspace caps or guidance is required to enforce the development of a centres hierarchy, and
- Where specific uses within areas are to be limited to a certain size for a particular reason (e.g. recent zone reform in Victoria limits supermarkets in the Commercial 2 and Industrial 3 Zones to no more than 1,800m² in size, with some exceptions).

Floorspace ‘thresholds’ where ‘retail sustainability assessments’ are triggered have been adopted as part of the measures contained in the *Joondalup Local Commercial Strategy (2013)*. This is similar to other mechanisms used in some jurisdictions which do not specifically use floorspace caps to limit development outright, but which otherwise use floorspace as a ‘trigger’ for more detailed review or assessment. Activity centre planning for urban growth

areas in Melbourne often includes maximum floorspace triggers above which more detailed justification and assessment is required.

Activity Centres as Mixed-Use Locations

A clear focus of SPP 4.2 is to emphasise the role of activity centres in accommodating a mix of uses, other than traditional retail uses. In particular, Strategic Metropolitan Centres and Secondary Centres are a focus for the development of a diverse range of activities.

The rationale for this increased focus of policy on mixed-use development is identified as “*a more equitable distribution of services, facilities and employment and an overall reduction in travel demand*” (SPP 4.2).

Increased diversity of land uses in activity centres is also a key objective in metropolitan planning for Sydney (*A Plan for Growing Sydney*), Adelaide (*The 30-year Plan for Greater Adelaide*) and Melbourne (*Plan Melbourne*). Similarly, these strategies emphasise mixed-use development, particularly in larger centres, as a means of improving access to employment and services.

Local Councils are advised by SPP 4.2 to implement ‘diversity performance targets’ for large activity centres. In the case of the City of Joondalup, three centres are currently required to develop diversity targets as set out in SPP 4.2, where Shop Retail floorspace exceeds 10,000sqm. In monitoring the diversity performance of the centres, the *Joondalup Local Commercial Strategy* states with regard to one of its Secondary Centres that:

“...there is a substantial amount of vacant land at the Warwick centre and a structure plan would have the potential to facilitate the expansion and growth of shop retail at Warwick while maintaining the current strong Mixed Use ratio through the provision of some alternative uses, including higher density residential development (such as aged person accommodation).” (Part B, p8)

The application and use of specific diversity performance targets is unique to Perth in the national context, although more generalised targets associated with land use diversity and employment are often identified in other States and Territories.

1.4 Response to Issue

The City of Swan will develop a new **Local Commercial and Activity Centres Strategy** which reflects the latest policy directions and objectives set by the WA Planning Commission and relevant Local policies. Likewise, the Strategy will need to incorporate the latest inputs in terms of economic drivers and industry trends in land use planning and development. Importantly, the Strategy must also reflect the significant changes in how people are undertaking a wide range of activities as result of technological innovation and cultural shifts. The Strategy will also reflect the latest trends in activity centre planning where relevant to the City of Swan.

ISSUE 2: PLANNING FOR INCREASED RESIDENTIAL USES IN ACTIVITY CENTRES

2.1 The Issue

Both SPP 4.2 Activity Centres For Perth and Peel and SPP 3.2 Urban Growth and Settlement specifically encourage, where appropriate, increased residential densities in activity centres. This policy direction is both to encourage, and respond to, recent shifts in community demand for residential development. Importantly, changing preferences in the type and location of housing by the general community is a dynamic being experienced across most major cities in Australia.

In the City of Swan, the growth in demand for higher-density residential development is reflected in recent development trends at the Midland Strategic Metropolitan Centre. Similarly, Council has reported increased interest from the development community for consideration of housing in other activity centres in the City.

Issue 2: Activity centres in the City of Swan are increasingly popular as locations for housing. Policy needs to ensure that appropriate residential development is supported, while also retaining the role of activity centres as locations for a wide range of important retail, commercial and community infrastructure.

2.2 City of Swan Current Approach

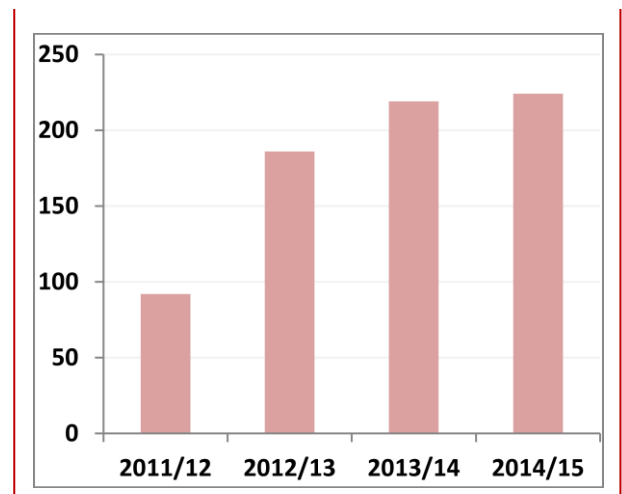
In the City of Swan, a suite of ‘city centre’ zones are applied to the Midland Strategic Metropolitan Centre. As shown below, three of these zones are intended to accommodate and encourage higher residential densities:

‘City centre – residential zone’ - “(a) facilitate residential development based on proximity to the Strategic Regional Centre, to enable people to live close to their work and/or commercial facilities available within the centre”

‘City centre – mixed use zone’ – “(c) promote the development of multi-storey buildings with articulated facades and consistent small front setbacks designed and landscaped to provide an attractive urban streetscapes conducive to both residential and commercial use”

‘City centre – business zone’ – “(c) encourage residential development in the upper levels of commercial buildings so as to enhance the vitality of the centre and provide opportunities for people to live

Figure 2.1: Residential Dwelling Approvals – Midland / Guildford



Source: ABS Building Approvals. Cat. 8731.0

in close proximity to their place of employment” (City of Swan Planning Scheme, p9-11)

Residential development in activity centres other than Midland is limited to residential zoned land. This reflects the situation where the General Commercial Zone, which applies to most centres, prohibits residential development.

In residential areas, new development is subject to residential codings or dual residential codings, which specify a maximum number of dwellings per hectare.

Additionally, residential development with a residential coding of R40 or greater is subject to a minimum dwelling size requirement of 40m² plot ratio area, and dwelling diversity requirements.

The City of Swan’s Urban Housing Strategy identifies a number of potential residential development sites to meet target of 47% of required future dwellings as infill development, consistent with the criteria in Department of Planning *Directions 2031* report.

2.3 Best Practice Review

Comparison of Planning Policy Approaches to Housing in Activity Centres

Nationally, planning reforms are being implemented which generally encourage higher-density residential development in, and on the fringe of, activity centres.

In Victoria, recent reforms to the planning system mean that Councils are encouraged to apply a ‘Residential Growth Zone’ on residential land in close proximity to activity centres and public transport. The State Government has a review role to ensure that sufficient land is included in the Residential Growth Zone to reflect policy objectives.

An ‘Activity Centre Zone’ not dissimilar to the ‘City Centre – Mixed Use Zone’ in the City of Swan, is commonly applied to higher-order activity centres (in relative terms Secondary and Strategic Metropolitan Centres) where a complex mix of land uses needs to be reflected in planning policy.

According to the Victoria Planning Provisions, the Activity Centre Zone is intended:

“To encourage a mixture of uses and the intensive development of the activity centre”,

And:

“To deliver a diversity of housing at higher densities to make optimum use of the facilities and services.”

In New South Wales, Development Control Plans (DCP) set controls for land use and development of activity centres. A feature of the planning system in NSW is the greater level of

autonomy for local councils to set strategic policy direction in DCPs, including an array of centre specific directions.

While the approach to planning for residential development in activity centres varies across the State's local government areas, the local policy contained in DCPs must still be approved by the State Government.

At a strategic level, State Government policy specifically identifies the need to increase residential development at activity centres.

However, in some instances Councils have retained through their DCPs the prohibition of residential development in areas which are intended as a specific focus for retail and/or commercial development. This tends to be selectively used in high-intensity core commercial areas of large activity centres with a large office-space component that is protected by policy from conversion to residential space. For example, Willoughby Council in Sydney prohibits (with some limited exceptions) residential development in the centre of the large Chatswood activity centre, which is a major retail and commercial hub serving northern Sydney.

In contrast, other Councils such as Blacktown City Council permit residential development in business zones throughout their activity centres, although with specific conditions.

Controlling Nature of Residential Development

Planning policy nationally is increasingly focussed on providing additional flexibility to accommodate residential growth in activity centres. However, the nature of this residential development remains carefully controlled by relevant planning policies.

Activity centres remain a focus for a wide range of non-residential activities, and it is important that the potential for 'conflicts' between residential and non-residential land uses are carefully managed. Likewise, residential development can have the potential to 'crowd out' other selected land uses which are lower-order, or represent a lower return on investment for developers.

General guidance provided by planning policy for residential development in activity centres, nationally, include:

- Continued use of height controls such as specific height limits (e.g. 14 metres) and plot ratios (called 'floor space ratios' in NSW and Queensland)
- Minimum and maximum lot frontages e.g. Commercial Zones Victoria have a maximum frontage of two metres for residential dwellings
- Residential design guidelines, with New South Wales enforcing specified minimum apartment sizes.

As a result, it is clear that planning policy remains closely engaged with directing the scale and nature of residential development in activity centres, notwithstanding overarching strategic directions seeking to direct housing to these locations.

2.4 Response to Issue

The City of Swan **Local Commercial and Activity Centres Strategy** must reflect the strong policy focus supporting higher-density residential development within and on the edge of activity centres. This will occur in an environment of ongoing increases in community interest in higher-density residential formats, and requires policy to carefully manage potential land use conflicts between residential and non-residential land uses.

ISSUE 3: INTRODUCTION OF NEW RETAIL ENTRANTS

3.1 The Issue

The retail industry is one of the most innovative and dynamic sectors of the Australian economy. Retailers are in a constant process of change and evolution in response to factors, including:

- Demographic change
- Changing consumer tastes
- Competitive pressures
- New product innovation
- Need to minimise costs
- Changes to product storage and display.

For the above reasons, over time the land use planning and development context for the retail sector can change profoundly.

This is most evident when new retail entrants, or innovation by existing retailers, result in significant changes in how retail floorspace is provided by the retailers, and, subsequently, how this floorspace is used by consumers.

The introduction of ALDI and Costco to Australia has had major implications for land use planning policies in States where those brands have sought to locate. In some instances, planning policies and definitions have been unable to effectively accommodate the developments of ALDI and Costco store formats. Likewise, the rapid growth of Bunnings in the past 20 years has required the re-evaluation of how hardware and trade supplies retailing should be accommodated by strategic land use policies.

In the future, further change in the retail sector, including new store formats not currently envisaged by policy makers, can be expected to continue to be introduced nationally, including Western Australia and the City of Swan.

Both ALDI and Costco have indicated their intent to locate in Western Australia in the short-term. ALDI have specifically identified plans for approximately 40 stores in Perth, while Costco has indicated potential exists for one or two stores in the Perth market.

The City of Swan therefore needs to ensure that appropriate land use policies are in place to accommodate these formats in the City in a manner consistent with broader policy objectives.

<p>Issue 3: The retail sector is highly dynamic, with continuous innovation by retailers in response to shifts in consumer spending preferences and habits. In Australia, new formats by retailers such as ALDI and Costco are providing challenges for land use policies to accommodate the evolution of the retail sector in a manner that continues to reflect overall policy goals.</p>
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3.2 City of Swan Current Approach

The City of Swan adopts a ‘pro-growth’ strategy in relation to investment, jobs and economic opportunities. For this reason, Council has a preferred approach of attracting new and innovative retail formats that can achieve the dual goals of:

- Providing enhanced facilities and access to goods and services for the local community, and
- Generating local jobs, investment and the ‘export income’ associated with local spending by non-City of Swan residents.

Those goals need to be delivered in the context of well-established planning objectives identified by the State Government, such as through SPP 4.2, and Council’s desire to implement a centres-based policy for retail and commercial development.

Both ALDI and Costco have had preliminary discussions with the City of Swan in relation to potential sites for new stores. It is understood that ALDI are likely to locate in the Midland Gate Shopping Centre, with other stores also being considered in the balance of the City.

The key difficulty for Council in considering applications for new retail entrants such as ALDI and Costco is that these types of retailers are not readily comparable with existing retail formats in Australia. As a result, special consideration of their unique retail model is required in the policy and decision-making process. Some of these differences are identified in Table 3.1.

Table 3.1 Comparison of Store Types

Store Format	Full-line Supermarket	Discount Department Store (DDS)	Department Store	Costco	ALDI
Floorspace (GFA)	3,000-4,500m ²	5,000-8,000m ²	10,000-25,000m ²	13,625m ²	1,500m ²
Employees	≈60-80 FTE (120-160 total)	≈50-80 FTE (100-160 total)	≈70-170 FTE (150-350 total)	275 FTE (375 total)	15 FTE (20 total)
Product lines	≈30,000+	≈50,000+	≈70,000+	≈4,500	≈1,200
Membership	No	No	No	Yes	No
Location	Shopping Centre	Shopping Centre	Shopping Centre	Free Standing	Either
Annual turnover	\$25-50m	\$20-40m	\$30-60m	\$150m	\$10m-\$20m
% turnover to business	<2%	<5%	<5%	32%	<5%
Population catchment	8,000+ persons	30,000+ persons	100,000+ persons	700,000+ persons	20,000+ persons

Source: Essential Economics

Note: Indicative estimates; substantial variation may exist for particular stores
FTE: Full-time equivalent jobs

With this wide range of retailing characteristics, it is important for the Local Commercial and Activity Centres Strategy to provide strong policy guidance to the City of Swan in relation to how new and innovative retail formats and market entrants can be appropriately accommodated.

3.3 Best Practice Review

In determining the appropriate consideration of a retail format in planning policy, the following factors are typically taken into consideration across various planning jurisdictions Australia-wide:

- **What do they sell?** The nature and function of items sold at a retail outlet. Often, the product mix will be a clear indicator of the appropriate location for a retail outlet. For example, food and groceries are generally considered most appropriate in activity centres, while stores selling bulky goods require large floor areas that are often difficult to create in the core areas of activity centres.
- **Who do they sell to?** Who are the customers served by that retail format, including consideration of whether customers are from the 'household' or 'business' sectors. Generally, businesses selling primarily to the business or wholesale sector are more likely to be permitted to operate outside of activity centres, in contrast to stores selling primarily to household customers.
- **How big are they?** The overall size of a store or retail format is also often a relevant planning consideration. A minimum or maximum floorspace size for individual tenancies is often applied as a planning control to assist in determining where specific retail formats can locate. In the case of Costco, the very large physical size of this retail format and the fact that it is typically free-standing with a large carparking requirement, means that difficulty in finding sites of an appropriate size is a constraint in identifying a store location.

In 2011, the Productivity Commission released two reports which have had a strong influence on the subsequent development of planning policies in Australia, namely:

- 1 *Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments* (April 2011), and
- 2 *Economic Structure and Performance of the Australian Retail Industry* (November 2011).

Both reports identified the role that the planning system has in determining the physical locations from which retailers can trade, and the implications this has for competition, innovation and the introduction of new retail industry players.

In particular, both reports identified the potential for competition in the retail sector to be limited by the inability of new retail formats to challenge well-established existing businesses. Examples of ALDI having difficulty in identifying and securing new sites for their stores in Australia was often cited in industry and community commentary at that time.

Subsequently, the flexibility available for ALDI to identify potential sites in Victoria was increased through planning reforms introduced in July 2014 that allow locations in bulky goods precincts and industrial areas. Previously, ALDI was a prohibited use in these areas. The reforms specifically allow for:

- A supermarket of up to 1,800m² in selected bulky goods and industrial areas, as long as the subject site is adjacent to a road
- Up to 500m² of shops only if located adjacent to a supermarket.

Subsequently, the planning reforms have formed the basis for ALDI, and in some instances other operators of smaller supermarket formats, to locate in light industrial areas and integrate into homemaker/bulky goods centres.

In relation to Costco, the assessment of proposed stores has been undertaken for locations which are on Commonwealth land (Canberra, Moorabbin) and land covered by the planning system relevant to each state (North Lakes – QLD; Auburn, Liverpool, Marsden Park – NSW; Docklands, Epping, Ringwood – VIC; Adelaide – SA).

For all state-based approvals processes, the relative location and relationship of Costco relative to activity centres and other commercial uses has been an important consideration in the approval process. However, recognition was typically made of the unique concept provided by Costco, and the fact that an ‘in-centre’ location was not necessarily realistic (or appropriate) in instances.

In New South Wales and Queensland, planning reforms have been foreshadowed which could potentially include changes to how proposals such as Costco and ALDI can be considered by planning policy. However, at present the nature and final outcome of these reform processes remains uncertain.

The importance of ensuring that planning systems are sufficiently dynamic to respond to innovation and the potential for retail innovation is reflected in the following statement from the Planning Institute of Australia:

...the issue is not so much that planning per se is inconsistent with competition or with the conditions that support development confidence and success, but rather that poorly functioning planning systems can make new development more expensive and risky. ... Productivity Commission should be investigating the ways that poorly functioning planning systems can make new development more expensive and risky, rather than looking at the planning system as a whole as a barrier to competition. (PIA submission June 2014)

3.4 Response to Issue

The introduction of ALDI and Costco into Western Australia creates new challenges for planning policy in determining the appropriate location for these, and potential future new, retail formats. As a result, the **Local Commercial and Activity Centres Strategy** must provide guidance on the appropriate policy framework to apply to these uses, while also allowing for future innovation and change in the retail sector in a manner which does not undermine core planning policy objectives, including those identified in SPP 4.2.

ISSUE 4: LOCATION PLANNING FOR BULKY GOODS AND HIGHWAY SERVICE ZONES

4.1 The Issue

In the City of Swan, the Highway Service Zone is applied to areas where lower intensity retail and commercial activity, including bulky goods, can operate with the benefit of exposure to main road traffic. Examples include along Beach Road and Marshall Road in Malaga, and at the eastern edge of the Midland Strategic Metropolitan Centre along the Great Eastern Highway.

Typically, retail development in this zone has included large format retailers uses which are often unable to find an appropriate location in activity centres due to factors including:

- The need for relatively large areas devoted to the display and/or storage of big or bulky items
- Servicing requirements such as large carparks and delivery areas which are often unsuited to intensive urban environments
- Patronage patterns which require easy access via road from a sub-regional or regional catchment.

In recent times, Council has received applications for retail and commercial development in the Highway Service Zone for more intensive retail and commercial uses (such as small supermarkets and offices). These applications have required consideration of how the developments may impact on activity centres and centres-based policy. A specific example is the introduction of ALDI to Western Australia, and the potential for sites in the Highway Service Zone to be the subject of development applications.

Furthermore, as the population of the City of Swan rapidly expands, Council requires guidance on the context in which additional land in the Highway Service Zone can be planned and delivered.

According to the direction contained in SPP 4.2, bulky goods retailing and mixed business areas should be planned in a systematic manner which reflects the unique locational requirements of relevant businesses, but which does not undermine activity centres policy nor result in an undesirable urban development outcome.

Issue 4: Activity centres policy needs to provide more clarity in relation to how development of large-format bulky goods retailing and development of highway service zones can be undertaken in an appropriate manner.

4.2 City of Swan Current Approach

Controls Applicable to Bulky Goods and the Highway Service Zone

In specific terms, the objectives of the Highway Service Zone relating to retail development in the City of Swan are:

(a) secure the development of low intensity commercial uses along selected major arterial roads outside the Strategic Regional Centre which can benefit from the high exposure offered by the major traffic thoroughfares; and car based comparison shopping for bulky goods;

(b) ensure commercial activity within the zone is complementary to development in other commercial zones and does not detract from the viability or integrity of development in either the Strategic Regional Centre or the Commercial zones.(City of Swan Planning Scheme, p12)

In this context, current planning policy in the City both provides guidance on the nature of retail development that is appropriate for the Highway Service Zone (i.e. low intensity and car-based comparison shopping for bulky goods), as well as the context in which that development should be provided (i.e. in a manner which is complementary to the viable operation of activity centres).

The above policy objectives are broadly consistent with the directions contained in Clause 5.6.1 of SPP 4.2 which indicate:

- Shop retail uses are best situated in a pedestrian friendly urban environment, and that bulky goods retailing is generally unsuited to the core of activity centres
- Bulky goods operates from retail showrooms comprising extensive display and storage areas and does not include the sale of food, clothing or personal effects goods
- A preference exists for bulky goods to locate in clusters on the fringe of, or in proximity to, activity centres and regional transport networks
- Bulky goods retail encroaching on residential and industrial zones is to be avoided and *ad hoc* development in a 'ribbon' pattern along major roads is discouraged
- Appropriate access and urban design controls are required to support amenity and complementary development outcomes.

The review of the **Local Commercial Activity Centres Strategy** for the City of Swan must ensure that the implementation of policy in relation to bulky goods retailing and mixed business areas is consistent with the directions and intent identified by SPP 4.2.

Planning for Future Bulky Goods Retail and Highway Service Zone

Future planning for bulky goods retailing and other low-intensity commercial uses appropriate for mixed business areas, and the application of the Highway Service Zone in the City of Swan,

is an important consideration for policy in view of the rapid growth in demand expected over coming years.

Council has existing major precincts located at Malaga and adjacent to the Midland Strategic Metropolitan Centre which have existing strong policy support to accommodate future growth and development. However, ongoing urban development in the urban growth corridor extending north to Bullsbrook means that ongoing policy guidance is required in relation to the potential development of new precincts.

In planning for these areas, State Planning Policy is explicit that consideration of future need should be demonstrated in policy through supporting analysis, and that the need to retain affordable industrial land remains a priority (see SPP 4.2 Clause 5.6.1).

4.3 Best Practice Review

Controls Applicable to Bulky Goods and Mixed Business Areas

Generally accepted planning policy in Australia provides specific controls for what can be termed 'mixed business areas' comprising a mix of bulky goods retail, trade and business supplies, light industry, recreation, and other associated uses. In this regard, the objectives and application of the Highway Service Zone in the City of Swan is generally consistent with normal planning practice Australia-wide.

In definitional terms, some variation exists between State planning jurisdictions in relation to the exact land uses allowed in these areas. Likewise, the enforcement mechanisms can also vary in regard to the manner in which retail, office and other uses potentially located in activity centres are controlled. In all instances, policy:

- Recognises the important role and function of mixed business areas
- Manages the impacts that the operation of these areas have on the supply of industrial land and the operation of activity centres.

Recent planning zone reforms in Victoria are the most supportive in national terms in allowing some small supermarkets, shops, offices and cinemas into mixed business areas. In contrast, South Australia has a relatively strict interpretation of uses that are allowed in the 'Bulky Goods Zone' and this effectively excludes ALDI and similar small supermarkets.

However, despite individual differences, the overall intent of planning controls across all jurisdictions is generally to place restrictions on the scale and nature of retailing which can be developed in mixed business areas (including bulky goods retailing). This is to protect the core role and function of activity centres as a focus for high-intensity retail, commercial, community and cultural activities.

Typically, some allowance is made in mixed business areas for convenience, food and service retailing which has a core function of serving passing trade or local employees and businesses.

Specific controls relating to bulky goods retailing can generally be described as a mix of 'descriptive' and 'prescriptive' controls.

'Descriptive controls' relate to the overarching definition of the land uses that comprise bulky goods, and the nature of development and operation of retailing which is consistent with that definition. A review of relevant controls across Australia shows that the descriptions of bulky goods retailing (including alternative names applied in specific jurisdictions) are similar and can include descriptions of what can, and cannot, be sold in bulky goods outlets.

South Australia – Bulky Goods Definition

"premises used primarily for the sale, rental, display or offer by retail of goods, other than foodstuffs, clothing, footwear or personal effects goods, unless the sale, rental, display or offer by retail of the foodstuffs, clothing, footwear or personal effects goods is incidental to the sale, rental, display or offer by retail of other goods"

South Australian Planning Policy Library Terminology List

Likewise, in some cases descriptions will include recognition of the 'bulky' scale and nature of products stored, displayed and sold at bulky goods outlets. In New South Wales, the physical bulk of products is given specific weight in consideration of what constitutes bulky goods retailing.

In most instances, some allowance is made for the ancillary sale of goods and services which are not part of the approved description. For example, in Victoria the definition of so-called 'restricted retail':

"...does not include the sale of food, clothing and footwear unless ancillary to the primary use." (Victoria Planning Provisions Clause 74).

No specific definition of ancillary applies in Victoria, and this has been the basis for some controversy over what constitutes an acceptable product mix.

In addition to descriptive controls for bulky goods retailing, 'prescriptive controls' can also apply. For example, in South Australia a minimum floorspace of 500m² per individual bulky goods tenancy means that smaller shop-type tenancies are not able to be developed.

Planning for Bulky Goods Retailing and Mixed Business Areas

In Western Australia, very strong strategic guidance is provided in SPP 4.2 in relation to determining the future planning for bulky goods and mixed business areas. A sequential approach is adopted in SPP 4.2 which indicates preferred locations for new development as follows:

- **Edge-of-Centre:** Sites which are integrated with, but not within, the walkable catchment or core activity centre precincts.
- **Out-of-Centre:** Where no suitable sites in or adjacent to activity centres are available, out-of-centre locations with mixed business or equivalent zones integrated with established and well-located bulky-goods nodes.

- **New Out-of-Centre Development:** Only supported in the limited circumstances where sufficient suitable sites in or adjacent to activity centres, or within or integrated with existing bulky-goods nodes, are not available.

The sequential site test originated in the United Kingdom and provides a formalised framework to ensure that, where possible, development of new bulky goods retailing and associated development in mixed business areas is undertaken in a manner that consolidates and complements activity centres policy.

In Western Australia, although the principles of the sequential test have been commonly adopted in overarching policy guidelines and objectives, the specific framework laid out in SPP 4.2 is a more formalised approach than the higher level principles typically laid out in other jurisdictions.

Overarching planning policies Australia-wide generally provide:

- A preference for bulky goods and associated mixed commercial development within or on the fringe of activity centres
- A recognition that it may also be appropriate to provide for land at specific out-of-centre locations for bulky goods and mixed commercial development where this is consistent with generating a community benefit and does not undermine activity centres policy
- That, where out-of-centre development occurs, it should be undertaken in a strategic, rather than *ad hoc* manner, which includes consideration of appropriate urban design and form.

The above principles are clearly relevant for application in the City of Swan **Local Commercial Activity Centres Strategy**.

4.4 Response to Issue

It is appropriate for the **Local Commercial Activity Centres Strategy** to provide strong guidance on the scale and nature of bulky goods development, and the appropriate controls for retail and commercial activities to apply in the Highway Service Zone. The intent is to create a policy framework which allows for the development of low-intensity retail and commercial uses in a manner that benefits the community without undermining activity centre policy objectives, including those applied through SPP 4.2. Future planning for bulky goods retailing and mixed business areas will also need to reflect desired economic development and planning policy outcomes.

ISSUE 5: PRESSURE FOR RETAIL DEVELOPMENT IN INDUSTRIAL AREAS

5.1 The Issue

Development and occupancy costs in industrial areas are generally lower than for higher-order commercial zoned land. This is often a factor in the location decisions of some businesses that are seeking locations in industrial areas, but might otherwise locate in activity centres or other areas (such as the Highway Service Zone) where commercial development is encouraged.

In the City of Swan, consistent pressure is applied by developers and businesses seeking to locate land uses such as leisure centres (dance studios, gyms etc), showrooms, trade supplies, places of worship, non-ancillary offices, and even retail uses in industrial zoned land. In many instances, the ability of Council to make quick and effective decisions is compromised by a lack of clarity in relation to what is allowable under the relevant controls.

This is made more difficult by ongoing changes in the way that businesses operate in industrial and other areas, including changes to operational requirements and shifts in how customers purchase and access goods and services.

State Planning Policy is clear that the primary purpose of industrial land is to be protected, and that the encroachment of office and retail development in industrial areas is to be minimised.

Issue 5:	Industrial areas in the City of Swan are increasingly subject to retail development applications and interest for commercial development from investors. Guidance is required on the appropriate scale and nature of retail and other development in industrial areas that balances activity centre policy objectives with consumer and economic development benefits.
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5.2 City of Swan Current Approach

Retail or showroom development is not an allowable use for the two industrial zones applied in the City of Swan Local Planning Scheme.

This is consistent with the directions of SPP 4.2 in relation to commercial uses in industrial zones (Clause 5.6.2) which states:

Shops and office development should only be permitted on land zoned industrial under region and local planning schemes where:

- *Shops provide a local convenience service predominantly for people employed in the locality and are confined to a local centre; and*
- *Offices are ancillary to the predominant industrial use of the premises or are confined to a local or small-scale centre that services industrial developments.*

Furthermore, State policy specifically indicates that the encroachment of bulky goods retail into industrial zoned land should be avoided.

Nonetheless, Council has a priority to support economic development, investment and jobs. It is important to ensure, therefore, that industrial-type businesses which include ancillary office, retail or other functions can be accommodated in the appropriate zone (potentially an industrial zone), subject to the application of appropriate planning policies.

5.3 Best Practice Review

In general, planning policies tend to explicitly recognise the inherent business incentives involved in seeking locations which have a lower development and occupancy cost. For this reason, both high-level policy directions and specific planning mechanisms are enacted to prevent the development of inappropriate retail and commercial development in industrial areas.

The expectation is that without such controls, out-of-centre retail and commercial development can:

- Undermine the viability of activity centres and identified mixed business areas
- Raise the costs of industrial land for genuine industrial users that are less likely to outbid retail and commercial development for access to desired sites
- Result in the use of land for retail and commercial purposes which lacks the appropriate supporting infrastructure (parking, street lighting etc)
- Lead to ‘creeping’ growth of inappropriate out-of-centre development on an incremental basis over time
- Undermine high-level policies related to integrated land use planning and development, including transit-oriented outcomes.

Queensland – SPP Guideline Policy 3(c)

“maintaining industrial zoned land for development of uses that satisfy the purpose of an industrial zone and discouraging development of industrial zoned land for uses which are more appropriately located elsewhere.”

Planning reform instituted in Victoria and proposed for Queensland advocates a more flexible approach to industrial land which can accommodate some limited retail and commercial development (subject to restrictions).

In the case of Victoria, this is applied through specific controls to the relevant light industrial zone which gives scope for some retail and commercial development.

In Queensland, this is a performance-based approach that requires Councils to take into account whether retail and commercial activity (SPP Guideline Development Construction):

“in proximity to complementary non-industrial uses, their co-location can contribute to the formation of attractive business environments.”

Ongoing shifts in how industrial land is used will continue to provide challenges for planning policy. For example, no planning policy identified Australia-wide has specifically considered the

impact which the internet is having on shopping patterns, or how goods are being distributed to consumers. As a result, the evolution and change in how light industrial buildings can be utilised by a wider range of businesses, other than the traditional light manufacturing and trade sales, is not currently adequately reflected in planning policy and decisions.

5.4 Response to Issue

Consideration of applications for developments with a retail and commercial component in industrial areas of the City of Swan is made difficult by changes to business operations and how customers access goods and services. For this reason, the **Local Commercial Activity Centres Strategy** needs to re-evaluate policy settings in relation to the use of industrial land to ensure that a clear decision-making framework exists for Council which prevents inappropriate development in industrial areas. However, it is also important to ensure the core objective of industrial land in supporting employment and business growth is not unnecessarily compromised.

ISSUE 6: PLANNING FOR RETAIL AND COMMERCIAL AREAS IN 'TOURISM' LOCATIONS

6.1 Issue

In 2014 the City of Swan attracted 954,000 visitors according to tourism research data. In particular, the Swan Valley region is a highly-accessible major wine growing region and recreational destination for residents and visitors to the broader Perth metropolitan area.

With the exception of CBDs and selected significant historical centres (e.g Fremantle, Guildford), most activity centres do not provide a wide array of tourism attractions. However, activity centres do have an important contribution to make in meeting the shopping, service and accommodation needs of many tourists and other visitors.

In notable tourist areas such as the Swan Valley and Guildford, a particular challenge is to maximise the ability of retail, commercial, accommodation and other facilities to service visitors and generate economic benefits, without undermining the attractions which are the basis for that tourist activity. In the case of Guildford this is an urban design response to new development, while in the Swan Valley this involves important environmental and cultural protections of a unique tourism precinct.

Issue 6: The Swan Valley is an area of significant natural beauty and environmental value which is quite rightly subject to policies that protect these outcomes. However, as a tourist region of national importance it is appropriate to consider how retail and commercial development can occur in a manner consistent with these protections.

6.2 City of Swan Current Approach

The draft Swan Valley Development Plan was prepared in September 2015 by the Department of Planning. The Plan provides a set of principles and a 'development checklist' intended to guide land-use and development in the Swan Valley. A sub-set of applied principles specifically relate to tourism development, tourism production and tourism accommodation development.

According to this draft Plan, tourism development will be concentrated in what is termed the Swan Valley Intensive Tourism Zone. This zone will apply in a series of localities where the clustering of intensive tourism activity and support services will take place.

The balance of Swan Valley will have substantially more limited scope for tourism development, with tourism development in the Rural and Rural Residential Zones only allowable (Page 26):

"where it is incidental to the primary use of the land and is of a scale and style that is sensitive to the rural character of the Swan Valley."

Little guidance is provided in relation to the appropriate scale and nature of tourist and visitor-oriented retail and commercial development outcomes in these areas outside the Swan Valley Intensive Tourism Zone.

In the municipality's historic activity centre at Guildford, facades and other building features of significant heritage and tourism value are protected under the Western Australia Heritage List.

6.3 Best Practice Review

Recent examples of planning for retail and commercial uses in tourism locations include measures taken by:

- Shire of Yarra Ranges, Victoria
- Mornington Peninsula Shire Council, Victoria
- Shire of Augusta-Margaret River, Western Australia
- Cessnock City Council in the Hunter Valley, NSW
- South Australian State Government for the Barossa and McLaren Vale wine regions.

A key focus has been to adopt an appropriate planning policy approach to accommodate private tourism attractions, maintain a high-degree of authenticity and amenity, and prevent the encroachment of urban sprawl on areas of particular tourism and/or agricultural significance.

In the Shire of Augusta-Margaret River, planning for the growth of Margaret River tourism has led to the implementation of a dedicated Tourism Zone at selected locations. This zone allows a targeted approach to accommodating tourism uses. Specific provisions in the municipality's Tourism Zone table are spread across three land-use types – chalet and camping, caravan-park, tourism – ensuring both tighter control and more effective facilitation of tourism-related development. All three zones allow commercial accommodation and retail and commercial development (with restrictions and specific exclusions on both).

A similar approach has been applied by Cessnock City Council in the Hunter Valley wine region of New South Wales. Tourism development in the region must be consistent with conditions outlined in the Tourist Zone, which is specified in the Local Environment Plan (LEP) that applies to the municipality.

In Victoria, a more flexible approach to accommodating tourism uses is common. In the Mornington Peninsula Shire, tourism uses featuring both a dominant agricultural use and an ancillary but often significant retail component, such as the Sunny Ridge Strawberry Farm, are located in what is termed the Green Wedge Zone.

Likewise, commercial businesses that target tourists – such as the Blue-Mini café, Mornington Brewery, and Commonfolk Coffee Company – have been accommodated in the Industrial Zone at sites highly accessible to visitors. Mornington Peninsula Shire regularly exercises its available planning permit discretion in favour of tourist-oriented developments.

In the Shire of Yarra Ranges, the highly successful retail tourism venture - Yarra Valley Chocolaterie and Ice Creamery - is also accommodated in the Green Wedge Zone. This facility manufactures both chocolate and ice cream on-site, although the dominant active use of the land is for retail, functions and events.



Yarra Valley Chocolaterie & Ice Creamery, Victoria

South Australian has elected to apply a state-based approach to controlling development in regions of significant tourism value. This is very similar to the way that the protection of tourism and agricultural land in Swan Valley is being led by the Western Australian Government.

In 2012, the South Australian Government passed the Character Preservation (Barossa Valley) Bill and Character Preservation (McLaren Vale) Bill. The passing of this legislation ensured that land cannot be subdivided in the Barossa or McLaren Vale wine regions for residential or other purposes without full parliamentary approval, excluding land in existing rural living area zones in the Barossa Valley.

The intention of both Character Preservation Bills is to:

(a) to recognise, protect and enhance the special character of the district while at the same time providing for the economic, social and physical well-being of the community; and

(b) to ensure that activities that are unacceptable in view of their adverse effects on the special character of the district are prevented from proceeding; and

(c) to ensure that future development does not detract from the special character of the district; and

(d) otherwise to ensure the preservation of the special character of the district.

Relevant local policies emphasise that retail development is allowable, but must be a relatively minor use in the region and emphasise the sale of specialised products particular to the McLaren Vale or Barossa regions.

In summary, the draft Swan Valley Development Plan provides a policy framework which has a consistent set of objectives to that applied in other similar sensitive tourist regions of Australia. That is, the protection of highly sensitive environmental and cultural environments balanced with the need for some appropriate retail and commercial development.

In Swan Valley, the proposed controls on retail and commercial activity adopts an approach which emphasises intensive development in key nodes. This differs from the more dispersed development patterns allowable in some other comparable regions, such as the Hunter Valley and Mornington Peninsula. However, the adoption of the Intensive Tourism Zone at selected locations with access to complementary infrastructure can be justified on similar grounds to the centres-based policies for retail and commercial development advocated by SPP 4.2 and other planning policies across Australia.

6.4 Response to Issue

The tourism industry is an important component of the economy in the City of Swan. Where opportunities exist for retail and commercial development to generate benefits to the local economy from tourism visitation, it is appropriate for the **Local Commercial Activity Centres Strategy** to support this outcome. However, this is subject to relevant environmental, cultural and heritage controls, including the implementation of the draft Swan Valley Development Plan by the State Government.

7 SUMMARY OF KEY FINDINGS

A summary of the issues and findings from the best practise review is shown below.

Issue 1: Out-of-date Activity Centre Policy and Response to SPP 4.2

A need for regular policy reviews to reflect the dynamic and continually evolving nature of land use planning and development was identified in the best practice review. Adopting a coherent hierarchy of activity centres is a standard policy tool, while the trend for activity centre policies to support an increasingly diverse mix of land uses is also evident Australia-wide.

Issue 2: Planning for increased residential uses in activity centres

Activity centres in the City of Swan are increasingly popular as locations for housing. Policy needs to ensure that high-density residential development is supported within and on the edge of activity centres. Increasing community interest in higher-density residential formats is occurring nationally, and requires policy to carefully manage potential land use conflicts between residential and non-residential land uses in activity centres.

Issue 3: Introduction of new retail market entrants (e.g. ALDI, Costco)

The retail sector is highly dynamic with continuous innovation by retailers in response to shifts in consumer spending preferences and habits. Nationally, land-use policies are responding to, and accommodating new retail formats by retailers such as ALDI and Costco in a manner that retains the functionality and role of activity centres.

Issue 4: Location planning for bulky goods and the Highway Service Zone

Activity centres policy needs to provide more clarity in relation to how development of large-format bulky goods retailing, and development of the Highway Service Zone, can be undertaken in an appropriate manner. Overarching planning policies Australia-wide generally prefer bulky goods retailing at edge-of-centre locations.

Issue 5: Pressure for retail development in industrial areas

Industrial areas in the City of Swan are increasingly subject to retail development applications and interest from retailers. Planning reform instituted in Victoria, and proposed for Queensland, advocates a more flexible approach to industrial land which can accommodate some limited retail and commercial development (subject to restrictions). Similar reforms were rejected in New South Wales.

Issue 6: Planning for retail and commercial activity in the Swan Valley

The Swan Valley is an area of significant natural beauty and environmental value which is quite rightly subject to policies seeking to protect these values. Both State-based and local policies implemented to protect environmental value have been applied to other tourist regions of significance nationally. It is appropriate to consider how retail and commercial development can occur in the Swan Valley in a manner consistent with the region's conservation.