

COUNCIL MEETING 26 APRIL 2022

PCC.3/4/22 Retail Trading Hours – Community Engagement & Cost Benefit Analysis (Report 01)

At the meeting of the Planning and Community Consultation Committee on 12 April 2022, additional information was requested regarding Retail Trading Hours – Community Engagement & Cost Benefit Analysis.

QUESTION 1

Please provide an explanation in layman’s terms for the modelled Benefits and Costs (page 9 of the Report), including a more detailed breakdown and definitions.

RESPONSE FROM DIRECTOR STRATEGY AND ECONOMIC DEVELOPMENT: The benefits the costs and benefits that are identified in the Executive Summary are described in Section 8 of the Report, Valuing Impacts. They have been summarised as follows:

Figure 1. Cost Descriptions

Costs	Description
Turnover Impact for Activity Centres with Small-Medium Retail Anchor	<p>This cost represents the estimated reduction in turnover for activity centres within the City of Mandurah that are anchored by small to medium retailers (i.e. retailers such as IGA that are currently allowed to trade outside of the restricted hours).</p> <p>The cost was estimated using gravity modelling. It was assumed that large retailers being allowed to open longer hours would make the activity centres they occupy more attractive. This would cause a shift of spend from activity centres within the City that do not directly benefit from extended trading hours.</p> <p>From a community perspective this cost is a transfer as it accrues to activity centres within the City of Mandurah.</p>
Additional Cost to Consumers	<p>This cost represents an increase in average shopping trip for City residents who start shopping at larger retailers (i.e. coles) due to extended trading hours.</p> <p>Desktop research identified that large retailers (i.e. coles) were potentially more expensive per average shopping trip than small to medium retailers (i.e. IGA). The identified increase in cost per shopping trip was applied to the estimated additional number of shopping trips per year that the City’s residents would make to large retailers. This provided an estimate of the total additional cost to consumers (City residents).</p>

Costs	Description
	<p>It should be noted that this increase in cost could be justified in economic terms based on the ability of the consumer to choose to shop at the cheaper store. This would mean that the utility for the consumer of shopping at a major retailer would be higher than shopping at an IGA; this could be due to a wider range of goods, brand awareness, and other factors.</p>
Reduction of Leisure Time	<p>This cost represents the potential cost of reduced leisure time for workers in the Retail industry and their families (it was assumed that where a worker had a family there was a cost to them from not being able to enjoy leisure time with the working family member).</p> <p>The cost was estimated based on survey results that indicated the proportion of retail workers who:</p> <ul style="list-style-type: none"> • would not want to work additional hours; • or, would not work outside extended trading hours <p>and</p> <ul style="list-style-type: none"> • indicated they would experience a loss of leisure time if they had to work shifts outside of extended trading hours <p>The survey results were applied to estimated additional working hours and an industry standard value of leisure time that is used for Cost Benefit Analysis across a wide range of projects.</p> <p>The additional hours were based on the net additional full time equivalent employment generated by extended trading hours.</p> <p>It should be noted that the estimated cost associated with lost leisure time is intrinsic, meaning it is an intangible disbenefit potentially experience by the workers. In economics, the income earned while working additional hours is considered compensation for disbenefits such as lost leisure time (i.e. the utility provided by earning money for working is greater than the disutility of working).</p>

Figure 2. Benefit Descriptions

Benefits	Description
Reduced Turnover Leakage	<p>This benefit represents the turnover captured from activity centres outside the City due to extended trading hours.</p> <p>It is assumed that large retailers being allowed to open longer hours would make the activity centres they occupy more</p>

Benefits	Description
	<p>attractive. Large retailers outside of the City would already be allowed to open during extended trading hours meaning the Activity Centres they occupy would not change in attractiveness.</p> <p>Extending trading hours in the City would therefore cause a shift of spend from activity centres outside the City that is a net increase in turnover for the City of Mandurah activity centre hierarchy. Gravity modelling was used to estimate the benefit.</p>
Turnover Impact for Centres with Large Retail Anchor	<p>This benefit represents the estimated increase in turnover for activity centres within the City of Mandurah that are anchored by large (i.e. retailers such as Coles that are currently not allowed to trade outside of the restricted hours).</p> <p>The benefit was estimated using gravity modelling. It was assumed that large retailers being allowed to open longer hours would make the activity centres they occupy more attractive. This would cause a shift of spend from activity centres within the City have small to medium anchor tenants that would not benefit directly from extended trading hours.</p> <p>From a community perspective this benefit is a transfer as it is derived from activity centres within the City of Mandurah.</p>
Reduction of Online Leakage	<p>This benefit represents a reduction in online spending from the City's residents due to extended trading hours.</p> <p>Survey results indicated that a primary reason for shopping online was trading hours. Respondents were then asked if they would reduce their online expenditure based on the proposed extended trading hours and if so by how much.</p> <p>This enabled an estimate of the potential reduction in online leakage attributable to the extended trading hours. This was combined with average online leakage to estimate the dollar reduction in online leakage from the City of Mandurah that would otherwise accrue to activity centres within the City.</p>
Employment (Net Impact)	<p>This benefit represents the net change in employment in the City of Mandurah due to the extended retail trading hours.</p> <p>It is estimated based on the net increase in turnover (based on comparison of turnover benefits to turnover costs) and the output per full time equivalent worker in the retail industry.</p>
Night-time economy and tourism spend	<p>This represents the benefit of positive reinforcing cycle achieved by more people shopping within the City.</p>

Benefits	Description
	Essentially, more people shopping at City's activity centres will increase the attractiveness and vibrancy of the City's activity centre hierarchy as a whole, leading to additional expenditure being captured within the City. This benefit was quantified at a high level but not included in the CBA results as certain assumptions could not be verified.
Smooths peak demand allowing social distancing	This represents the benefit of distributing consumer shopping times across additional hours of the day, allowing for reduced crowding in activity centres. It is not quantified.
Increase in Liveability	This represents the benefit to consumers of being able to access a greater variety of retailer (and consequently goods and services) after work hours. It is not quantified.
Reduced Travel Time	This represents the benefit of reduced distance travelled by the City's residents to access retail goods and services. The benefit is estimated using the gravity model and is based on the change in total distance travelled by the City's residents to access activity centres. The distance between dwellings and activity centres is a core component of the gravity model. The increased attractiveness of activity centres with large retail anchors increases the probability that residents will shop at those centres.

QUESTION 2

What are the inputs that make up the \$30 million?

RESPONSE FROM THE DIRECTOR STRATEGY AND ECONOMIC DEVELOPMENT: The inputs for the benefits are summarised above in response to Question 1. Assuming total values is referring to total retail turnover the \$30m in benefits is approximately 3% of total shop retail turnover generated by the City's activity centre hierarchy every year.

The values of both benefits and costs are emphasised as they provide a means of assessing the impact of the proposed extended retail trading hours on the City of Mandurah community in dollar terms. This facilitates decision making and allows the City and Councillors to understand the consequences of extending retail trading hours through a holistic approach that is able to combine social and economic impacts.

QUESTION 3

What is the Gross Retail Turnover for City of Mandurah?

RESPONSE FROM THE DIRECTOR STRATEGY AND ECONOMIC DEVELOPMENT: Total shop retail turnover for the City's activity centre hierarchy is estimated to be \$1.14 billion.

Comment: Retail employment: ABS data indicates 4,800 people in Mandurah were employed in Retail (note this is the number of Mandurah residents that were employed in retail, and thus excludes the effect of commuting. Indicative data suggest the proportion of retail workers who commute in and out of Mandurah for retail is relatively low in comparison to other sectors).

QUESTION 4

Was all online spend assumed to be external to Mandurah (and therefore potentially skew benefits \$4.9M)?

RESPONSE FROM THE DIRECTOR STRATEGY AND ECONOMIC DEVELOPMENT: The model assumes that 11.1% online expenditure remains within Mandurah.

Comment: Online leakage is based on a national average online leakage rate and could be marginally overstated. It was not possible to account for potential occurrences of local residents making purchases to online businesses within the City of Mandurah, although it is expected that local online spending would be a small proportion of total online spending from the City's residents due to the scale of the online market. It would also be expected that there would be instances of online purchases made from persons outside the City that would otherwise have occurred within the City but for the current trading hours, further mitigating the potential overestimate of leakage. Based on these considerations it was deemed that the online leakage rate was appropriate and that any overestimate of online leakage would be small and immaterial to the results.