

# Bright Community Impact Assessment

## Final Report

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Prepared for IGA Distribution

## Quality Assurance

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*This document is for discussion purposes only unless signed and dated by the persons identified.*

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# 1 Introduction

This report, prepared for IGA, provides an overview of the economy of Bright and details some of the impacts on the town that have resulted from the opening of a new Woolworth's supermarket in April/May 2010. The report is intended as a follow up analysis to a 2007 MacroPlan report that found that there was insufficient retail capacity in Bright to support the coexistence of a new Woolworth's store and existing retailers.

In short, it is found that the MacroPlan Report of 2007 on economy of Bright was accurate and Bright retail sector was under duress then and has not recovered since due to a significant extent to over supply of retail capacity/insufficient demand. The opening of the new Woolworth's store has resulted in a transfer of retail activity from established small-scale retailers located in the main town precinct towards the new large-scale supermarket store at the edge of the retail centre.

In addition, the number of vacant retail premises that exist in the town; the fact that numerous retail premises have been on the market for a considerable length of time; and a reluctance among developers to action development projects that have been approved by the local government all indicate that commercial confidence is low and there appears to be a degree of uncertainty about the economic future of Bright.

## 1.1 The Bright economy

Bright is one of three activity centres in the Alpine Shire. Situated on the Great Alpine Road approximately 320 kms or three and a half hours drive from Melbourne, the town is home to just over 2,000 people.<sup>1</sup> The town is predominantly a tourism and retirement town. Industries that service tourists, local activity such as retail trade, wholesale trade, and accommodation and food services are the main industries in the town. The economy of Bright is weak - key economic indicators for Bright, the wider Alpine region and Victoria as a whole are provided in the table below.

**Table 1.** Economic indicators for Bright, the Alpine Region and Victoria

Economic Indicators	Bright	Alpine Region	Victoria
Population (No.)	2,111	12,002	4,932,423
Median age of residents (years)	48	45	37
Proportion of people aged over 54 (%)	42.2	33.7	24.5
Median weekly household income (\$)	621	719	1,022
Proportion of households with weekly income below \$500 (%)	30.3	26.5	12.5
Proportion of households that are rentals (%)	27.8	21.4	24.6
Median rent as a proportion of median income (%)	24.2	18.8	18.1
Median housing loan repayment as a proportion of median income (%)	40.3	33.1	30.6
Unemployment rate (%)	4.5	4.6	5.4

*Source: ABS 2006 Census Data.*

Bright has an elderly population and incomes earned by the residents of the town are lower than those in the wider Alpine region and much lower than for Victoria as a whole. Median weekly household income in Bright is about 60 per cent of the median weekly income in Victoria. Almost one in three Bright households has a weekly income that is less than \$500 per week. Not only are incomes in Bright relatively low but the proportion of Bright residents' incomes that is spent on rent or housing loan

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<sup>1</sup> ABS 2006 Census Data.

repayments is relatively high meaning that disposable incomes in the town of Bright are quite limited. The proportion of residents renting rather than owning property in Bright is also high when compared to other areas. This is perhaps indicative of the Bright population being unable financially to commit to purchasing home due to the low incomes that are earned by Bright residents.

Tourism is a key driver of economic activity in Bright and available information indicates that the industry has been in decline for some years now. Data is not available for the town of Bright itself, but for the Alpine region as a whole there has been a marked downward trend in tourism activity over the last three years of published data. Domestic and international visitor trips to the region have fallen markedly and this has resulted in a substantial decrease in tourism earnings for the region (Table 2). The reduction in economic activity due to loss of turnover over the three years as indicated totals more than 8% of revenue or more than \$10 million in the period.

**Table 2.** Tourism activity in the Alpine region (2006-07 to 2008-09)

Tourism Activity	2006-07	2007-08	2008-09	Fall from 2006-07 peak (%)	Average expenditure per stay (\$)	Loss in tourism income between 2006-07 and 2008-09 (\$m)
Domestic Day Visitor Trips	240,000	176,000	148,000	-38.3	102	9.4
Domestic Overnight Visitor Nights	986,000	996,000	978,000	-0.8	157	1.3
International Visitor Trips	6,904	5,000	5,082	-26.4	NA	NA
<b>Total</b>	<b>1,232,904</b>	<b>1,177,000</b>	<b>1,131,082</b>	<b>-8.3</b>		<b>10.6</b>

Source: Alpine Shire, *Tourism Insights 2008/09*.

The statistics above indicate that retailing opportunities in the town of Bright have declined significantly. The economic profile of the town shows an elderly population with relatively low disposable incomes combined with the existence of a sustained downward trend in tourism activity.

## 1.2 The impacts of the opening of Woolworth's

The objective of this part of the report is to assess and document impacts of the opening of a 3,000 square metre Woolworth's store in Bright. The store was approved for development in 2007 and opened in April/May 2010. The store is situated on Gavan Street in Bright, on the edge of the town's main retail precinct. The new store is about 250 metres from the centre of the existing town precinct, which has historically served as the main focal point for pedestrian and commercial activity and, under Council policy, is the designated town retail centre.

A combination of statistical and anecdotal evidence is used to assess some of the impacts of the opening of the Woolworth's store.

### 1.2.1 Transfer of retail activity

Since the opening of Woolworth's there has been a transfer of retail activity to Woolworth's at the expense of pre-existing small-scale retailers.<sup>2</sup> The town's pre-existing retailers are worse off since the opening of Woolworth's as the aggregate increase in retail spend in the town has been more than offset by the loss of sales caused by the shift in activity towards Woolworth's.

Bright has historically been serviced by two relatively small supermarkets (IGA (1,500 sqm) and Foodworks) located on Ireland Street. IGA remains open but Foodworks closed in mid-May 2009 -

<sup>2</sup> Robert de Sauty, personal communication, 30 November 2011.

approximately ten months after the decision was granted by VCAT to build the retail complex on Gavan Street<sup>3</sup> and approximately one year before Woolworth's opened.

The owner of Foodworks has been quoted as attributing the closure of the store to the Global Financial Crisis<sup>4</sup> though others in the town suggest that the owner could not foresee Foodworks continuing as a viable business given the impending opening of Woolworth's.<sup>5</sup> It is likely that both factors entered into the decision to close the store. The premises, located in the heart of the shopping precinct in Ireland Street next to the newsagency, that were occupied by Foodworks remained vacant for 14 months after its closure. It is now occupied by an op shop.<sup>6</sup>

IGA remains open but its sales have declined markedly since the opening of the Woolworth's store. In a 2007 study into the likely impact of Woolworth's opening in the town, MacroPlan forecasted a drop in IGA sales in the order of 30 per cent. According to information provided by IGA, sales have fallen by much more than this - 49 per cent in the first year following the opening of Woolworths and a further 12% the following year. Under new management sales since appear to have stabilised at this level. MacroPlan 2007 projections versus actual IGA sales outcomes in percentage and approximate dollar terms are shown in Table 3.

**Table 3.** Actual versus forecast sales outcomes for IGA

Actual versus forecast sales outcomes for IGA	Decrease in sales in percentage terms	Decrease in sales in dollar terms
MacroPlan 2007 projection	30.2 per cent	\$3.2 million
Actual outcome - 2010	48.6 per cent	\$5.2 million
Subsequent outcome - 2011	12.0 per cent	\$0.65 million
Total outcome	55.2 per cent	\$5.85 million

*Source: MacroPlan 2007 and IGA.*

Some portion of the actual decrease in IGA sales is attributed to management problems at the store, and a downturn in tourism activity in Bright. However, the most significant portion of the IGA fall in sales has been the result of Woolworth's opening.

Escape expenditure to Myrtleford and Mt Beauty was and remains negligible. Escape expenditure for multi-purpose trips to Wangaratta and Albury Wodonga remains unaffected.

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3 VCAT 2008, Decision on Save Bright Action Group versus Alpine Shire Council, 17 July, <http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/vic/VCAT/2008/1425.html?stem=0&synonyms=0&query=bright>

4 Alpine Opinion webpage, <http://alpineopinion.wordpress.com/2009/05/27/alpine-brimbank-whats-the-difference/>, accessed 12 December 2011.

5 Wayne Philips (former President of Bright Chamber of Commerce), personal communication, 29 November 2011.

6 Wayne Philips (former President of Bright Chamber of Commerce), personal communication, 29 November 2011.

With regard to grocery retail activity in neighbouring centres there seems to be no discernable impact on the activity in Bright. In Mt Beauty, the Foodworks suffered a loss of turnover in 2008/9 of 4% due to the completion of major infrastructure in Bogong and the departure of temporary workers as a result. Since then the store has recorded growth of 1.8% pa and it is observed that those who previously shopped out of Mt Beauty continue to do so at Albury Wodonga (and not Bright)<sup>7</sup>.

In Myrtleford, Foodworks has undergone an ownership change and has lost approximately 13% of its market share, in the main to the revitalised and refurbished Coles (formerly an underperforming BiLo) in the town.

Other businesses in the main Bright town centre precinct – in addition to Bright IGA -and locally situated that have suffered from marked decreases in turnover since the opening of Woolworths, include:

- Country Collectibles – turnover down 25 per cent on previous year.
- Bright Pharmacy – non prescription turnover down 30 per cent.
- Riccardi's Butcher (supplier of fresh meat to IGA) – sales to IGA are down 50 per cent and direct sales to customers are down 30 per cent.<sup>8</sup>
- Dairy supplier of Kiewa (local) and Parmalat brands – turnover down 40% through lost sales to IGA
- Bright Butchers - closed

### 1.2.2 Weakening of local economic linkages

IGA has decreased its payroll by 50% since the opening of Woolworths.<sup>9</sup> Labour costs at the IGA are reduced from 13% of pre Woolworth \$20mpa turnover to 9% of current turnover under new management. There has been no reducing of rates of pay, however due to the unsustainability of the business, the two store managers and co-owners have left operating the business along with other staff members and it is now managed under contract in the short term.

It is estimated that between 11 and 15 per cent of IGA's product range is sourced from local suppliers (milk, bread, fresh meat, bottled water, honey, jam/spreads, oil, a wide and extensive range of wine, boutique brewery beers, etc) and that these local suppliers have also been adversely affected by IGA's decreased sales.<sup>10</sup> At these rates –above - the local area supplied between \$2m and \$3m of sales at the IGA each year at pre Woolworth sales levels. Since the opening of Woolworths this local economic activity has fallen to \$1m - \$1.5m pa turnover with consequent multiplier effect in the local community of reduced expenditure availability. It is understood that Woolworths purchase on a centralised process and very little local product is on the shelves in Bright. Certainly not milk, bread, fresh meat, bottled water, local boutique brewery beers and most local wines. (In fact, the local boutique brewery has tried unsuccessfully to have the Bright Woolworths stock any of its lines<sup>11</sup>).

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<sup>7</sup> N. Cook owner of Foodworks, Mt Beauty, Yackandandah, Mt Hotham, operator under contract at Bright

<sup>8</sup> Robert Jolly, N Cook personal email communication, 2 April 2012.

<sup>9</sup> IGA manager Nick Cook

<sup>10</sup> Robert Jolly/ N. Cook, personal communication, 6 December 2011.

<sup>11</sup> D. May

IGA has also reduced the amount of donations that it makes to the local community by 66 per cent.<sup>12</sup>

### 1.2.3 Oversupply of retail outlets in Bright

In 2007, MacroPlan argued that there was insufficient demand within Bright to support the proposed Woolworth's development and existing retailers within Bright.

As already discussed, it is likely that the opening of Woolworth's played a role in the closing of Foodworks. And now IGA sales have been shown to have been adversely affected by a significant degree, to the point that the business has been listed with a business broker for sale and no purchasers have been sourced at the time of compiling this Report. It is not clear as to whether IGA can continue to operate for a sustained period of time with sales as low as they are presently, but it is considered to be unlikely.

A retail audit of Bright in May 2012 shows:

- Liberty Service Station, Gavan Street/Anderson Street, business for sale
- Country Tales bookshop, Barnard Street, business for sale
- London Court Footwear, Gavan Street, business for sale (est 35 years, only specialist in Bright)
- Riverdeck Café, Gavan Street, business for sale
- Adina Clothing and Gifts, Ireland Street, land and business for sale 1600sm in conjunction with
- Humble Pie Spud shop, Ireland Street, land for sale
- Coach House Motel, Gavan Street, business for sale 17 units plus 4 bedroom residence
- Lawlers Hut Restaurant, Gavan Street, business for sale associated with Coach House
- Ski Hire, Gavan Street, business for sale, associated with Coach House
- Elm Lodge, 6 rooms, property for sale, 200m from Bright centre
- Karnu Cottages, 11 units, 4.5 acres, property for sale, Bright Golf Course
- Bright Auto Mechanics, generous vendor terms, business for sale
- Bright Tours (4 bus fleet), business for sale
- Star of the Elms, shop, Ireland Street, business for sale
- Empty shops/offices (4) Oriental Arcade, Ireland Street, 4 shops/office for lease
- Empty Shops (4) at Woolworth complex, Gavan Street, for lease
- Empty Shop Gavan Street, formerly Grape & Grain for lease
- Empty shops (2) Camp Street, for lease

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<sup>12</sup> Robert Jolly/R deSauty, personal communication, 6 December 2011.

- Office/shop, Ireland Street (top development) for lease
- 12 Anderson Street, property for sale or lease (formerly a butchers)
- 4 Anderson Street, accommodation property for sale
- 3 x land lots Anderson Street, commercial property for sale for development, 164, 117, 113 sqm
- Anderson Street, formerly Sacha's restaurant, empty for sale or lease
- Empty shop, Barnard Street, behind Gavan Street, for sale or lease
- Empty bar/shop, Barnard Street corner of Gavan Street, for sale or lease
- Hey Cool Crafts, 113 Gavan Street, recently closed down, empty shop for lease
- Riverside Arcade shops/offices (3) off Gavan Street, empty for lease
- DVD video and takeaway, Delaney Street, business for sale
- Dawsons, 49 Churchill Ave, Garden and livestock feeds, business for sale

In addition there are a number of shops which trade part time of the week, or part time of the year and they include:

- 1a Camp Street shops 1 and 2
- Gavan Street (2) shops, open only for winter
- JD's Anderson Street, open only for winter

For note a retail audit on 15<sup>th</sup> March, 2008 by W.Phillips, then President of the Bright Chamber of Commerce found that:

- The shops/offices at Oriental Hotel Arcade were empty (remain empty)
- Sacha's Restaurant was considered unsustainable (since closed)
- Cosy Kangaroo was considered unsustainable (since sold: now Blackbird café)
- Felton's Restaurant Gavan Street, was considered unsustainable, (since closed)
- Adina Gifts, Ireland Street, was considered unsustainable, business was for sale, and remains on sale together with its land.
- Foodworks, Ireland Street, was considered unsustainable (since closed) now an op shop
- Bright Butchers, Anderson Street, was considered unsustainable(since closed) shop empty
- Cellar Wine Bar, Barnard Street, was considered unsustainable (since closed) shop empty
- Coach House Motel, Gavan Street, business for sale 17 units plus 4 bedroom residence remains unsold
- Lawlers Hut Restaurant, Gavan Street, business for sale associated with Coach House remains unsold

- Ski Hire, Gavan Street, business for sale, associated with Coach House remains unsold

### 1.2.4 Shift in activity away from the town centre

MacroPlan also argued that the new Woolworth's store would result in a shift in pedestrian and retail activity away from the town centre.

According to a former President of the Bright Chamber of Commerce, the new store has created a divide in the town. Many people are now more inclined to shop at the new Woolworth's store thus negating the need to enter into the town centre and linked shopping experiences. Pedestrian traffic within the town centre has fallen markedly and this has had an adverse impact on the existing retailers within the centre who tend to rely on passing trade and the strength of the anchor tenant Bright IGA. Sales of food, liquor and grocery products from stores within the town centre have apparently fallen markedly as have sales of gifts, homeware and apparel.<sup>13</sup>

The social amenity of the central precinct area is not what it was prior to the opening of Woolworth's as much of the activity and vibrancy of the area no longer exists.<sup>14</sup>

### 1.2.5 Economic uncertainty

According to anecdotal evidence, all of the service stations located in the town are currently up for sale and have been for over 12 months. The owners of the service stations are apparently fearful that Woolworth's will open a petrol outlet and that this development would render the existing stations also unsustainable.<sup>15</sup>

Numerous shops remain empty after years on the market and many have spent years up for sale. Like Sacha's, the pathway is often "lease up for sale, no buyer, shop empty, property up for sale, and still no buyer". This is repeated at the shops off Riverside Arcade and elsewhere supporting MacroPlan's 2007 report regarding oversupply of retail floor space and over supply of grocery in Bright.

Approved planning applications for commercial developments in the town have not led to action on behalf of developers and this is perhaps indicative of uncertainty surrounding the economic future of the town.<sup>16</sup>

## 1.3 Conclusions

In 2007, MacroPlan analysis suggested that the opening of a large-scale supermarket in Bright would create a range of consequences for the town and operation of the retail precinct. Preliminary analysis of outcomes that have occurred since the opening of Woolworth's indicates that this has been the case.

It appears that there is a high degree of uncertainty among locals about the future prospects for the economy of Bright as evidence by reluctance to commit to long-term business activities, the number of commercial properties for sale, the poor clearance rate, the number of businesses for sale, and the poor clearance rate.

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13 Wayne Philips (former President of Bright Chamber of Commerce), personal communication, 29 November 2011.

14 Wayne Philips (former President of Bright Chamber of Commerce), personal communication, 29 November 2011.

15 Wayne Philips (former President of Bright Chamber of Commerce), personal communication, 29 November 2011.

16 Wayne Philips (former President of Bright Chamber of Commerce), personal communication, 29 November 2011.

At this time Bright does not have the economic capacity to support the level of retail activity that is required to sustain the occupation of all of the existing retail floorspace that exists in the town and is oversupplied in grocery floor space. It is not clear when or if the economic situation in Bright might improve. There were no trends then (in 2007) and there are no trends now which would explain how the economic situation in Bright might improve.

The opening of Woolworth's has resulted in a shift in retail activity away from the town centre and has had an adverse impact according to numerous businesses located there on social amenity of the town precinct. In many instances, local economic linkages have been weakened by significant quantum and there is no evidence as to the degree to which these may have been offset by Woolworth's business operations.

Following the opening of the Woolworths in Gavan Street, and the resultant over supply of grocery retail supply in Bright, the economic viability of Bright IGA is now seriously in doubt. Because of its severely diminished attraction (foot traffic down 50-60%) as the major anchor retail tenant in Ireland Street - the Council-designated heart of Bright's retail precinct – IGA's potential closure places the retail strategy of council, and the futures of businesses in Ireland Street, in jeopardy.



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