Before an Expert Consenting Panel

Under	the COVID-19 Recovery (Fast-track Consenting) Act 2020 (CRA)
In the matter of	an application by Pudong Housing Development Company Ltd, Foodstuffs North Island Ltd, and Silk Road Management Ltd for land-use and subdivision consent for the demolition of existing buildings and redevelopment of the site including a supermarket, retail, commercial and residential units, parking and loading at 360 Dominion Road, 88 Prospect Terrace and 113 Grange Road, Mt Eden, Auckland.

Evidence of Sam John Goddard on behalf of Pudong Housing Development Company Ltd, Foodstuffs North Island Ltd, and Silk Road Management Ltd

Date: 23 June 2021

QUALIFICATIONS AND EXPERIENCE

1 My full name is Sam John Goddard. I am a Development Manager at Foodstuffs (North Island) Limited ("**Foodstuffs**").

2 I am authorised to give this behalf on behalf of Foodstuffs.

3 I hold a Bachelor of Laws (LLB) from the University of Otago. I have been employed by Foodstuffs for 21 months in the role of Development Manager within the Property Investment Team. Prior to this I was employed by Lion NZ for 6.5 years in various roles of asset management, leasing, and capital projects. At Foodstuffs I am currently responsible for implementing a property network strategy for Central/Western Auckland and Central North Island. This includes site acquisitions, new store development, managing refurbishment and seismic projects.

SCOPE OF EVIDENCE

4 This application is for land-use and subdivision consent for the demolition of existing buildings and redevelopment of the site including a supermarket, retail, commercial and residential units, parking and loading at 360 Dominion Road, 88 Prospect Terrace and 113 Grange Road, Mt Eden, Auckland ("**proposed development**"). A 2,787m2 New World supermarket is to be constructed as part of the proposed development. This comprises:

4.1 1,623m^2 of Supermarket (Front of House);

4.2 394m^2 of Supermarket (Back of House);

4.3 101m^2 allocated to 'Click and Collect';

4.4 293m^2 of Loading Area; and

4.5 377m2 of Mezzanine (offices etc).

5 This evidence responds to comments on the proposed development as they relate to the rationale for a supermarket of the proposed size. In particular, I will discuss the reasons why a supermarket of this size is proposed for this location with reference to:

5.1 The unique function, design and operating characteristics of supermarkets;

5.2 Foodstuffs' operations;

5.3 Implications of intensification anticipated in the Unitary Plan as it relates to demand for supermarkets; and

5.4 Foodstuffs' existing supermarket network and challenges to developing new supermarkets in urban locations.

CHARACTERISTICS OF THE GROCERY TRADE AND SUPERMARKETS:

6 The purchase and consumption of food and other groceries is an essential, regular component of modern life and unlike most other forms of retail, generally occurs on a weekly and increasingly more frequent basis. Supermarkets provide a convenient and efficient means of making those goods available to the public and constitute a significant part of the grocery sector and amenity for the community.

7 Supermarkets have unique function, design and operating characteristics. They are typically large shops which for operational reasons require layouts with standard characteristics in terms of building proportions, provision of servicing, extent of carparking areas, orientation to carparking areas and to arterial roads.

8 Customers are increasingly seeking fresh meal solutions and purchases tend to be made on a frequent and regular basis. Those

purchases can be divided into a number of categories, most notably:

8.1 Weekly or fortnightly "*main order*" shops which typically involve the regular and predictable purchase of a large quantity of goods.

8.2 More frequent but smaller scale "*top up*" shops where customers purchase a smaller basket of goods which might top up depleted groceries or are focused on a particular meal

The proportion of main order versus top up shop differs between supermarkets, as discussed later in this statement.

9 Supermarkets provide food and groceries that inevitably need replenishment on a regular and short term basis. As a result:

9.1 Customers will tend to visit supermarkets on a regular basis, which means supermarkets have relatively high visitor numbers.

9.2 Customers who enter a supermarket will generally not leave without purchasing at least one item (and commonly many more)

9.3 Customers who have carried out a main order shop will commonly require a car to transport the goods home.

The same is not true of other shop types where purchases tend to be more discretionary and less routine in nature (i.e. "window shopping" on an occasional basis).

10 Supermarkets are a form of retail that is highly competitive and relatively easily substituted. People choose where to shop based on factors such as ease of accessibility, amenity, the extent to

which the range of goods is consistent with what they want to buy and, critically, convenience.

11 Supermarket chains are highly competitive and provide customers with plenty of choice in terms of brand and location. As a result, supermarkets and individual operators work very hard to provide a wide range of goods and excellent service in order to differentiate their offer and attract and retain custom. A customer can, however, obtain essentially the same bundle of goods from any large supermarket even if their particular preferences may not all be able to be satisfied. Therefore, while a customer may have a preferred supermarket they will transfer their custom to another store or even another banner if that is convenient or necessary.

12 As a result, supermarket customers are generally drawn to the closest supermarket and are not inclined to travel a great distance simply because one supermarket is preferred over another. Given those characteristics, it is unsurprising that supermarkets generally serve a relatively tight and constrained residential catchment. That is, most of the trade of a given supermarket will come from people who live (or, to a lesser extent, work) in the immediate vicinity of that supermarket. My observation is that unlike grocery shopping, which is generally regarded as a “chore”, customers of other forms of shops (for example clothing stores or department stores) will often be prepared to travel further in order to access a better range of non-food goods or a particular item. Customers of those other forms of retail tend to exercise more discretion about where they shop than do supermarket customers.

13 It is, therefore, essential that supermarket operators are able to develop stores in close proximity to their customers. In the context of Auckland’s ongoing intensification, that involves the provision of stores close to areas where residential intensification is being encouraged or enabled. Mt Eden is one of those areas, particularly along the Dominion Road corridor.

BACKGROUND TO FOODSTUFFS AND ITS OPERATIONS

14 Foodstuffs is 100% New Zealand owned co-operative company, which operates the PAK'nSAVE, New World, Four Square and Fresh Collective retail brands throughout the North Island and the Gilmours wholesale brand in the northern half of the North Island. Generally speaking:

14.1 **PAK'nSAVE** stores have large footprints (approx. 4,500m^2 – 8,500m^2) and lower prices that serve extended geographical catchments. PAK'nSAVE supermarkets tend to have a relatively high proportion of main order (i.e. infrequent but large volume) shoppers who are prepared to travel further to the store than is otherwise the case.

14.2 **New World** stores are full-service supermarkets with medium sized footprints (approx. 1,800m^2 – 4,000m^2) and larger ranges of goods that serve local catchments (in the order of a 1.5 km radius). These supermarkets also primarily cater for main order shops but also cater for top up shops for local residents.

14.3 At the other end of the scale, are smaller **Four Square, Fresh Collective** or **Metro New World** supermarkets which tend to cater for a greater proportion of convenience shoppers and also serve a much more confined physical catchment with a greater emphasis on walk up customers. Four Squares / Fresh Collective tend to be smaller suburban local stores (on average 300m^2 – 450m^2), while Metro stores serve areas where there has been significant intensification (e.g.: the CBD) and cater to an office worker and apartment dwelling catchment. These stores provide a much more limited range and generally customers will only purchase a limited number of items at one time.

15 PAK'nSAVE and New World both carry a full range of items, many of which cannot be purchased at a Four Square, Fresh Collective or Metro supermarket. Accordingly, the expectation is that members the public will continue to travel to undertake regular (e.g. weekly or fortnightly) main order shops from full-service supermarkets.

THE IMPLICATIONS OF THE INTENSIFICATION ANTICIPATED IN THE UNITARY PLAN.

16 The population growth anticipated for the Auckland region and addressed by the Unitary Plan will require, inevitably, the development of many more supermarkets in the region. Some of those supermarkets will be of smaller formats but Foodstuffs will also need to develop more large format full service supermarkets in both the New World and PAK'nSAVE formats. The pace of that growth and development is demonstrated by our activity in the last 5 years:

16.1 Of the 28 New Worlds Foodstuffs currently has in the Auckland region, 6 have opened within the last 3 years;

16.2 Of the 16 PAK'nSAVEs Foodstuffs currently has in the Auckland region, 1 has opened in the last 4 years and a (larger) replacement store is due to open later this year.

17 In 2015 Foodstuffs undertook an assessment of the future likely demand for full-service supermarket stores (of all brands) which concluded in the range of 60-70 additional supermarkets are likely to be required to meet the projected demand for food and grocery retail between 2015 - 2041.[1] This is in addition to the anticipated store upgrades and expansions of existing stores.

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[1] Evidence of Tim Heath (Economics) on Auckland Unitary Plan Topic 051-054 for the National Trading Company of NZ Ltd, 17 Aug 2015

18 While some of the additional demand will be met through provision of smaller formats such as urban metro stores (e.g.: New World Queen Street), there will still be a market for large full service stores with convenient parking at which shoppers will make large regular purchases. A metro store is extremely convenient for an office worker or resident who will travel by foot. It is not convenient for a main order shop and customers will still need to visit full service supermarkets. If we cannot provide those supermarkets in convenient locations, then customers will simply drive further, thereby adding to traffic congestion in the city.

19 Further, and as noted above, the expectation is that members the public will continue to travel to undertake regular (e.g. weekly or fortnightly) main order shops from full-service supermarkets. If those full-service supermarkets cannot be provided in new locations (such as the site) those trips will be made to more distant locations, adding to congestion.

20 By developing mores stores in more locations, travel requirements will be reduced for customers. A new store does not attract more spending on grocery items. It simply creates a more attractive location for the (increasing number of) people who live in the immediate vicinity of the site. Thus, a denser network of stores reduces overall traffic and transportation network demands, even if it has traffic implications in the immediate vicinity.

FOODSTUFFS' SUPERMARKET NETWORK AND CHALLENGES TO DEVELOPING FULL SERVICE SUPERMARKETS IN URBAN LOCATIONS

21 While there is a relatively consistent distribution of supermarkets across the city, Foodstuffs brands are significantly underrepresented in the Central Auckland suburbs of Sandringham, Kingsland, Mt Eden and Epsom. The map at **Annexure A** illustrates this current lack of Foodstuffs brand supermarkets within the wider catchment.

22 This area has been a strategic priority for the business for some time now and Foodstuffs have spent many years endeavouring to locate a site for a supermarket, however, there is a scarcity of large development opportunities in the catchment that are tightly held, expensive and require mixed use high density development.

23 There are a number of challenges to developing new supermarkets, particularly within built up urban areas such as Mount Eden.

24 Full service or large format supermarkets are large retail shops which attract a large number of customers on a regular basis, have high delivery and service needs and require extensive areas of land to be developed. With the increasing value of land in Auckland's urban area, innovative solutions such as grade separated car parking and the development of other activities (eg: residential or offices) above retail shops are having to be considered to achieve commercially feasible projects. Even with innovation, it is becoming increasingly difficult to obtain sites in centres that are able to accommodate new full service supermarkets.

25 There is very limited opportunity in most of the existing centres to develop additional large format retail. In the circumstances, Foodstuffs will need to locate sites on the edge of centres, in the General Business zone or the Mixed Use zone (as in this case) if full service supermarkets are to be incorporated into the city. That poses significant challenges, which may become greater with time as intensification occurs.

RATIONALE FOR THE SIZE AND LOCATION OF THE PROPOSED NEW WORLD

26 The Mt Eden, Sandringham, Kingsland and Epsom area for some time has been undergoing a transformation as the frequency of medium to high density residential development increases.

27 After extensive investigations, 360 Dominion Road was identified as the largest site centrally located within the catchment that provides the best opportunity to establish a supermarket. This site is suitable and ideal for a New World supermarket because:

27.1 The site itself is well located with the opportunity for carparking and two street access, which is important for traffic circulation. As discussed above in paragraph 7 the unique functional and operational needs of supermarkets means the range of appropriate sites is more limited than for other types of retail activities.

27.2 It is also centrally located on a main arterial which connects several Auckland suburbs with main road networks. Supermarket customers generally rely on private motor vehicle transport and undertake single purpose trips. For those reasons, it is beneficial to locate supermarkets around centres and along arterial road corridors between centres.

27.3 The primary catchment is currently (June 2020) home to approximately 16,400 households. This is expected to increase to around 21,800 by 2033. This population growth suggests another 2-3 supermarkets are required to service the catchment sufficiently, which may be a mix of full-service or smaller format supermarkets.

28 The New World to be constructed as part of the proposed development will have a GFA of 2,787m^2. This size was arrived at following careful consideration:

28.1 Supermarkets have unique operational and functional characteristics which require layouts with relatively standard requirements in terms of floor areas (servicing, carparking, orientation). All these matters drive the building proportions and resulting GFA.

28.2 This is a size that from past experience is sufficiently large to accommodate the range of goods expected in a New World supermarket and to provide suitable amenity and accessibility for customers.

28.3 The size of a new supermarket is informed by extensive market data research and internal assessment of key metrics. In this case, evidence provided by Property Economics[2] identifies that there is demand for a 2,782 m^2 GFA supermarket in this catchment.

28.4 Given that demand, if we were to establish a smaller format supermarket on the site, customers would still need to travel to a full service supermarkets for main shops and to purchase the large range of groceries that are not available in a smaller format.

CONCLUSION

29 Supermarket custom is based on factors such as ease of accessibility, amenity, the extent to which the range of goods is consistent with what they want to buy and, critically, convenience. Most customers live within a geographically defined catchment and patronise supermarkets that are close to their home, workplace or the route between. By developing mores stores in more locations, travel requirements will be reduced for customers. Thus, a denser network of stores reduces overall traffic and transportation network demands, even if it has traffic implications in the immediate vicinity.

30 While Foodstuffs is increasingly providing smaller metro sized and smaller suburban sized supermarkets, Foodstuffs' expectation is that it will continue to need more stores at all sizes to serve the

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[2] Appendix 21 to AEE. Property Economics, Retail Impact Assessment, March 2021 at section 7.

increased population within Auckland, as a result of increased residential density enabled under the Unitary Plan.

31 The Sandringham, Kingsland, Mt Eden and Epsom catchment has been a strategic priority for the business for some time now, with Foodstuffs brands being significantly underrepresented in this area. There are significant challenges to developing full service supermarkets in built up urban environments and to date it has proven too challenging for Foodstuffs to locate, purchase and develop a site of a sufficient size and orientation.

32 This site is suitable and ideal for a New World supermarket. It is of a size and orientation that meets the unique functional and operational needs of supermarkets. It is centrally located on a main arterial connecting several Auckland suburbs with main road networks. Population growth projections suggest another 2-3 supermarkets (either full size or smaller format) are required to service the catchment sufficiently.

33 The size of the supermarket was arrived at following careful consideration. Supermarkets have unique operational and functional characteristics which require layouts with relatively standard requirements in terms of floor areas. 2,782m^2 is sufficient to accommodate the range of goods expected in a New World supermarket and to provide suitable amenity and accessibility for customers. Its size has also been informed by extensive market data research and economic assessment which concluded that there is demand for a supermarket of at least this size in this catchment.

Sam John Goddard
Foodstuffs North Island Ltd
23 June 2021

ANNEXURE A – CURRENT DISTRIBUTION OF SUPERMARKET BRANDS WITHIN THE WIDER CATCHMENT