

30 September 2009

Ms Madeleine Foley
Director, General Purpose Standing Committee No. 4
Parliament House
Macquarie Street
SYDNEY NSW 2000

By e-mail: gpscno4@parliament.nsw.gov.au

Dear Ms Foley,

Re: Inquiry into Badgerys Creek land dealings and property decisions

The Urban Taskforce is a non-profit organisation representing Australia's most prominent property developers and equity financiers. We provide a forum for people involved in the development and planning of the urban environment to engage in constructive dialogue with both government and the community.

We represent a wide range of companies who are in direct competition with each other. They each have different views about relative merits of their own and their competitors' proposed development projects. For this reason we do not lobby for or against any individual development proposals. This means we can offer no comment on those aspects of the inquiry's terms of reference which are specific to the properties holdings of members of the Medich family.

However, we are strong advocates for the development of more land for employment-uses in Western Sydney. Our submission responds to item 1(b) of your inquiry's terms of reference, which refers to the Western Sydney Employment Lands Investigation Area.

We think this region is crucial if the employment needs of Sydney are to be satisfied. We would be alarmed if any recommendation of the inquiry worked against efforts to secure opportunities for jobs in the Western Sydney region.

In very brief terms the key points of our submission are as follows:

- If we can't bring residents of Western Sydney to the jobs in the inner and middle ring suburbs, then we must bring the jobs to Western Sydney.
- It is extremely difficult to secure a large site with a capacity for a 30,000 square metre plus building in the 18 month timeframe anticipated by the market. There is an insufficient supply of serviced sites capable of accommodating this kind of footprint.
- New land releases alone tend to prompt moves and expansions, and the release of pent-up demand. Land release, in itself, can act as a catalyst for economic activity.
- The Metropolitan Strategy only specified broad plans for an additional 3,200 hectares of new employment land, well short of the strategy's overall target of 4,000 to 7,500 hectares that are required. Since the Metropolitan Strategy was finalised only 2,323 hectares of industrial land has been zoned in the outer region, towards a goal of 7,500 hectares of employment land.
- One reason that NSW has missed out on so much development in recent years is that the ultimate purchaser of developed land is often not able to afford to cover the cost of land price inflation induced by a lack of zoned land.
- BIS Shrapnel estimates that the outer Sydney industrial region - excluding the Central Coast, Blue Mountains and Sutherland - contains over 90 per cent of the remaining vacant zoned land in Sydney.
- A 2008 BIS Shrapnel report suggests that over 550,000 square metres worth of new industrial space was under construction in the outer region at that time, representing around 75 per cent of total industrial building across metropolitan Sydney.

- Only 15 per cent of zoned industrial land in the outer Sydney region is currently serviced.
- The Hunter, Newcastle and Goulburn regions are not yet easy substitutes for industrial space users focused on accessing Sydney. Any loss of business due to infrastructure constraints is more likely to flow to other states with strong port operations, rather than the Hunter, Newcastle or Goulburn.
- There is a clear need to plan for the release of significant additional employment lands if the Metropolitan Strategy's goals are to be met.
- Many developments built for high technology businesses, particular those with more than 50 per cent office space, are not going to be permissible in an industrial zone. In areas such as North Ryde the business park zone has been used to accommodate such developments. We advocate the use of the business park zone for land rezoned in the Western Sydney Employment Land Investigation Area.
- The release of urban land should not be refused on the basis of its impact on agricultural land use.
- We would like to see the Employment Land Development Program established and operational, as promised in the government's March 2007 action plan. Similarly, the promised "annual report" on employment lands should be published and the promised Employment Lands Ministerial Advisory Committee should be established.
- Where infrastructure issues are able to be addressed and funded entirely by the developer/landholder concerned, the state should not, as a general rule, refuse the rezoning.
- Where:
 - there are multiple requests for land release;
 - each requires a public investment in infrastructure; and
 - the pool of public funds available for infrastructure is limited and cannot accommodate all requests
 those projects with the lowest marginal cost of infrastructure should be given approval to proceed.
- The levy set announced for the Western Sydney Employment Lands - \$180,000 a hectare - is set at almost three times the nearest comparable charge and will impact on the commercial feasibility of development in the area.

These issues are addressed in some depth below.

1. **Why is the Western Sydney Employment Lands Investigation Area required?**

New residential population

In response to the clear need for more housing supply, the NSW Government established "growth centres" areas in Sydney's North West and South West. In total, the government estimates that these areas will provide around 181,000 new dwellings.

The North West Growth Centre consists of land located in Baulkham Hills, Blacktown and Hawkesbury council areas. The North West Growth Centre consists of sixteen precincts and is approximately 10,000 hectares. The government estimates it will contain about 66,000 new homes – a city the size of Wollongong.

The South West Growth Centre consists of land located in Liverpool, Camden and Campbelltown council areas. The South West Growth Centre consists of eighteen precincts and is approximately 17,000 hectares. The government estimates it will contain around 115,000 new homes – a city the size of Canberra.

Without the North West Metro and the South West Rail Link it is even more important than ever before that Western Sydney becomes the jobs centre of NSW. **If we can't bring residents of Western Sydney to the jobs in the inner and middle ring suburbs, then we must bring the jobs to Western Sydney.** By creating tens of thousands of new local jobs in Western Sydney, locals will enjoy the benefits of less time spent travelling and more time with their friends and family.

Everyone in Sydney will win – with reduced pressure on the existing congested public transport and roads.

Market demand

Traditionally, planning authorities have favoured the release of industrial land in Western Sydney and resisted the release of land for business parks, offices and retail development. However, there has, in recent years, been an increasing recognition that white collar jobs have a strong role to play in Western Sydney.

The expression “industrial land” refers to land and premises used primarily to manufacture goods (a factory) or store goods (a warehouse).

In Sydney, the main sectors stocking warehouses are the manufacturing, wholesale trade and retail sectors.¹ Key drivers of stock levels are domestic demand, manufacturing production, construction activity and business restocking and de-stocking. Sydney is also a major national port for imports - some of which are going interstate - which boosts wholesaling and distribution.²

However, renovations and new home construction also have significant multiplier effects for domestic demand.³ Home construction is labour intensive, draws heavily on locally-produced inputs and includes significant spending on fit-out items such as furnishings, floor-coverings and appliances.⁴ Consequently, it has a considerable flow-on effect for the rest of the economy.⁵ The outlook for this sector of the economy is positive, with BIS Shrapnel predicting that a significant pent-up demand and rapidly rising rents are expected to drive the next upturn in dwelling construction from the second half of 2009.⁶

The nature of warehouse development has changed in recent years. The rise of contract warehousing and the arrival of new players has required new warehouses to accommodate the latest technologies, while also needing to be located in close proximity to strategic transport nodes and networks.⁷

With firms that have kept warehousing in-house, there has been a push for greater consolidation of warehousing and distribution (and even office) functions onto one site.⁸ This has led to stronger demand for large purpose-built industrial buildings now common to new market developments in Sydney.⁹ Historically, wholesalers and large retailers had one (or more) warehouses or distribution centres in each state. The national distribution system that allows facility rationalisation on a state or national basis and considerable economies of scale are now more common.¹⁰

Warehouse location for consolidation purposes is primarily influenced by the availability of large areas of reasonably priced land and high quality transport links.¹¹ Logistics and distribution companies have indicated that for every dollar saved in on-road costs from transport infrastructure improvements there will be direct off-road savings.¹² Such savings can be between 5 and 10 per cent on on-road savings and relate to reduced stock and inventory sizes and other distribution management efficiencies.¹³ The M7, M5 and M4 play a crucial role in linking excising Western Sydney employment lands to the rest of Sydney, and would do so for new lands released in the region. Regardless of economic conditions, manufacturers and retailers will continue to seek efficiencies by outsourcing (part of) their logistics/supply chains.¹⁴

¹ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), 8.

² Ibid.

³ Ibid 10.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid 12.

⁷ Ibid 16.

⁸ Ibid 19.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid 31.

The consolidation into larger sites also allows the user to adopt the latest technologies. In the warehousing/distribution sector, the adoption of 'cross-docking' has greatly increased the efficiency of distribution.¹⁵ Trucks deliver goods in one building end, they are bar coded, sorted, and then dispatched to trucks at the other building end for distribution.¹⁶ This process can now be accomplished within as little as two to three hours.¹⁷ The receivable and dispatch docks also mean more hardstand areas are required outside the building, necessitating larger sites, with enough space for manoeuvring.¹⁸

The consolidation process has been adding to demand for large sites. However, as tenants or owner-occupiers consolidate their operations, the process creates backfill space amongst smaller, often secondary, industrial buildings.¹⁹ BIS Shrapnel predicts that the consolidation and centralisation of distribution into fewer (and larger) warehouses will continue for the foreseeable future, although they tend to come in the form of waves.²⁰

Generally speaking, the construction of new warehouses does not consistently represent new additional demand for industrial land.²¹ In many cases, demand is transferred from one operator or location to another, with the vacated space left vacant because it does not fulfil modern requirements.²² Much of the latest round of construction in Sydney fell into this category.²³

BIS Shrapnel anticipates that underlying demand for industrial space is expected to start exceeding its mid 2005 peak from 2011 onwards, building to a new high in 2013–14.²⁴ The state's strong population growth will continue to underpin demand for housing and infrastructure, and hence for materials, equipment and fit-out goods.²⁵ They predict that a forecast upswing in residential construction from 2010 will underpin high demand for construction materials, offsetting the negative impact of a downturn in non-residential building.²⁶

Industrial building is traditionally characterised by relatively short construction times, usually less than one year.²⁷ This compares with the long lead times of up to two years and over for construction of offices and hotels. In theory, the short construction time for industrial buildings means that undersupplies can be met reasonably quickly by new construction.²⁸ As a result the market (i.e. tenants) expect to be able to procure new purpose built industrial premises in much shorter frames than other types of developed property assets. However, all of this assumes a sufficient supply of serviced suitable land.

Regretfully, our experience is that **it is extremely difficult to secure a large site with a capacity for a 30,000 square metre plus building in the 18 month timeframe anticipated by the market**. This relates to insufficient supply of serviced sites capable of accommodating this kind of footprint.

New land releases alone tend to prompt moves and expansions, and the release of pent-up demand.²⁹ Land release, in itself, can act as a catalyst for economic activity.

In relation to office premises BIS Shrapnel has predicted that, with only moderate amounts of new office supply coming on stream during the early part of next decade, some office tenants will look to business parks with high technology industrial space to satisfy their demand.³⁰ If permitted, business parks are likely to play a prominent role in the Western Sydney Employment Lands Investigation Area. The flexible land use controls that come with business parks, the close proximity of the residential growth centres and new communications

¹⁵ Ibid 19.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid 31.

²² Ibid.

²³ Ibid.

²⁴ Ibid 16.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid 26.

²⁸ Ibid.

²⁹ Ibid 39.

³⁰ Ibid 32.

infrastructure such as fibre-optic cable can attract technology intensive businesses which require high office content accommodation.

Government strategies

In December 2005 the NSW Government released *City of Cities: A Plan for Sydney's Future* ("the Metropolitan Strategy").³¹

The Strategy set out a goal, by 2031, to:

- increase the number of jobs in Western Sydney by 237,000 – close to half of all new jobs in Sydney – "with a strong emphasis and more skilled jobs and stronger links to the global economy";³²
- identify, zone and develop between 4,000 to 7,500 hectares of new employment lands;³³
- accommodate 575,000 jobs in employment lands "with the largest concentrations located close to the orbital motorway network";³⁴
- reduce the average journey to work times in Western Sydney by "transforming Sydney into a multi-centred city".³⁵

The strategy included in objective to

plan and develop new greenfield sites to meet demand in new growth areas and growth that cannot be accommodated in established areas. ... In some cases [employment capacity targets will be met by] the zoning and servicing of new land for employment.³⁶

The *Employment Lands for Sydney: Action Plan* (released in March 2007) required the

[r]elease [of] more Greenfield land to overcome a shortage of supply. The [Employment Land Development Program] will inform subsequent release and servicing of more greenfield employment lands in Sydney to provide for a range of additional jobs, matching residential and workforce growth, and improve Sydney's employment lands competitiveness.³⁷

The Metropolitan Strategy only specified broad plans for an additional 3,200 hectares of new employment land, well short of the overall target of 4,000 to 7,500 hectares.³⁸ The shortfall will need to be met through land releases that are *additional* to those flagged in the Metropolitan Strategy itself.

The benefits of competition

The planning system traditionally restricts competition amongst property owners willing to sell their land for development by limiting the supply of appropriately zoned land. It is well understood in the urban development industry that, in Sydney, there can also shortfalls in land zoned for high intensity employment uses, particularly business parks where office, retail and bulky goods premises are permitted.

Planning authorities often fail to realise how limited the supply of land is – even without their zoning and strategic policy restrictions. For example, employment land in South Sydney will not suit the requirements of developers of modern industrial premises because lot sizes are often too small.

Conservative zoning restrictions reduce competition amongst property owners, and therefore increase the price of land available for large development projects. The higher the price, the greater the likelihood that developers will either be forced to pay more than they should for a site or that the transaction will simply not proceed because the project would not be viable.

³¹ NSW Department of Planning, *City of Cities: A Plan for Sydney's Future: Metropolitan Strategy* (2005).

³² NSW Department of Planning, *City of Cities: A Plan for Sydney's Future: Metropolitan Strategy Supporting Information* (2005) 58.

³³ Ibid 58.

³⁴ Ibid 58.

³⁵ Ibid.

³⁶ Ibid 61.

³⁷ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 2.

³⁸ NSW Department of Planning, *City of Cities: A Plan for Sydney's Future: Metropolitan Strategy Supporting Information* 64: An additional 1,000 hectares from the in the Western Sydney Employment Hub; a further 2,200 hectares were flagged in the M7 corridor.

The common refrain from planning authorities whenever this issue is raised is that the developer simply needs to 'cop a haircut' and get on with development at a lower margin. This perspective is deeply flawed. Modern capital is very mobile. It flows to wherever it gets the best return. A local developer will not be able to secure capital for a NSW development if he/she cannot offer the rate of return that is available for investments of a similar risk profile in other states or countries. In order to ensure that a market rate of return is still achieved, a developer will need to increase the price paid by the ultimate purchaser of the developed land.

One reason that NSW has missed out on so much development in recent years is that **the ultimate purchaser of developed land is often not able to afford to cover the cost of land price inflation induced by a lack of zoned land.**

2. Where is the best place to secure new industrial land as part of the 7,500 hectare target?

Outer Sydney region

The "outer Sydney" region, for the purposes of reporting on industrial lands, is made up of the local government areas of Blacktown, Camden, Campbelltown, Hawkesbury, The Hills, Liverpool, Penrith, and Wollondilly. This region has been home to the strongest levels of both demand for and supply of new industrial lands since the 1960s.³⁹

A 2008 BIS Shrapnel report suggests that over 550,000 square metres worth of new industrial space was under construction in the outer region at that time, **representing around 75 per cent of total industrial building across metropolitan Sydney.**⁴⁰

For over 20 years outer Sydney's share of metropolitan warehouse construction activity has grown steadily with more rapid development in recent years.⁴¹ With the exception of a brief period spell in the early 1990s, outer Sydney has also been the dominant location for new factory construction for several decades.⁴² Since late 2003, the outer region's share of metropolitan warehouse and factory construction has averaged around 60 per cent.⁴³ This has been made possible by two key developments:

- the M7 turned the region into the most sought after location in NSW for large distribution-related industrial businesses;⁴⁴ and
- *State Environmental Planning Policy No 59—Central Western Sydney Economic and Employment Area* rezoned land at Eastern Creek and Greystanes, followed by Erskine Park and the expansion of other existing estates along the M3 and M7.⁴⁵

The outer region's share of metropolitan factory construction averaged almost 50 per cent during the 1980s and 1990s, and closer to 60 per cent since 1993–94.⁴⁶

Outer Sydney has been commercially attractive to the factory operators because of the ready supply of land at relatively low cost and less burdensome operational requirements.⁴⁷ The movement of factories to the outer region has freed up infill sites for redevelopment within the existing urban footprint. However, it's still worth noting that overall factory activity within Sydney has been in decline.⁴⁸

In the mid 1980s industrial land values in the central western region were approximately triple those in the outer west.⁴⁹ The position of outer Sydney has gradually strengthened; to the extent that the ratio between the central west and outer west is between 1.3:1 and 1.8:1 (subject to

³⁹ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), 48.

⁴⁰ Ibid 35.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid 49.

location and information source).⁵⁰ The improvement in relative values tracks the better integration of the region into the metropolitan and interstate road network, as well as increased recognition of the region by larger space users and investors.⁵¹ The inherent strengths of Western Sydney as a source of new ongoing employment was formally recognised in the Metropolitan Strategy when it acknowledged that

the completion of the Orbital Motorway Network; investment in freight terminal infrastructure, manufacturing and warehousing ... will also be key factors drawing jobs to Western Sydney ...⁵²

The outer region is home to the greatest reserves of both existing and future potential land within Sydney, even though it will require considerable investment in infrastructure to realise its full potential.⁵³ By way of comparison, in the last comprehensive survey by the State Government of Sydney's industrial land (July 2003):

- the northern region's share of Sydney's total undeveloped industrial land was less than 3 per cent;⁵⁴
- the central western region contained only 3 per cent of all vacant land (since then, some of the vacant land has been taken up, particularly in the Auburn and Parramatta council areas);⁵⁵ and
- there were virtually no greenfield sites left in southern Sydney that could accommodate new industrial development.⁵⁶

BIS Shrapnel estimates that the outer Sydney industrial region - excluding the Central Coast, Blue Mountains and Sutherland - contains over 90 per cent of the remaining vacant zoned land in Sydney.⁵⁷ They conclude that the region will continue to be virtually the only provider of vacant industrial land.⁵⁸ In Metropolitan Strategy, the government agreed

[t]he employment lands in the inner, established parts of Sydney are highly constrained ... In these areas there is unlikely to be any additional employment land.⁵⁹

While there is a substantial amount of developable land in the outer region, there is virtually no supply of lots in excess of 10 hectares in established locations around Blacktown, Wetherill Park and Smithfield.⁶⁰ While the recent rezonings have ensured medium term supply, the apparently large size of the zoned reserves is misleading.⁶¹ **The overwhelming majority of the rezoned land is not serviced and the yield is restricted by topography, environmental sensitivities and overhead electricity lines.** Servicing may take as long as four years and state infrastructure charges have been increasing.⁶²

While there is no shortage of land, as such, the central question is how soon can land be **made available** (given the time it takes to bring in services, secure rezoning and obtain development approval) and whether it can be made available at a financeable cost. BIS Shrapnel has noted that the stock of land ready for construction is small compared with the amount of land zoned for industrial uses.⁶³

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² NSW Department of Planning, *City of Cities: A Plan for Sydney's Future: Metropolitan Strategy Supporting Information* 59.

⁵³ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), 35.

⁵⁴ Ibid 45.

⁵⁵ Ibid 47.

⁵⁶ Ibid 43.

⁵⁷ Ibid 49.

⁵⁸ Ibid 50.

⁵⁹ NSW Department of Planning, *City of Cities: A Plan for Sydney's Future: Metropolitan Strategy Supporting Information* 61.

⁶⁰ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), 50.

⁶¹ Ibid 50.

⁶² On the 12 August 2009 the NSW Government announced an \$180,000 state infrastructure charge for each hectare of developable land in the Western Sydney Employment Lands. The current state levy for industrial land in the nearby north west and south west growth centres is \$68,000 per hectare. A levy set at almost three times the nearest comparable charge will impact on the commercial feasibility of development in the area.

⁶³ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), 50.

Figures provided to the Urban Taskforce by BIS Shrapnel indicate that **only 15 per cent of zoned industrial land in the outer Sydney region is currently serviced.**⁶⁴ The challenge of providing the necessary infrastructure to service the remaining 85 per cent of zoned land is significant. The land requires water and electricity, but also roads and some rail would be desirable (but is not essential). If there are continued constraints on the construction of the necessary roads, the notional supply of land in outer suburban Sydney may not be fully accessed.

Hunter, Newcastle and Goulburn

The Hunter, Newcastle and Goulburn regions are not yet easy substitutes for industrial space users focused on accessing Sydney. These regions require capacity increases in the main transport corridors, particularly rail, before they are fully fledged alternatives.⁶⁵ The marginal cost of infrastructure in Western Sydney is likely to be lower, than the marginal cost of expanding rail and road capacity to fully integrate the Hunter and Goulburn into the Sydney market.

Warehouse operations, in particular, which are dependent on moving goods to and from the Sydney marketplace and require a degree of access their customers that is not currently possible (in general terms) from the Hunter, Newcastle or Goulburn. However, we are already seeing the Hunter attracting more factory operations from Sydney; as they can be less dependent upon swift access to Sydney.

Given the difficulties of moving containers in and out of Port Botany, as well as getting around in general, there is a real question as to whether Sydney will lose business to other locations.⁶⁶ However, **any loss of business due to infrastructure constraints is more likely to flow to other states with strong containerised port operations, rather than the Hunter, Newcastle or Goulburn.**

3. When was the Western Sydney Employment Investigation Area announced?

NSW Government articulated its agenda for new Sydney industrial lands in the outer region when it released *Employment Lands for Sydney: Action Plan* ("the Action Plan") in March 2007. The document described itself as

a key component of the NSW Government's 'Open for Business' strategy.⁶⁷

Crucially, the action plan said that:

As part of the [Employment Lands Development Program] the Department of Planning will also consider the designation of a Western Sydney Employment Lands Investigation Area in the area between the Western Sydney Employment Hub and Badgerys Creek to the north of Elizabeth Drive ...

The aim is to investigate medium-long term needs and integrate this into the development of both the Western Sydney Employment Hub and the South West growth centres. The investigation process will assess the potential of this area for employment lands based on principles of ecologically sustainable development and taking into consideration the staged release of employment lands in surrounding areas. It will identify up front constraints and access issues to be resolved prior to rezoning including cost and feasibility of servicing the site.⁶⁸

A map setting out (in broad terms) the boundaries of the investigation area was also published.

In June 2008, in the State Budget the NSW Government announced that it had

commenced a new initiative to support the rapid release of 11,000 hectares of employment land known as the Western Sydney Employment Lands Investigation Area that has the potential for \$2 billion in employment land development.⁶⁹

⁶⁴ 400 hectares are zoned, serviced and vacant, while 2,246 hectares are zoned and serviced. A further 10,000 hectares (the Western Sydney Employment Lands Investigation Area) is both unzoned (i.e. still rural) and unserviced (i.e. serviced to a rural standard only).

⁶⁵ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), xi.

⁶⁶ *Ibid*, 69.

⁶⁷ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 2.

⁶⁸ *Ibid* 8.

⁶⁹ NSW Treasury, *Budget Paper No. 3 – Budget Estimates 2008-2009*, 17-5.

4. What industrial land has been released to help meet the 7,500 hectare goal set by the Metropolitan Strategy?

Since the Metropolitan Strategy in the outer Sydney region:

- in 2006, 929 hectares has been rezoned in the vicinity of Eastern Creek;
- in 2007, a further 201 hectares was rezoned, including 61 hectares at Huntingwood West in Blacktown and 140 hectares at Prestons in Liverpool;
- in 2008, 143 hectares was rezoned, comprising 47 hectares of industrial land within the Greystanes Southern Employment Lands area and 96 hectares of employment lands at Turner Road (bordering Smeaton Grange); and
- in 2009 (so far), 1,050 hectares have been rezoned – a further 800 hectares at the intersection of the M4 and M7 and 250 hectares has been rezoned at Riverstone West.

That is 2,323 hectares of land towards a Sydney-wide goal of 7,500 hectares of employment land.

Even though the Metropolitan Strategy promised 237,000 extra jobs in Western Sydney, we are still not one job closer to this goal. In fact, in the three to four years 23,400 jobs have been lost from Western Sydney.⁷⁰

There is a clear need to plan for the release of significant additional employment lands if the Metropolitan Strategy's goals are to be met.

The Action Plan identified the existing stock of zoned employment lands as 20,592 hectares – made up of 5,800 hectares of land zoned for business use (i.e. including commercial office) and 14,793 for industrial use (excluding commercial office).⁷¹

5. Should land in the Western Sydney Employment Land Investigation Area ultimately include office and retail premises, as well as traditional industrial development?

Zoning decisions are handled at two levels. Often, a non-statutory strategy, policy or plan will set out in broad terms a vision for an area including some indication of the development types that might be permitted. In itself, this strategy has no legal effect. In order for the vision to be realised, at some later point, an actual rezoning must occur. This involved the publication of either a state environmental planning policy (SEPP) or a local environmental plan (LEP).

Modern SEPPs and LEPs are prepared in accordance with a document known as the "Standard Instrument" which is set out under the *Standard Instrument (Local Environmental Plans) Order 2006*.

There are a number of zones identified in the Standard Instrument for job generating activities. These include: B7 "Business Park"; IN1 "General Industrial"; IN2 "Light Industrial"; and IN3 "Heavy Industrial". An objective of each of these zones is to "encourage employment opportunities".

The retail sector is Australia's largest single source of employment, closely followed by property and business services.⁷² Retail can be accommodated within a zone if "retail premises" or (for some types of retail) "bulky goods premises" are permitted in a zone. Generally, workers involved in business services required "office premises" and/or "business premises" to be permitted. These days' retail premises, business premises, office premises and bulky goods premises are normally permitted in industrial zones.

Business park zones do permit office premises while generally prohibiting retail premises and business premises. The prohibition on retail is curious that given that business parks create concentrations of people engaged in employment. Workers are prevented from accessing retail premises on site and instead they are forced to travel somewhere else for supermarket and related shopping.

⁷⁰ From the June quarter 2005 to the June quarter 2009: Australian Government - Department of Employment and Workplace Relations, *Australian Regional Labour Markets June Quarter 2005* (2005); Australian Government - Department of Education, Employment and Workplace Relations, *Australian Regional Labour Markets June Quarter 2009* (2009).

⁷¹ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 24.

⁷² Australian Bureau of Statistics, *Australian Labour Market Statistics: 6105.0* (2008) 68.

In the recently gazetted *State Environmental Planning Policy (Western Sydney Employment Area) 2009* which rezoned 800 hectares of the Western Sydney Employment Lands Investigation Area, the main zone used is the "general industrial" or "IN1" zone. The following uses are permitted with consent:

- depots;
- freight transport facilities;
- industrial retail outlets;
- industries (other than offensive or hazardous industries);
- neighbourhood shops;
- roads;
- transport depots;
- truck depots; and
- warehouse or distribution centres.

Strangely, the zone has an objective that says it will

provide for small-scale local services such as commercial, retail and community facilities (including child care facilities) that service or support the needs of employment-generating uses in the zone.

However, childcare centres, community facilities, business premises, bulky goods premises and food and drink premises are not listed as permitted uses. This is of concern.

It's cause for further concern if this approach is any indication of the kind of statutory zoning that might occur more generally in the Western Sydney Employment Land Investigation Area.

At a strategic planning level, there is nothing to suggest that fully fledged business parks and retail uses could not occur within the Western Sydney Employment Lands Investigation Area. In the Metropolitan Strategy "employment lands" were defined to be areas outside centres, and were said to include:

the traditional industrial areas hosting light industry, manufacturing wholesaling and transport and storage activities *but also technology and business parks for higher order employment ...* and areas containing a mix of activity. The enterprises located in these areas are engaged in manufacturing, wholesaling transport and storage activities and other special industrial activities, including an increasing component of *office employment* (emphasis added).⁷³

The Action Plan explained that

Employment lands are commonly defined as industrial areas, which predominantly accommodate manufacturing, distribution and non-centre urban services such as panel beating and concrete batching plants. The emergence of business parks and technology parks, which may contain a mixture of research, manufacturing, distribution and office activities also fall under this classification.⁷⁴

The role of a strong supply of serviced employment lands in attracting new investment to the State was recognised:

A focus of the NSW Government's attention is on growing and attracting higher wage, higher skilled, internationally active industries that have the greatest potential to thrive in the future in NSW. This includes attracting investment from high value-added manufacturing industries, which demands well-located and well-serviced employment lands.⁷⁵

The Action Plan said that

[t]he nature of industry in Sydney is shifting towards knowledge-based activities in industries such as pharmaceuticals, information and communications, and advanced manufacturing. There is a trend towards cleaner industries and changing work and business practices.

⁷³ NSW Department of Planning, *City of Cities: A Plan for Sydney's Future: Metropolitan Strategy Supporting Information* 60.

⁷⁴ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 2.

⁷⁵ Ibid 3.

High technology industrial space has a significantly higher proportion of office space.⁷⁶ In a conventional industrial zone "office premises" are not permitted, other than as a minor ancillary use to, say, a factory or warehouse. So **many developments built for high technology businesses, particular those with more than 50 per cent office space, are not going to be permissible in an industrial zone.** In areas such as North Ryde, the business park zone has been used to accommodate such developments. **We advocate the use of the business park zone for land rezoned in the Western Sydney Employment Land Investigation Area.**

6. Will the development of Western Sydney Employment Lands Investigation Area impact adversely on agricultural production?

Sometimes the opponents of urban expansion raise the need to "protect" agricultural land. The desire by some to "protect" agricultural activities is a misguided attempt to hold onto traditional agriculture subject to a dramatically changing industry within a regional and global context.

If agriculture in a given area is a viable and attractive industry, then its viability would not rely upon protection by way of a local environmental plan.

Most of Australia's agricultural industry is generally located well outside of the foreseeable areas of urban expansion. There is no shortage of agricultural land available within Australia to supply produce that meets our needs. The modern supply chain is no longer dependent on geographical proximity to urban areas. In fact, the only significant commercial opportunity for many Australian regions is agriculture, while many competing industries are willing and able to locate while areas on the fringes of the existing urban footprint.

Attempts by planning authorities to limit the decline of agriculture on the edges of Sydney are ineffective and undesirable. Simply zoning land as "primary production" does not mean that local agriculture will remain. What it may do is leave land as vacant or under-utilised and relatively unproductive. **A protectionist approach to "rural" activities locks local landholders into marginal, unsustainable rural business.** The release of urban land should not be refused on the basis of its impact on agricultural land use.

7. Can additional steps be taken to improve the release process for employment lands?

Industry consultation

The Government promised to

establish the Employment Land Development Program (ELDP) to monitor provision of employment lands across metropolitan Sydney. This will depict existing and potential stocks of employment land, identify future land requirements and provide information on land availability, servicing, take-up and vacancy rates. It will be underpinned by sophisticated GIS systems and will inform an Annual Report to the NSW Government.⁷⁷

While the Department later reported it had established this program,⁷⁸ we are not aware of any work it has carried out. **We would like to see this program establish an operational, as promised.**

The promised "annual report" on employment lands has never been published.

Better dialogue with industry was promised:

The NSW Government will build upon the work of the Employment Lands Task Force through the establishment of an ongoing advisory body, the Employment Lands Ministerial Advisory Committee, comprising industry and government representatives. This committee will inform and review the work of the ELDP⁷⁹

This committee was not established – it should be established now.

Infrastructure

The Urban Taskforce acknowledges that a major issue to be addressed in releasing any particular parcel of land within the Western Sydney Employment Lands Investigation Area will

⁷⁶ BIS Shrapnel, *Sydney Industrial Property Market Forecasts and Strategies 2008 – 2018* (2008), 31.

⁷⁷ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 2.

⁷⁸ NSW Department of Planning, *Annual Report 2007 – 2008*, 5.

⁷⁹ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 3.

relate to infrastructure. **Where infrastructure issues are able to be addressed and funded entirely by the developer/landholder concerned, the state should not, as a general rule, refuse the rezoning.** Where:

- there are multiple requests for land release;
- each requires a public investment in infrastructure; and
- the pool of public funds available for infrastructure is limited and cannot accommodate all requests,

those projects with the **lowest marginal cost of infrastructure** should be given approval to proceed.

Levies

In relation to levies and infrastructure Action plan the government would be

providing greater certainty over levies and infrastructure servicing including timeframes for rezoning and servicing new release areas and up front programs of infrastructure works and costs.⁸⁰

In August this year NSW Government announced its intention to impose new levies of \$180,000 a hectare on the Western Sydney Employment Lands. This charge was much higher than expected. The current state levy for industrial land in the nearby north west and south west growth centres is \$68,000 per hectare. **A levy set at almost three times the nearest comparable charge will impact on the commercial feasibility of development in the area.**

We ask that you accept these comments as our contribution to your inquiry. Please feel free to contact me if you wish to obtain additional comments.

Yours sincerely

Urban Taskforce Australia

A handwritten signature in black ink, reading 'Aaron Gadiel'. The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Aaron Gadiel
Chief Executive Officer

⁸⁰ NSW Department of Planning, *Employment Lands for Sydney: Action Plan* (2007) 12.