

30 October 2013

## Response to the NSW Ports' submission to draft City of Sydney Employment Lands Strategy

The City of Sydney has requested SGS Economics and Planning review the letter from Daniela Vujic, Senior Planning and Environmental Manager of NSW Ports, dated 4 July 2013, which provided NSW Ports' comments on the City of Sydney's draft Employment Lands Strategy (the draft Strategy), dated April 2013.

To inform the response, SGS Economics and Planning, together with the City of Sydney, attended a meeting with NSW Ports on 21 October 2013 to better understand the nature of the matters raised in Ms Vujic's letter and to discuss potential ways forward.

The following has been prepared in response to those matters raised in the letter and meeting.

### Introduction

There are few more strategically located areas of employment land in Australia than those located in the south of the City of Sydney local government area. Planning for this area is of national economic significance. This is recognised by the area being included in the 'Global Economic Corridor' within the NSW state government's current and draft Metropolitan Strategy. This 'corridor' contains over half a million jobs across a range of high value economic activities.

Ensuring an expanded array of longer term options for employment growth in inner Sydney is a priority to provide for a changing economy and to keep Sydney competitive. Given the study area's strategic location it has a significant future role in accommodating a diversity of economic activity – including but not only 'pure' industrial uses, some of which could locate in less strategic locations elsewhere.

Nevertheless, while a greater diversity of business activity is provided for in the proposed 'mixed business' zone in the central corridor of the main study area, the recommendations in the Employment Land Study have been carefully crafted to ensure that 'pure' industrial uses are also provided for in an IN1 – General Industrial zone in the south west of the study area. In addition, service and industry will continue to be accommodated in any of the proposed zones, including the two proposed 'mixed use' areas to the north and south east of the main study area.

We note some specific points made in the letter from NSW Ports but before we address these it is worth considering the planning context in the subregion and making some other relevant points to provide context.

### Land use and planning context in the airport and port region

In the last five years SGS Economics and Planning has undertaken employment lands studies including land audits for all the LGAs in the airport and port subregion (Marrickville, Botany Bay, Randwick and Leichhardt). Figure 1 shows the distribution of broad land uses in the precincts within this subregion (aggregated from the individual audits but not including the employment lands in the City of Sydney).

It can be seen that the most concentrated freight and logistics clusters tend to be very near the airport and port. The mix of uses gets more complex and diverse further away from the port and airport. This relatively distinct profile of uses in different precincts (clusters of warehousing, freight and logistics and then mixed business precincts) has developed despite the zoning of areas which, until the recent making

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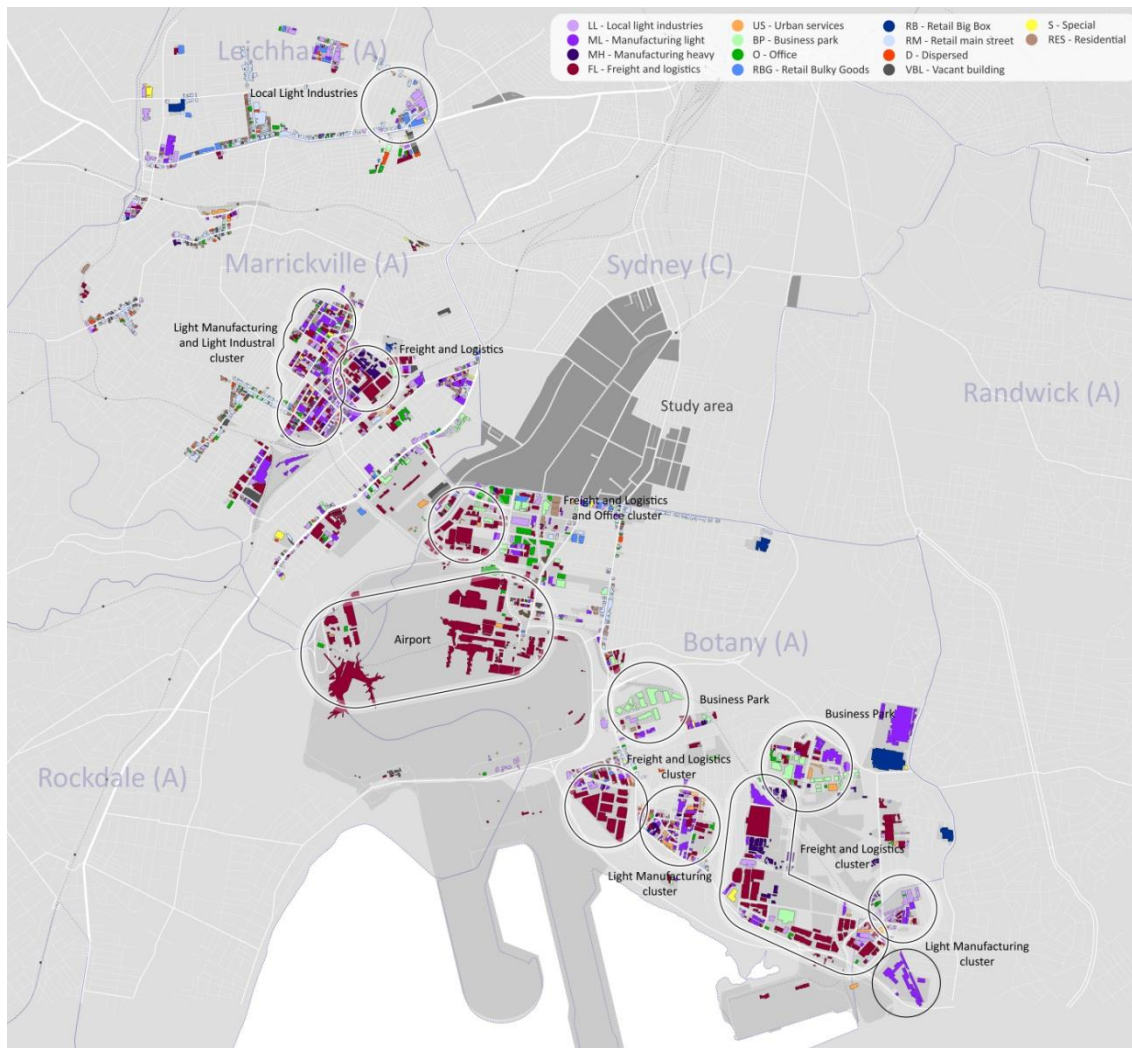
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of a number of comprehensive Local Environmental Plans (LEPs) in the subregion, was dominated by industrial zones in these areas. The underlying assets and characteristics of the precincts (such as accessibility, proximity to assets, and lot sizes) – with some influence from the zoning - have combined to produce this pattern of economic activity.

**FIGURE 1. SUBREGIONAL INDUSTRIAL LANDS<sup>1</sup>**



Source: SGS Economics and Planning, 2012

Within the main employment lands area within the City of Sydney, a considerable diversity of uses has emerged. Within the core Bourke and O’Riordan corridor, the area being proposed as a mixed business zone, uses are increasingly high value and higher order activities, with very few ‘traditional’ industrial uses still remaining. Freight and logistics, offices and urban services are the dominant categories (see Table 1).

Recent changes to statutory planning controls more or less formalise this pattern of land uses in the subregion. With regard to the zoning changes proposed in the draft Employment Lands Strategy, the

<sup>1</sup> Planning proposals are in progress to rezone industrial lands in precincts such as Eastgardens, Botany Bay and Tebbutt Street, Leichhardt which may potentially reduce stocks of industrial lands in surrounding LGAs.

proposed changes also anticipate the increasingly critical and complex economic role the area will play in the economic health of the metropolitan area as a whole.

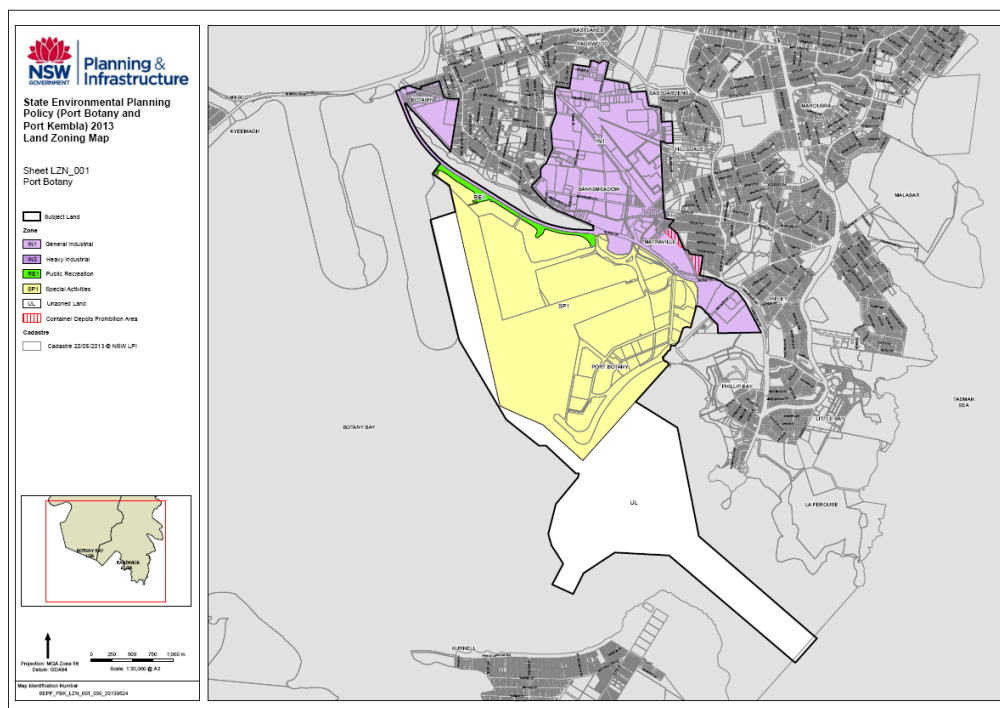
State Environmental Planning Policy (Port Botany and Port Kembla) 2013 (the Ports SEPP) rightly protects the lands nearest the airport (for general industry) which host the concentrated and often port related freight and logistics activities (see Figure 2).

**TABLE 1. TOTAL FLOORSPACE BY PREDOMINANT INDUSTRY: MAIN STUDY AREA**

Space use	Sqm	Ha	Proportion
Freight and logistics – Transport and storage	404,789	40.5	28%
Factories and laboratories	131,501	13.2	9%
Studios and industrial workshops	35,924	3.6	3%
Service industrial	51,877	5.2	4%
Office	241,935	24.2	17%
Retail – Centre based retail	46,479	4.6	3%
Retail – Dispersed retail	10,326	1.0	1%
Retail – Retail big box	479	0.0	0%
Retail – Showrooms	61,047	6.1	4%
Urban services	172,377	17.2	12%
Vacant	280,087	28.0	19%
<b>Total floorspace in these categories</b>	<b>1,436,821</b>	<b>143.7</b>	<b>100%</b>

Source: SGS Economics and Planning, 2012

**FIGURE 2. STATE ENVIRONMENTAL PLANNING POLICY (PORT BOTANY AND PORT KEMBLA) 2013 LAND ZONING MAP**



Source: <http://www.legislation.nsw.gov.au/mapindex?type=epi&year=2013&no=228>

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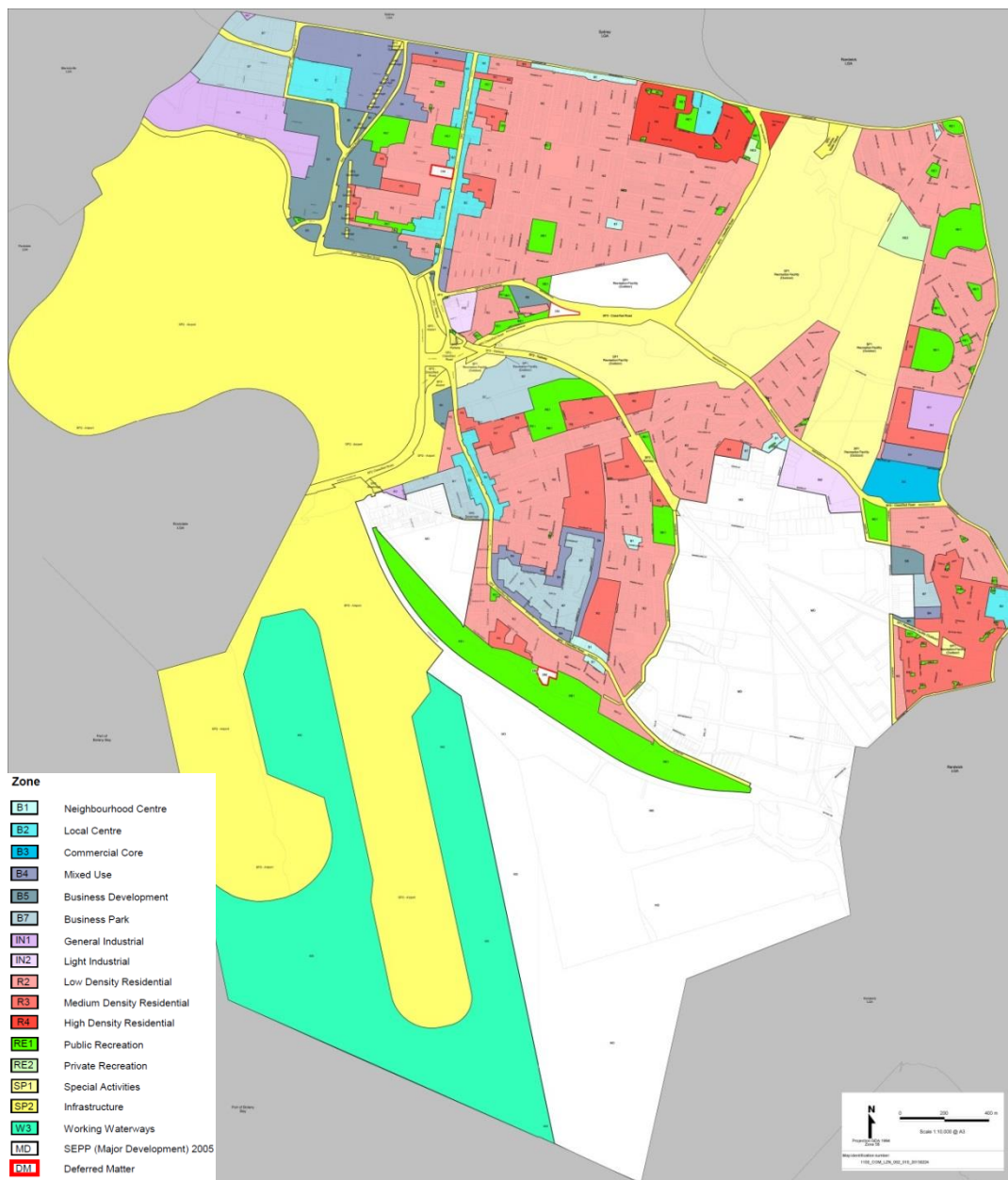
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*Botany Bay Local Environmental Plan 2013* maintains an industrial zone for land immediately to the north of the airport (principally the Qantas owned land) and industrial land at Pagewood and north of East Gardens but otherwise has moved to mixed use, business park or business development zones for all other employment lands (outside the SEPP areas), including north of the Qantas site and south of Gardeners Road, between Bourke and O’Riordan and at South Botany. It could be argued that these Botany Bay LGA industrial areas are more strategic from a port and airport perspective, and that the change to the zoning in the South Botany industrial area, that is located very close to the port, and the change to the area south of Gardeners Road, that is located very close to the airport, are not appropriate given the need for industrial sites to accommodate strategic port and airport related activities.

**FIGURE 3. BOTANY BAY LEP LAND ZONING MAP**



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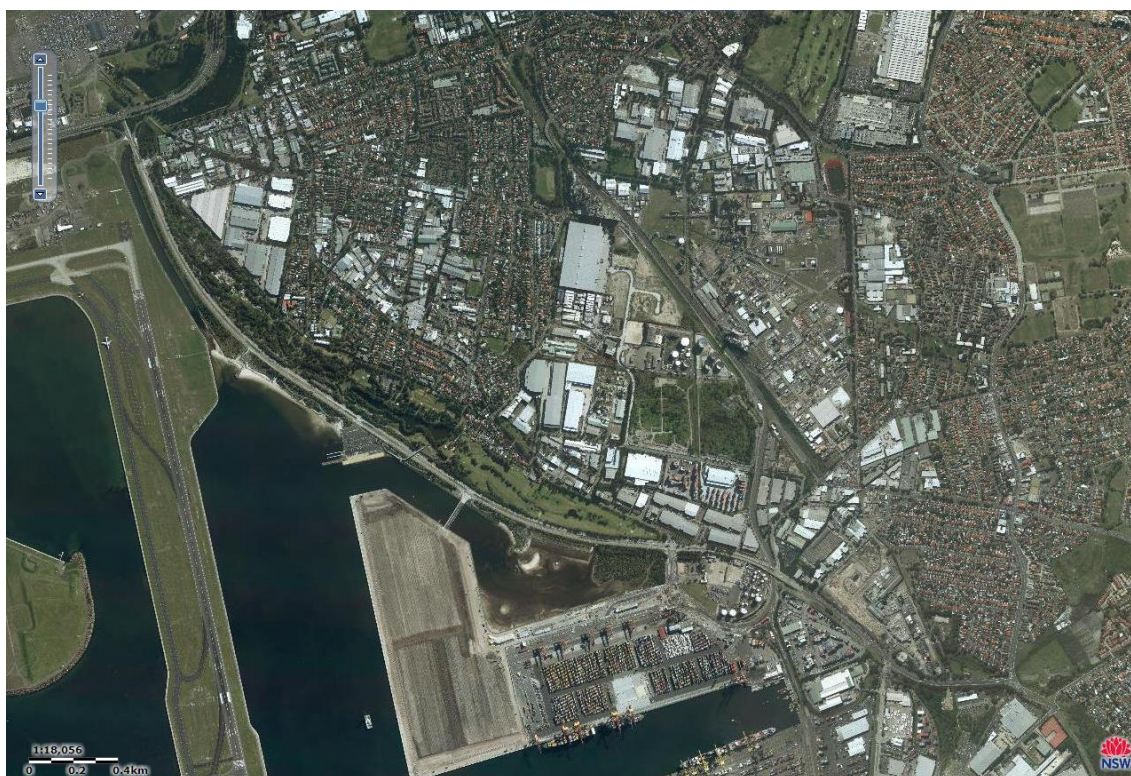
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The Ports SEPP protects the ‘pure’ industry character of large lot land in the immediate vicinity of the port – and should enable these areas to host ‘landside’ activities into the future. The aerial photograph (see Figure 4) shows a number of underutilised and sparsely developed industrial sites to the north of the port. In future, in particular when and if Orica (the occupant of the most underutilised sites) moves on, it will be important that these sites are able to be utilised for relatively land intensive landside port, freight and logistics activities. The Ports SEPP needs to and should provide this guarantee. To further safeguard the strategic port related role of this area, NSW Ports should be encouraged to purchase land when the opportunity arises as a defensive measure.

**FIGURE 4. AERIAL PHOTOGRAPH OF PORT REGION**



Source: <http://maps.six.nsw.gov.au/>

### **Employment lands will be able to accommodate a mix of activity including port or airport related activity**

Based on consultation with industrial firms undertaken during preparation of the Employment Lands Study, it appears unlikely that uses with a very direct relationship to the airport in particular would choose to locate in the City of Sydney LGA, with those that value travel time to the airport unlikely to locate north of Gardeners Road, which acts as a physical barrier to ‘just in time’ connections. Land intensive port activities could tolerate being further away, though large and unencumbered lots will be required for these uses. There are few lots with these characteristics in the proposed mixed business zone around the Bourke and O’Riordan corridor. In addition, higher land values in the City of Sydney employment lands mean that the area is less feasible for many lower value industrial uses.

The change from ‘pure’ industry to more mixed employment zones in the other employment land areas within the subregion, does not however diminish prospects for other, less land intensive freight and logistics activities to locate in these areas. Port related uses that may be drawn to the City of Sydney

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employment lands are likely to be at least partly office based, which would be permitted and encouraged in the mixed business area.

On the other hand, the vision for the proposed mixed business area includes a flexible approach to uses, including potential for industrial uses and warehousing – uses that would also be permitted on industrial zoned land. As such, the extent of the proposed reduction in industrial land is modest and less than the simple shift in zones might imply.

### **Sufficient land is allocated within the employment lands area for ‘pure’ industrial uses**

The proposed industrial zone in the study area is the current location of heavier industrial uses, and was chosen specifically due to the lack of current neighbour disputes, the natural buffers provided by Sydney Park and the Alexandra Canal in particular and its proximity to the proposed WestConnex which will link the area to industrial lands in western Sydney. This area is suited to more land intensive activities.

This industrial area is sufficiently sized to accommodate demand to 2036 based on the projections in the Employment Lands Study<sup>2</sup>. This is a reasonable planning horizon for this area (and is five years more than the horizon in the draft Metropolitan Strategy) based on current land utilisation rates of urban service and other population related industrial activities. If it were desirable to take a longer horizon, this might require judgements surrounding technological change and trade-offs and imply different land utilisation rates. In many cities where land constraints are an issue, new technologies and innovations enable industrial land to be used more intensively. For example, multi-level factory buildings and multi-level warehouses for general storage are encouraged in Hong Kong’s Industrial Use Zones, and in Singapore, ramp up factories have been developed, which offer container access to each floor. Examples are shown in Figure 5.

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<sup>2</sup> Land requirements for population-serving industrial uses (local light industrial and urban services required to service the current and projected population of the LGA) were estimated by applying ratios of jobs per person (based on regressions from land audits conducted by SGS across Sydney) to BTS population projections for the LGA. The jobs are then converted to floorspace using SGS ratios of floorspace per job. Additional land is available in the industrial area to accommodate strategic industrial uses (for example, airport related and freight and logistics uses and some CBD support services, such as archiving activities).

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**FIGURE 5. MODERN INDUSTRIAL FACILITIES**



Top: Multi-level industrial building in Surrey, UK, with light industrial use on ground floor and flex space and parking on upper floor – an example of a building with higher floor area ratio yet conventional site coverage.  
 Bottom: Modern transparent vehicle factory in Germany.  
 Right: Modern warehousing and logistics facility with high ceilings.  
 Source: ‘Summary report: Opportunities for the Intensive Use of Industrial Land’, Metro Vancouver, 2013, <[www.metrovancouver.org/planning/development/EconomyIndustrialLands/EconomyIndustrialDocs/OpportunitiesForIndustrialLandsIntensification-Feb2013RevisedFinalTitle.pdf](http://www.metrovancouver.org/planning/development/EconomyIndustrialLands/EconomyIndustrialDocs/OpportunitiesForIndustrialLandsIntensification-Feb2013RevisedFinalTitle.pdf)>

The City of Sydney’s audit of employment lands showed that about 19 percent of the building stock in the main employment lands area was vacant and a significant share of the land in this area was vacant. The available supply is easily able to accommodate the forecast demand as indicated by the Bureau of Transport Statistics’ employment projections. The Employment Lands Study demonstrates the proposed industrial zone has plenty of scope to intensify and accommodate additional uses, across the spectrum of industrial and business uses.

Going forward, more data and analysis identifying the specific landside needs of NSW Ports would assist in enhanced strategic planning of the industrial and employment lands for the wider inner Sydney area.

**Addressing specific points in the letter from NSW Ports**

Extracts from the letter are followed by comments addressing each one.

... a reduction in the amount of land allocated to “pure” industrial uses, and the further encroachment of sensitive land uses in the strategy area, have the potential to impact on the economic viability of the remaining industrial lands identified within the draft Strategy.

The ‘reduction’ in the amount of land allocated to pure industrial uses is partly a function of the change in the name of the zone in the core O’Riordan and Burke corridor. As mentioned above, the proposed mixed business zone largely recognises the existing complexity of uses that already operate in the area as well as the shift in the nature of industry. Broadening the range of employment related uses that are permitted in the mixed business zone also prepares Sydney for the future by providing additional opportunities for mixed and higher value employment in what is a relatively constrained inner Sydney area.

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While the concern of NSW Ports is understood, particularly with regards to ‘sensitive’ land uses such as residential uses or even sensitive commercial uses such as childcare facilities, it is our view that the current land uses in the proposed mixed business zone are such that the introduction of a wider range of employment based uses permitted by the land-use table is unlikely to have any significant impact on the viability of ‘pure’ industrial uses. It is agreed however that residential uses should remain prohibited in the mixed business zone so that it will continue to act as a buffer between the industrial zone and residential areas. Strategies should be explored to minimise any potential land use conflicts with more sensitive commercial uses, in particular at the interface of the industrial and mixed business zones.

1. Further consideration be given to reducing the area proposed to be rezoned from ‘IN1 General Industrial’ to ‘Mixed Business’ in order to increase the “pure” industrial zoned land within the strategy area.

As discussed above, the allocation of precincts for different activities has been calibrated to ensure there is sufficient land allocated just for ‘pure’ industrial activity within a reasonable planning horizon. Elsewhere the proposed zones would not preclude industrial activities but will allow for a more complex mix of uses consistent with trends and future needs in these areas.

This approach balances the need to accommodate emerging forms of industry and demand for higher value commercial activities, with the need to ensure sufficient land is retained to accommodate ‘pure’ industrial activities associated with the service industries and State significant strategic assets.

2. A new zone objective be included for non industrial zoned lands requiring that their use does not impact on the economic viability of industrial lands or the expansion of these lands and their use. As new non industrial uses move closer towards industrial lands, the inclusion of the requirement under the IN1 – General Industrial zone objective “*To minimise any adverse effect of industry on other land uses*”, potentially further undermines the economic viability of remaining industrial lands and the ability to expand operations. Therefore, improvements to neighbourhood amenity need to be considered by both industrial and non industrial developments.

The proposed mixed business zone has already changed to a significant degree such that new pressures on economic activities from encroaching non industrial activities are less likely. However, the point is well made in relation to the proposed mixed use areas where there is increased potential for land use conflicts between ‘new’ residential and ‘old’ industrial activities. It is recommended the City explore strategies for future planning controls, including potential adjustment to zone objectives, to actively ensure residential uses in the mixed uses zones do not impact on the operational viability of existing and any future industrial and service uses in and around the mixed use zones.

3. Developments (such as residential and sensitive uses e.g. childcare centres, educational facilities, etc) located in close proximity to industrial lands / uses be required to consider and implement measures to address potential external noise sources from industrial operations. This would minimise the need for consent authorities to impose conditions on the operating hours, deliveries and truck access routes of industrial development in order to minimise the impact of the development on sensitive uses.

As above, Council should explore strategies to minimise any potential land use conflicts between industrial activities with more sensitive uses, although it is again noted the area has already changed to the extent that the sort of conflicts and pressures envisaged may not arise. In addition community uses such as those cited (child care, educational) could be encouraged where there is less likelihood of impact

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on existing industrial uses, for example away from the interface of the industrial and mixed business zone.

We are also concerned that the LGA will not have sufficient industrial zoned lands to accommodate the LGA's projected population beyond 2036. Appendix 2 of the draft Strategy acknowledges that more lands are required for freight and logistics uses (refer to Appendix 2 of the draft Strategy) within the LGA and it is unclear how future supply would be provided to meet this demand.

The Employment Lands Study has concluded the 'pure' industrial area is sufficiently sized to accommodate demand to 2036 and the other areas can still accommodate many service and light industry uses. The situation should be regularly reviewed as trends and technologies change. There remains a very extensive stock of employment lands in the airport and port area (as Figure 1 shows). The role of these lands can shift over time.

It is agreed however that a longer term and visionary strategy for the stock of employment lands in the subregion is required, particularly given the WestConnex development which will place new pressures on these lands, including for residential development. Such a strategy would require strategic assets of State importance to quantify their future needs for industrial land so that a robust evidence based approach might be taken to protecting essential industrial lands and more efficiently utilising those deemed superfluous given long term demand.

To this end, the draft Employment Lands Strategy should retain its action to lobby the NSW Government for a more robust approach to protecting strategic and industrial employment lands at a subregional level, potentially by way of a state planning instrument that protects and maintains inner Sydney employment lands for strategic and other uses consistent with their attributes and location. The subregional planning process may be a forum for this.

Furthermore, we do not support the inclusion of 'Industries' as a prohibited development type for the B6 – Enterprise Corridor (proposed Mixed Business) zone. As stated above, the draft Strategy already identifies a potential shortfall in the supply of lands for freight and logistics uses and for industrial uses beyond 2036. The restriction of 'Industries' in this area is therefore unnecessary subject to the above requested matters being addressed. The areas proposed to be zoned as 'B6 Enterprise Corridor' should therefore support both light and general industry to achieve the primary objectives of the draft Strategy. NSW Ports therefore recommends adding general industry to the list of permitted uses or alternatively removing 'Industries' from the prohibited development list.

All industrial activities except heavy industry should be allowed in this area so this proposition by NSW Ports is a supportable position.

In conclusion we do not believe that NSW Ports has made a sufficient case that would require any fundamental changes to the proposed land uses described in the Draft Employment Lands Strategy. While the concerns of NSW Ports are valid, it is our view that the detailed and extensive analysis provided in the Employment Lands Study as to the future demands on the City's employment lands and the most efficient future use of those lands, provides a suitable level of evidence to underpin the proposed changes. NSW Ports have not provided any additional quantitative evidence as to why these lands should retain their 'pure' industrial zoning rather than being zoned for more flexible employment uses.

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However, NSW Ports have highlighted the need for vigilance to ensure the intended role of these business and industrial areas is protected in the future and that the proposed changes are not seen as a signal for additional incremental rolling back of land for employment in the short or medium term. Any inclusions in the detailed planning controls which can protect the employment and economic future of the mixed use, mixed business and industrial areas, and allow for reasonable and uncompromised operational flexibility, should be considered.

Continued monitoring of prospects should also be undertaken. The government should be encouraged to undertake a strategic review of inner city employment lands to provide more certainty in this strategic subregion.

Kind regards



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