

Item 3.

Public Exhibition - Economic Strategy Discussion Paper

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Summary

Sydney is home to Australia's largest local economy, generating more than \$138 billion per annum pre-pandemic (2019). As Australia's global gateway our economy plays a significant role in supporting and influencing economies far beyond our geographic boundary. It is important our economy is thriving and ready to meet the challenges and opportunities of the future.

The City of Sydney helps to strengthen our local economy through strategically targeted economic development that ensures Sydney is ready for the future. Under the guidance of our 10-year Economic Development Strategy adopted in 2013, we have actively supported businesses, workers, residents, visitors, students, investors and other participants in our local economy.

It is time that we now prepare our next economic strategy, particularly given the changes and uncertainty facing our city and economy. To do this we have prepared the draft economic strategy discussion paper at Attachment A and seek to engage with our communities and stakeholders for feedback on the direction and areas of focus.

The pandemic has put our economy through an unprecedented test of resilience. We are on the path to recovery but have some way to go.

The vision identified in the draft discussion paper is that the city will transition to a strong resilient economy that secures its long-term prosperity. We will be prepared and able to withstand major shocks and stresses, and stay responsive to a changing environment.

Our economic resilience will be supported by environmentally sustainable growth, strengthened by innovation, built on inclusiveness and enhanced by the revitalisation of our city centre.

We have identified four key directions in the discussion paper.

- Direction 1 outlines how we will transition to a green and circular economy.
- Direction 2 identifies how we will build an innovation economy.
- Direction 3 is about strengthening our inclusive economy and exploring the new model of community wealth building.
- Direction 4 details how we will revitalise our city centre.

Building a strong and resilient economy is aligned with our recently adopted Sustainable Sydney 2030-2050 Continuing the Vision. Our community strategic plan sets out how we will implement this vision for our city. It is accompanied by detailed strategies and action plans, such as the Central Sydney Planning Strategy as the planning framework that supports future growth.

The draft economic strategy discussion paper has been shaped by many voices, with significant engagement and consultation with key stakeholders including NSW Government, industry, precinct partners, local businesses and our community. It includes evidence-based research into best practice and analysis of emerging global and local trends.

The draft discussion paper has been prepared in a very dynamic and changing environment as impacts of the pandemic continue to be felt and recovery continues. New research and initiatives by the federal and state governments, such as the Treasury's Jobs and Skills Summit and White Paper, as well as the City's own work to collect data and insights, will provide a growing body of evidence and analysis of changes still taking shape. These inputs will inform the development of the economic strategy.

The draft discussion paper is intended to prompt conversations about how to make our economy more resilient, transition to a green and circular economy, promote innovation, strengthen inclusion and revitalise our city centre to meet the needs of the future.

The City of Sydney recently established a Business, Economic Development and Covid Recovery Advisory Panel to provide strategic advice to ensure sustained recovery of our economy. The Panel's insights will inform our work and help shape our next economic strategy using the findings from this paper as the guiding framework. We will work closely with the panel, as well as continue our engagement with stakeholders, local businesses, state government and our communities to gather further insights.

This report recommends Council approve the draft discussion paper for public exhibition. Following public exhibition of the discussion paper and consultation, we will consider feedback and begin work to prepare the next economic strategy in collaboration with the advisory panel and other stakeholders. This is anticipated to be presented to Council in 2023/24.

Recommendation

It is resolved that:

- (A) Council approve the draft economic strategy discussion paper, as shown at Attachment A to the subject report, and relevant case studies at Attachment B to the subject report, for public exhibition for a period of six weeks; and
- (B) authority be delegated to the Chief Executive Officer to make minor amendments to the draft economic strategy discussion paper for clarity or correction of drafting errors prior to public exhibition.

Attachments

Attachment A. Draft Economic Strategy Discussion Paper

Attachment B. Case Studies

Background

1. Sustainable Sydney 2030-2050 Continuing the Vision provides the direction for the City's actions over the next 30 years. Direction 9 identifies that a transformed and innovative economy will support Sydney's position among the highest performing urban economies in the world. We need to encourage and support the city to transform, innovate, diversify and be sustainable in the long term.
2. In this vision, our city maintains its position locally, nationally and globally as a destination for business, investment and talent attraction. Innovation is central to the economy and transformation must occur across all industries. It is also essential that wealth and benefits are shared equitably.
3. Sydney is Australia's largest city and leading global gateway. It attracts visitors, students, migrants, talent and investment from overseas and domestically. It significantly contributes to the NSW State and Australian economy. In 2019, prior to the pandemic, our Gross Regional Product (GRP) represented 22.1 per cent of the NSW economy and 7 per cent of Australia's Gross Domestic Product (GDP). In addition to the economic value generated and jobs created locally, the city's economy strongly imports from and exports to the rest of the country, playing a critical role in supporting and influencing the state and national economies.
4. The pandemic has brought disproportionate adverse impacts to the City of Sydney's economy because our city relies heavily on business and worker density, international students and visitors from outside the area, global talent, international trade and a vibrant city centre. These competitive strengths that we are proud of became our weak spots, making our economy vulnerable throughout the pandemic.
5. It is estimated the economic cost of the lockdown was \$250 million a week, costing close to 6 per cent of our quarterly Gross Regional Product for the local area. Compared to the pre-pandemic period, data shows that visitations to the city fell by more than 80 per cent; office occupancy fell to an all-time low of 4 per cent in September 2021 and total local spend by consumers and businesses in the September quarter was 28.3 per cent of previous levels.
6. We played a key role in helping the local economy weather and recover from the worst of the pandemic. Through the actions and delivery of the Community Recovery Plan to support the social and economic recovery of our city, local businesses have received fee waivers, rent relief, business support grants and benefits from accelerated policy reform.
7. Signs of recovery have started to show in 2022. Office occupancy is back to 52 per cent; unemployment in the city was down to 4.1 per cent in the March quarter 2022, from a peak of 6.6 per cent a year earlier; and our Gross Regional Product is estimated to have grown slightly in 2021, showing we have come out of recession.
8. Our economy has permanently changed from the pre-pandemic settings. The way people work, shop, and interact with each other to collaborate has changed significantly. Many businesses have already updated their operating models, supply chains and investment strategies as our economy heads into a 'new normal'.
9. It is the right moment for us to better understand this new normal and how it will influence the development of our economy. This discussion paper provides the framework for these ongoing conversations with our stakeholders.

10. Central Sydney is the engine room of the NSW economy. Our planning framework, as outlined in the Central Sydney Planning Strategy, will ensure future growth occurs where it respects our special places and open spaces, and is sustainable, resilient and responsive to climate change.
11. The strategy ensures that central Sydney is well positioned to contribute to metropolitan Sydney being a globally competitive and innovative city that is recognised internationally for its social and cultural life, liveability and natural environment.
12. We have the opportunity to review what successful economic development looks like – and rethink how we measure it. Rather than only focusing on growth, we can consider broader social, cultural and environmentally sustainable metrics. In the new normal, we can grow emerging sectors, strengthen competitiveness, and ensure our community shares in the economic growth.
13. We also have an opportunity to explore and explicitly incorporate contemporary economic development models in our new economic strategy. Through the discussion paper we will explore the benefits of a circular economy; innovation economy; community wealth building; and the opportunities attached to a vibrant 24-hour economy.
14. While acknowledging that the pandemic continues to affect our city, through reduced numbers of international travellers, city workers, students and visitors, we have an opportunity to support the industries most affected and re-position the broader economy for future growth.
15. The pandemic has given us a unique opportunity to reflect on the strengths and weaknesses of our economy. We also have a great opportunity to incorporate lessons learnt from the pandemic and to guide our economy so that it remains competitive and robust. This will enable a recovery to a more resilient, inclusive and future-fit economy.
16. The key lesson we learnt from the pandemic is that economic resilience is vital for keeping our economy thriving in the long term without major disruptions. The world is volatile, with many lurking threats that could cause global economic shocks – in addition to the ongoing pandemic. We must strengthen our economic resilience to withstand these shocks. We must also make our economy dynamic and responsive so it can make a quick recovery from unanticipated adversity.
17. Strengthening our economic resilience requires great efforts across many aspects of our economy. We need to reconcile the tension between environmental protection and economic development. We must promote innovation to convert challenges into opportunities. We need to improve the inclusiveness of our economy to empower our community, especially the most vulnerable community groups. We also have to revitalise the city centre to realise its full potential in the new economic era.
18. The vision identified in the draft discussion paper is that the city will transition to a strong resilient economy that secures its long-term prosperity. We will be prepared and able to withstand major shocks and stresses, and stay responsive to a changing environment.
19. Our economic resilience will be supported by environmentally sustainable growth, strengthened by innovation, built on inclusiveness and enhanced by the revitalisation of our city centre.

20. We cannot act alone, it is vital that collaboration and partnership takes place between the City of Sydney and public and private sector, education and research sector, and all our communities to facilitate the transition to a future-ready and resilient economy, and one that supports the long-term growth and prosperity for all.
21. We have identified four strategic directions that will help us transition to a strong and resilient economy. These are based on the results of our extensive local and global research, economic data analysis and insights and, feedback from stakeholders and our community.

Direction 1 - Transition to a green and circular economy

22. Our local economy will continue to decarbonise to achieve our target of net zero emissions by 2035. Our city will harness new economic values as this transition improves economic efficiency, creates new business opportunities, generates more jobs and attracts sustainable investment.
23. We will focus our action by demonstrating leadership in our own practices and encourage education and knowledge sharing among our communities about green and circular options. We will also continue to support the development of key green sectors, including environment advisory, sustainable finance, green utilities, green buildings, the sharing economy, green transport, waste management, cleantech innovation and green research.

Direction 2 - Build an innovation economy

24. We will promote and support innovation, helping our innovation economy to mature to secure our economic competitiveness over the long term. Through innovation, our economy will see a strong recovery, become more productive, and seize new growth opportunities through emerging sectors. The economy will stay future focused and lean into new technology developments.
25. Our area of action will be in collaboration with the NSW Government and other key stakeholders to develop and promote Tech Central innovation precinct. We will also continue to support the city's innovation ecosystem and local startups by providing affordable space, grants, capacity-building programs and knowledge sharing, as well as sponsorship for startup festivals and events. We will position Sydney globally as an innovative city, and a safe and desirable destination, to attract international students, talent, entrepreneurs, scalable businesses and investment.

Direction 3 – Strengthen our inclusive economy

26. We want our economy to be more inclusive and equitable so that our economic prosperity is shared by all. In a stronger inclusive economy, more people will have opportunities to participate in the economy and realise their full potential. There will be less inequality in the city and more locally generated wealth will be distributed back to our community.
27. We will focus our actions on supporting community groups facing barriers and help their members upskill to find employment with fair income and work conditions. We will also promote for-purpose business models driving greater diversification of our economy. We will encourage partner organisations to bring economic, environmental and social benefits to our community. We will collaborate with partners to increase access to affordable spaces for working, living and learning.

Direction 4 – Revitalise our city centre

28. As workers and visitors return to our city centre, we have an exciting opportunity to rethink how we use it. We want our city to be a destination that offers a rich variety of experiences – a place for working where people can connect, collaborate and build new relationships; a place to be creative and express culture; a place to shop, be entertained and have fun with great events and festivals; and a place to connect global audiences to the rest of Australia.
29. We will continue to support our local businesses through the recovery, helping them innovate and build skills and capability to be future-focused. We will continue our reform of red tape, regulations and compliance in collaboration with state government. We will make it easier to activate the city and think about how we can better use spaces for activation, innovation and creative output. We will also promote and tell unique Sydney stories to global and local audiences, highlighting Aboriginal and Torres Strait Islander stories to deepen the visitor experience.
30. This discussion paper recognises that government agencies, industry partners and businesses and the community all have a role to play in building a strong and diverse economy.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

31. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the City to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 2 - A leading environmental performer - the draft discussion paper addresses the urgency and need for all to participate in the transition to a zero-carbon economy.
 - (b) Direction 3 - Public places for all - the paper recognises the importance of our public spaces and places for people to enjoy, visit, work and invest in. We also recognise the importance of our connections to Aboriginal and Torres Strait Islander peoples in our public places.
 - (c) Direction 6 - An equitable and inclusive city - the paper is focused on supporting a more inclusive city where prosperity is shared by all and people have opportunity to participate in the economy.
 - (d) Direction 7 - Resilient and diverse communities - the paper is focused on strengthening our economic resilience.
 - (e) Direction 8 - A thriving cultural and creative life - the paper directly responds to this direction through the revitalising of our city centre focus, supporting the 24 hour economy and supports the opportunity for the creative industries to be integral to the innovation economy.

- (f) Direction 9 - A transformed and innovative economy - the paper addresses the opportunity for innovation to be central to the economy and that transformation can occur across all industries. It also points to the need to transition to a zero-carbon economy and strengthening our inclusive city where wealth and benefits are shared equitably.
- (g) Direction 10 - Housing for all - the paper has identified the importance of providing access to affordable housing to meet the needs of our diverse communities.

Social / Cultural / Community

- 32. The draft economic strategy discussion paper takes an integrated approach, recognising that our economy is influenced by a range of factors such as liveability and amenity; access to affordable housing for our diverse communities; access to affordable space for work and creatives spaces; equitable economic participation for all; and opportunities to encourage locally shared wealth.
- 33. The discussion paper also recognises that many issues of interest to business and workers are the same issues that are important to our diverse community of residents.

Environmental

- 34. The discussion paper addresses how a strong green and circular economy can decarbonise economic activities, directly addressing climate change issues and mitigating the tension between environment protection and economic development.

Financial Implications

- 35. The costs associated with the development of the draft economic strategy discussion paper, engagement plan and public exhibition will occur within the existing operational budget under Strategy and Urban Analytics in 2022/23. The financing of any identified priority projects as part of the development of the new economic strategy will be sought in future budgets.

Relevant Legislation

- 36. Local Government Act 1993.

Public Consultation

37. If endorsed, the discussion paper will be placed on public exhibition for approximately six weeks. During this time, key business and industry stakeholders will be briefed. Our advisory panel members will be consulted, and our communities will be encouraged to provide feedback through Sydney Your Say.
38. The draft discussion paper has been shaped by many voices, with significant engagement and consultation with key stakeholders, NSW Government, industry, precinct partners, local businesses and our community. The paper sets out a number of questions to help guide feedback, but broader comments outside of the directions identified in the discussion paper are also encouraged.
39. We will then analyse the feedback received during the exhibition period and incorporate it where relevant into a report. This will inform the advisory panel and provide further insights for the development of the next economic strategy.

KATE DEACON

Director Strategic Development and Engagement

Jennie Harris, Economic Strategy Advisor