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The National Freight and Supply Chain Strategy Discussion Paper Property Council of Australia NSW Submission

August 4, 2017

The National Freight and Supply Chain Strategy Discussion Paper

The efficient movement of freight is integral to Australia's international export competitiveness and ensuring our growing population has access to the goods and products it needs.

The Property Council of Australia acknowledges the Australian Government's commitment to the preparation of a National Freight and Supply Chain Strategy in line with a recommendation made in Infrastructure Australia's 2016 Infrastructure Plan.

We also acknowledge the previous strategies and plans that this strategy builds upon, including:

- Infrastructure Australia's 2015 Australian Infrastructure Plan and the 2016 Australian Government Response to the plan;
- the 2012 National Land Freight Strategy and 2011 National Ports Strategy;
- recent Productivity Commission reviews, including reviews of the National Access Regime, Infrastructure and Agriculture (2013-2016); and
- master plans for our major ports and airports.

The Property Council understands the importance of the strategy to align freight priorities across Australia and ensure efficiency across state boundaries.

Although the Property Council of Australia does not have a dedicated committee focused on freight, our industrial property committees do have an interest in many of the policy issues that feed directly into the national freight and supply chain strategy.

The Property Council of Australia also has a direct interest in the development of Australia's cities and their sustainable long-term growth. Any long-term plan for our cities must integrate freight and good transportation with land use planning.

Issues such as:

- the encroachment of urban growth onto employment and urban services land
- corridor protection
- infrastructure provision
- funding models for new infrastructure
- long-term planning for employment land
- land supply.

All have a direct influence on the availability and productivity of employment land and on the efficient movement of freight.

This submission will focus on land protection and planning issues for employment land in NSW and how a greater focus on employment land and related transport corridors in planning approaches at a state and local government level will result in more efficient outcomes for freight and supply chains.

Land planning often does not consider the medium to long term operational activities that could occur on a piece of land under the land use zone.

Residents and sensitive uses are often moved closer to industrial uses without a comprehensive understanding of the NSW environmental assessment requirements and policy framework. This approach jeopardises future growth of industrial land and the expansion of freight transport corridors.

Sydney needs to become a 24 hour, seven-day-a-week city to compete globally. This is a crucial aspect that must be addressed through planning priorities.

The Property Council of Australia

Who we are

Property is the nation's biggest industry – representing one-ninth of Australia's GDP and employing more than 1.1 million Australians. In NSW, the industry creates more than \$60 billion in flow on activity, generates around 300,000 jobs and provides around \$17 billion in wages to workers and their families.

Our members are the nation's major investors, owners, managers, and developers of properties of all asset classes. They create landmark projects, environments, and communities where people can live, work, shop and play.

The property industry shapes the future of our cities and has a deep long-term interest in seeing them prosper as productive and sustainable places.

A pillar of NSW

The property and construction industry also underpins the health and prosperity of the NSW economy. The industry:

- generates over 311,000 jobs – one in ten workers
- provides \$20.3 billion in wages to workers and their families
- pays \$9.8 billion in state taxes to the NSW Government - the state's single largest tax payer
- is levied an additional \$7.2 billion in local council rates and charges annually
- contributes \$54.5 billion directly to Gross State Product - 11.1 per cent of total GSP
- creates \$88.3 billion in flow on activity.

The encroachment of urban growth onto employment land

Employment land is important to the economic and social future of Sydney.

Increasingly, critical employment land is being endangered in NSW due to the expansion of residential and commercial zoned land, particularly around key transport gateways, Port Botany and Kingsford Smith Airport and the untempered expansion of non-industrial businesses and services within industrial zoning.

Strategically important employment and urban services that makes sustainable employment and economic contributions to the NSW economy land must be protected to ensure land is still available to meet the operational and business needs of industry including the affordability of these lands. Large lots which are well serviced and have heavy vehicle access are integral to the economic future of Sydney.

It is this critically important land, land that surrounds our ports, airport, intermodals and the Western Sydney Employment area, that must be protected and well connected to freight corridors.

The densification of Sydney and the encroachment of residential development on employment land will have a direct impact on the efficient movement of freight.

With the increasing focus of government policy on facilitating residential development, further consideration must be given to the long-term protection and productivity of employment land and related freight corridors.

In terms of the highest and best use of land, any employment land needs to be assessed within the context of its contribution to an economic supply chain and freight efficiency and the additional benefits, including employment, that flow to the community from this process.

Our cities' growth and the role of employment and urban service land

Industrial land has developed to accommodate a wider range of uses and services and in some circumstances, this should be cautiously welcomed.

There are local markets where the rezoning of industrial land should be more flexible to accommodate other businesses and services as the value of the land has diminished under its current industrial zoning. However, there are still many areas where large blocks and transport routes need to be protected and additional services encroaching on these sites will affect the viability of development particularly in Sydney's west and south west and around key freight and transport hubs.

What is important is for the State Government with input from other levels of government to provide direction on which industrial based lands are strategically critical and which should have flexibility built into their zoning or should be re-zoned.

The standard LEP industrial land zoning facilitates urbanisation of employment lands. Garden centres, hardware and building supplies, and neighbourhood shops are permitted in all industrial zones except Heavy Industry (IN3). In many circumstances, this approach undermines the viability of certain types of industrial development both from an affordability perspective as well as from the perspective of land size availability (i.e. appropriately sized lots cannot be found). It can also undermine accessibility with larger trucks unable to gain access to some sites due to increased traffic.

While a 'precautionary approach' to rezoning has been suggested in the [Greater Sydney Commission's draft District Plans](#) to address this very issue, there is no guidance as to what this process may entail.

To guide this approach to 'precautionary zoning' an interim guide for local planning authorities should be instituted that will both protect critical land, ensure access for freight, yet also provide flexibility in zoning approaches to land that has lost its value under its current zoning. A potential approach to address this need is included in this submission.

The compatibility of surrounding non-industrial land uses in proximity to industrial land must also be more extensively assessed. Traffic generating jobs and higher density housing should be discouraged in proximity to critically important industrial lands as they have the potential to reduce the efficiency and productivity of the industrial lands through light vehicle traffic congestion on the road network and noise and air quality requirements.

These issues will become more pronounced as the freight task grows, as the discussion paper outlines:

"Overall, the total road freight task in all capital cities is forecast to increase by two-thirds between 2008 and 2030, from 40.15 billion tonne kilometres (tkm) to 66.60 billion tkm. This represents an average growth rate of 2.33 per cent per annum¹⁸, outstripping the current population growth of around 1.5 per cent per annum."

To meet this growth in the freight task as well as meet growing demand for residential and commercial property, a thorough, long term plan must be implemented that protects critical employment land, provides guidance for the assessment of the value of employment land and stimulates increased supply of employment land supporting dwindling land supply.

The expansion of employment and urban services land

In the short to medium term, critically important employment and urban services land should be protected, *and* expanded in NSW.

The Employment Lands Development Program 2015 Report provided key information on the state of industrial land supply and major business parks in Sydney. It reported that, depending on the rate of take-up, there is 1.5 to 5.6 years of supply of undeveloped and appropriately zoned employment land in Sydney that is serviced (water and sewer lead-in services). On an “average” to “high” take-up, there is 1.5 to 2.8 years of supply. This is well short of the supply standard of 5 to 7 years.

Given our growing freight task and the needs of a growing population, there is not enough employment land in metropolitan Sydney to maintain long term growth.

The provision of infrastructure that facilitates the effective use of employment land is of critical importance to ensuring viable land supply in NSW. The variable imposition of Special Infrastructure Contributions has created a lack of consistency and transparency as to how to fund key State-level infrastructure to service employment lands, and who appropriately bears the cost of this infrastructure. This has resulted in slow infrastructure delivery and the developer taking the full burden of infrastructure funding and delivery so that a development can proceed.

The priority should be the state government, local government, and other government agencies (Sydney Water) providing suitable infrastructure to these sites should they expect development to occur on greenfield sites and the related economic benefits to flow to surrounding areas. A potential policy solution for achieving this is included in this submission.

In lieu of appropriate action from the local planning authority, incentives for developers to provide infrastructure or a statutory mechanism to ensure the developer is reimbursed for any infrastructure provided should be considered to ensure development is not delayed due to a lack of local infrastructure.

An employment land development corporation

To synchronise infrastructure provision with land development, an employment land development corporation should be introduced in NSW. The introduction of the body will provide certainty on sequential land development and provide a central coordination point for the relevant infrastructure (power, water) providers. A development corporation would also provide certainty for potential tenants who will be guaranteed the provision of

essential services. Ensuring new employment land is serviced and zoned will have a direct flow on effect to freight as new warehouses and production facilities are developed in sequence with new freight routes and the growth of the state's freight task.

The introduction of a development corporation will:

- Provide direction to key infrastructure providers such as Sydney Water and Endeavour energy so that the development community cannot proceed with any clarity
- Provide certainty to developers who currently forward funding key infrastructure often without any certainty that the cost can be recouped. Current land prices have key infrastructure provision factored into the final price. By having to fund infrastructure on top of the inflated land value, the development becomes unfeasible.
- Provide leadership and certainty in strategic planning and therefore in priorities, alignment of stakeholders and financing.

Future growth and long-term planning for employment land

The colocation of industrial land with universities, research facilities, hospitals and residential development in the future is something to be embraced in the long term to encourage new investment and the creation of new jobs.

With the development of new technology and the changing need of tenants and demands for goods, the amount of land that is required and where it is located will also change and this must be considered in our long-term planning approaches. While Australia has a strong presence in medtech, logistics and distribution, industries such as aerospace will become an increased focus in NSW.

Currently, there is no long-term plan for employment land in NSW placing in jeopardy land supply, the capability to attract new tenants and the efficient movement of freight.

Delivering a sustainable city requires planning authorities to be clear about the priority land uses and activities in a precinct/locality and the region; therefore, land use compatibility must be considered to deliver a liveable, productive, and sustainable city.

Environmental policies and requirements, particularly on industrial land, will also need to be considered to make the concept of sustainable and productive use of land a reality as land uses located adjacent to key industrial and freight activities can restrict productivity.

To ensure development occurs in the short to medium term, so that growth and investment from new industries can occur in the long term, the current challenges, and barriers to development of employment land must be addressed.

These include:

- A revision of the barriers the NSW environmental assessment, requirements, and policy framework places on the operation of industrial based industries and the affect encroaching residential development has on hours of operation and noise pollution
- Identifying and protecting corridors for rail, roads, and fuel lines
- Strategically planning for intermodal terminals
- Sequential upgrades to existing roads and connection points to cater for future traffic and freight demand
- A plan for sequential land release and rezoning including the provision of trunk services to service land in advance of the operative Western Sydney Airport facility (in coordination with planning of infrastructure for the airport).

There is a need for continuity and a clear direction at a regional and district level to ensure that employment lands are maintained.

In formulating a clear direction at a regional and district level, there should be the implementation of a simple, two-tiered hierarchy of employment land where critical land is protected and other employment land is assessed against a set of criteria to guide the precautionary zoning approach, before being rezoned:

- critical employment and urban services land is protected (i.e. land with State or regional significance, critical freight access);
- sufficient flexibility is available for the rezoning of non-critical employment and urban services land; and
- rezoning determinations are appropriately considered.

Hierarchy	Type of land
Tier One –critical employment land – to be protected including buffer zones	Currently: Intermodal Terminals (Yennora, Enfield, Moorebank), Ports and land surrounding,

	Airports and land surrounding, Western Sydney Employment area. These lands intended use by strategic and heavy industries, including industries that form a key element of the supply chain for major resource projects. These industries generate significant investment, employment, and value of production for the state.
Tier Two – employment land that must be assessed using the precautionary zoning approach, guided by the below assessment checklist	All other employment land

In addition to providing a hierarchy for employment land, a guided approach to the zoning of employment and urban services land across Sydney must also be instituted. This is critical to provide a region wide, strategic approach rather than an LGA specific approach.

This increases the need for a clear set of criteria for a ‘net community benefit assessment’ by local councils, particularly as this assessment is proposed to be undertaken using a District-wide approach. This could pick up a range of initiatives including supply and demand, net change to employment, freight access and amenity impacts.

Any approach must consider:

- The economic contribution of that piece of land, under current operation and zoning, to the local economy including jobs, investment, and role in a supply chain.
- Where a rezoning submission seeks to rezone industrial land to a new employment use, the new use(s) must be based on a needs/supply & demand assessment.

- created buffer areas in most locations between the core industrial area and surrounding residential areas. This approach is needed to minimise conflicts between industrial and residential uses and act as a buffer or transition area.
- Land-use changes which create fragmented or isolated industrial land holdings should be avoided.
- Infrastructure upgrades and the highest and best use of the land given the local and District context.
- The role and contribution of the employment and urban services land in question to the metropolitan wide supply and productivity of employment and urban services land must be considered.

These approaches will mean that there is both a strong regional approach to planning for employment land and this is also instituted at a local planning level. This is critical for freight as this enables the most efficient land to be used for storing, transferring and producing goods.

Corridor protection

Corridor protection is critical for Sydney's growth. The Property Council strongly supports Infrastructure Australia's report *Corridor Protection, Planning, and Investing in the Long Term*. The benefits of protecting key corridors now include reduced costs, a reduced risk of the corridors being 'built out' and subsequently, a reduced need to tunnel or acquire property.

Sydney and other capital cities are also experiencing increasing land values. The high demand for new land and relatively low supply means that the scarce land that is available is increasing at between 5 – 10 per cent per year. This consistent increase pushes up the price of new transport corridors and makes new infrastructure investment increasingly unfeasible.

Land that is protected now provides further opportunities to supplement the cost of infrastructure. As land for transport corridors is acquired and protected, the land can be leased on a limited term basis with rent contributing to the overall cost of the future infrastructure. Once the transport route is being constructed, the zoning of the land can be reassessed.

Corridors such as the Outer Sydney Orbital must be protected now to ensure financial savings and provide certainty to the community and industry.

Further recommendations that must be considered in any planning for freight and related employment land

- That employment lands are assessed in the context of their contribution to the wider economy and are protected *and* expanded. Land use planning decisions need to allow for higher utilisation and expansion opportunities of employment and urban services land.
- That guidance is provided to local councils on the protection and expansion of employment land.
- Cater for the land and operational requirements of industry by ensuring a variety of allotment sizes, including large allotment sizes, are provided for both traditional industrial and other employment uses (e.g. hardware stores, warehouse retail, etc.). Minimum allotment sizes for subdivision of industrial and employment lands should be imposed in certain locations across Sydney.
- Implement a statutory mechanism to provide certainty on the timing and value of reimbursements for privately funded infrastructure. This will provide certainty for private sector investment, and encourage development of fragmented land.
- Restrict small lot subdivision of vital industrial and employment lands to ensure long term economic viability of retention of employment zoning.
- Consider economic incentives to encourage the establishment of employment generating uses on greenfield sites.
- Produce a comprehensive, long term strategy for employment land that incorporates the growth of freight and the need for additional serviced land supply.
- Consider a Development Corporation to synchronise the development of employment land with infrastructure provision and the development of transport corridors

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