

Transport for NSW – Draft Freight and Ports Plan

Property Council of Australia submission

The Property Council welcomes the focus on economic development and progress that the new Freight and Ports Plan includes. The economic development of our State's land and related transport routes is incredibly important to our State's future.

As the Plan correctly outlines;

"In the next 40 years, freight volumes are estimated to double in the Greater Sydney area and grow by a quarter in Regional NSW. Our major commercial ports at Port Botany, Port Kembla and Newcastle are managing increasing volumes of imported and exported goods which require faster, more efficient road and rail access channels with our Sydney and Regional NSW markets."

Managing this growth and ensuring we get the best from the economic development this growth will bring requires strong leadership and long term strategic planning. It requires a State-wide approach to freight and logistics that is integrated with strategic employment land development and provides appropriate instruction to local councils on how they should plan in this regard in their local areas.

The plan, as it currently is written, makes a start in this regard yet could do more. It is our view that the plan could more comprehensively engage with the land planning future of NSW, particularly the work of the Greater Sydney Commission (GSC) and their approach to employment land.

Issues such as corridor protection, the protection of employment land surrounding major ports and transport hubs have been covered in other strategies such as the Greater Sydney Commission's District Plans and Region Plan and Transport for NSW' Future Transport Strategy.

The Plan should engage further with the work of the Greater Sydney Commission; particularly in their approach to employment land in each of the three cities. Freight corridors, connected employment land and major freight gateways such as the port and airport are integral to our future land use planning and must be integrated better in the way we plan for our growing communities.

This submission will outline some the key areas where we feel further detail and strategy is required and we are happy to work with Transport for NSW to develop the Plan further.

Employment land

Freight and Ports Plan initiatives

- *International Trade Gateways: Detailed planning to support the Port Botany Precinct and Kingsford Smith Airport as primary international trade gateways*
- *Western Sydney Airport: Support Commonwealth delivery of the Western Sydney Airport and identify supply chain efficiencies for NSW to capitalise on the investment.*
- *act to secure sufficient land for freight precincts, as well as identify and protect transport corridors to lower costs of development and maximise development potential*
- *looks at strategies to address urban encroachment*
- *plan for future growth in movement of goods across NSW, and within both Greater Sydney and regional areas, improving the efficiency of supply chains and overall freight productivity.*

The above sentiments are welcomed, yet much of this work is also being undertaken by the Greater Sydney Commission and these approaches should be synchronised with those of the GSC.

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 and urban services land will have a direct impact on the efficient movement of freight.

With the increasing focus of government policy on stimulating 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.

Critical industrial land should include Intermodal Terminals (Yenora, 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.

General urban services land could include, for example, land used for Motor Vehicle and Motor Vehicle Parts Retailing Repair and Maintenance Printing (including the Reproduction of Recorded Media). This is the type of land that could be assessed on a case by case basis in the context of the metropolitan supply of this type of employment land and the overall freight task.

The majority (around 93 per cent, or 722,900 sqm) of Sydney's industrial development is expected to be delivered in the Western markets over 2018 – compared to 80 per cent in 2017 (for developments over 5,000 sqm). This significant development pipeline must be built in conjunction with the protection of key freight corridors and with the efficient movement of freight in mind.

The South corridor employment land benefits from proximity/access to the strategic transport gateways of Sydney Airport and Port Botany, as well as a large concentration of Sydney's Metropolitan

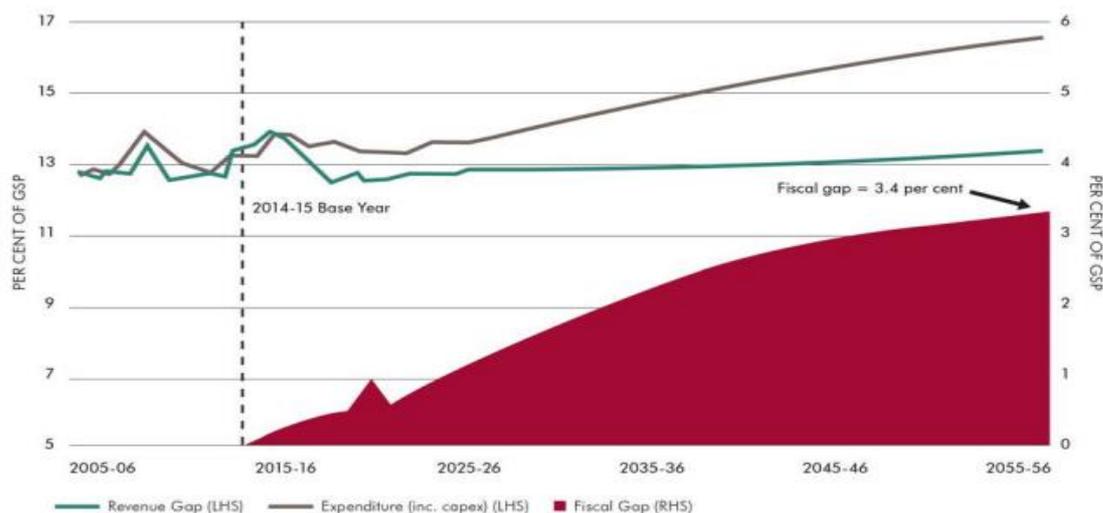
population. This will increasingly be the case as the eCommerce industry grows, in turn, placing greater need for facilities to be positioned close to highly populated areas (i.e. Sydney's Inner and Middle ring) to effectively achieve last mile deliveries.

This should be a key focus of the freight plan and align with the Greater Sydney Commission to protect critical land that is important in the wider economic supply chain.

Financing

We know that Government revenue can only meet a certain percentage of infrastructure expenditure. Currently, the funding gap is met through council rates, section 94 levies for local infrastructure, Voluntary Planning Agreements and Special Infrastructure Contributions in growth areas for larger infrastructure necessitated through population growth and development. Additional funding for larger rail projects can often be met through public/private partnerships (PPPs), yet there is a growing demand for new infrastructure and Government revenue is constrained and largely reliant on property related stamp duty and a buoyant property market.

NSW Government economic modelling projects that, if current trends continue, overall expenses will grow at 5.3 per cent a year and reach 15.9 per cent of GSP by 2056. Long-term modelling suggests that State Government revenue growth is likely to fall over the next 40 years to 4.7 per cent a year. That is well below the expected growth in services and infrastructure expenditure of 5.3 per cent a year.



Source: Infrastructure Australia graph based on NSW Government (2016) NSW Intergenerational Report 2016: Future State NSW 2056, p.12

The transparent, consistent, and fair financing of infrastructure is integral to the successful implementation of the Plan and good land planning outcomes.

The term 'value capture' has come to encapsulate a plethora of different taxes and infrastructure charges and this has instilled industry uncertainty.

Any model of value capture must be designed within the context of the already extensive federal, state and local taxes that are linked to property values and unimproved land values, including capital gains tax, stamp duty, land tax, council rates and company tax on developer profits.

Similarly, any model must consider development specific charges such as Special Infrastructure Contributions, Section 94 payments, VPA Conditions that exceed Section 94 plans, and new levies being introduced disparately by individual councils. These charges should not endlessly proliferate, and any value capture scheme should subsume all of these approaches and provide one, consistent, cost.

Any value capture model that may be introduced must be directly linked to the delivery of infrastructure and be time restricted as a model such as the cross-city tunnel in London demonstrates.

Some current examples of value capture are:

- Additional taxes designed to capture the potential uplift in value due to infrastructure investment. These taxes are however based on estimated uplift and as such, lack accuracy. There is also no clear nexus between tax and infrastructure delivery
- A one-off surcharge placed on commercial property and their tenants in a defined area to pay for infrastructure investment. These surcharges rarely consider the myriad of other charges placed on the property owner and are arbitrary in their application
- Charges linked to land use or planning decisions that suppress planning controls and ignore the most efficient use of land
- Tax increment financing, that is used widely in the US, is a bond-based approach.

Recommendations

- **Record, monitor and make public all development contributions from across Sydney.**
- **Provide guidance on the model and execution of the value capture models currently being considered.**

Corridor protection

Freight and Ports Plan 0-10 Year Initiatives: Committed

- *Western Sydney: Protect corridors for a future Western Sydney Freight Line, Outer Sydney Orbital Freight Line and Western Sydney Fuel Pipeline, and secure supporting, connected intermodal terminal precincts*

State Infrastructure Strategy initiatives

- *Provide funding for the second round of the Corridor Identification and Reservation Fund.*

Corridor protection is critical for Sydney's growth.

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. The Greater Sydney Commission, Transport for NSW and Infrastructure NSW have all identified protecting transport corridors as a key priority. The State Infrastructure Strategy outlines the need to commit further funding to Restart NSW to ensure corridors are protected within a reasonable timeframe which the Property Council supports and included in our 2018 pre-budget submission.

The Productivity Commission's 2014 report on Australia's infrastructure drew attention to weaknesses in corridor protection practices, recommending that 'Australian governments should also consider ways in which land policies can be improved in this area, given the deficiencies in the current planning of land reservation in most jurisdictions in Australia'.

Sydney is experiencing increasing land values. Previous analysis by Infrastructure Australia found that, in the 20 years to 2012, underlying land values in the three east coast capital cities grew around 3% per year faster than the rate of inflation.

Vacant land in Sydney cost \$808/sqm in 2016, considerably more than other states. On a rate/sqm basis, the changes in prices over the past year have been recorded at +3.7% in Sydney, +6.2% in Melbourne, -9.1% in Brisbane, -4.4% in Adelaide, +0.4% in Perth and -13.3% in Hobart.



Land lot size is also trending down with the ultimate effect being that more lots of land need to be purchased for a transport corridor for increasingly greater prices. The land economics of purchasing land for transport routes is increasingly making investment unfeasible.



If land is not protected, placing a project in a tunnel can multiply its cost per kilometre by 5-10 times. This increase in land cost subsequently increases the cost that must be paid by the Government, industry and the community

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.

It is a welcome approach to commit to protect corridors such as the Outer Sydney Orbital, western Sydney Freight Line and a potential link to the Illawarra and Port Kembla to ensure financial savings and provide certainty to the community and industry. This should be done within a reasonable

timeframe as the increased rate of development and higher demand for land in western Sydney will be a factor in the next five years as the Government further develops plans for the area.

Effective corridor protection in the future may necessitate more flexible or unique land zoning approaches. Prospective corridor zones may need time reliant zoning with development approved in these zones done so in the understanding that the land will be required to develop a transport corridor after a set period. Industrial land use could be more appropriate in these circumstances as development can be moved or changed more easily than other development.

Recommendations

- Protect key corridors now including the Outer Sydney Orbital, Western Sydney Freight Line and North South Rail link.
- Consider more flexible land zoning approaches to make of protected corridor land in the interim before development begins.

The importance of freight and freight corridors

The efficient movement of goods from port or airport, through intermodal terminals and to the end user, will become increasingly important as our city grows.

The division between local services, CBD mass transit and cross city trunk services is important to identify the key role of each part of the transport system. The amount of freight our city must absorb will only increase. Employment land, logistics and freight will increasingly be integrated with residential and other land uses.

The Freight and Ports Plan, as it currently reads, does not include any guidance on how our cities should change or land be developed differently to accommodate increasing prominence of logistics and last mile deliveries. The Greater Sydney Commission's plans do not contain great detail in this regard either. With large supermarkets increasingly growing their on-demand delivery services in addition to online retailers, the impact of this growing trend on congestion, our street design and development needs to be examined.

Higher demand for goods in the US market has resulted in distribution centres in inner city locations producing higher yields than residential or retail development. Sydney will be where we see this phenomenon first in Australia and with higher demand from a growing population; inner city distribution centres must a consideration in the final Plan.

Key environmental and noise controls must be examined to ensure our cities economic transport can operate as efficiently as possible. The Greater Sydney Region Plan acknowledges this and states

buffers are needed to protect the operations of various industries (including concrete batching plants, waste handling facilities, freight activities) and should not be compromised by encroachment from sensitive land uses like residential, which are impacted by noise, light and odours.

It is also important that land is identified and preserved for future port and airport, intermodal and rail infrastructure. Infrastructure Australia estimates that the NSW Government could save \$3.5 billion by protecting the Outer Sydney Orbital now and \$1.5 billion by protecting the Western Sydney Freight Line. Further greenfield development beyond the current priority growth areas is possible, and by protecting these corridors and critical associated land now we can avoid significant future cost and community opposition.

The Western Sydney Freight Line is critical to both alleviate pressure on the current network and promote growth. The protection of this corridor and further guidance on its development is needed to provide certainty to industry.

Recommendations

- Further guidance is required on approaches to address to growing freight and last mile delivery task.
- Critical employment land and freight corridors must be protected and managed to ensure efficiency

Logistics

As Sydney's population grows and demand for goods increases, we will see rapid growth in the logistics sector and a growing importance in last mile deliveries and this is acknowledged in the Plan. The low supply of serviced employment land adds additional pressure to finding suitable land and developing industrial property to service the logistics sector. The entry into the Australian market by companies such as Amazon also increases the demand for last mile services as does the adoption of on demand delivery from the major supermarkets.

Strategically planning for the land and key freight and logistics routes is critical for a productive and efficient city. This approach also reduces congestion and ensures productive land is planned for and integrated with other land uses This will become increasingly important in the inner and middle ring of Sydney. It is also important to ensure warehouse space is available in outer rings with access to freight routes, intermodal terminals and the new airport.

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