



Employment Zones Reform
Department of Planning, Industry and Environment
Locked Bag 5022
Parramatta NSW 2150

30 June 2021

Email: employment.zones@planning.nsw.gov.au

Dear Sir/Madam,

Employment Zones Reform

Thank you for the opportunity to make a submission to the NSW Government's *Employment Zones Reform* consultation process.

This submission is in addition to the initial feedback we provided to you on 22 March 2021.

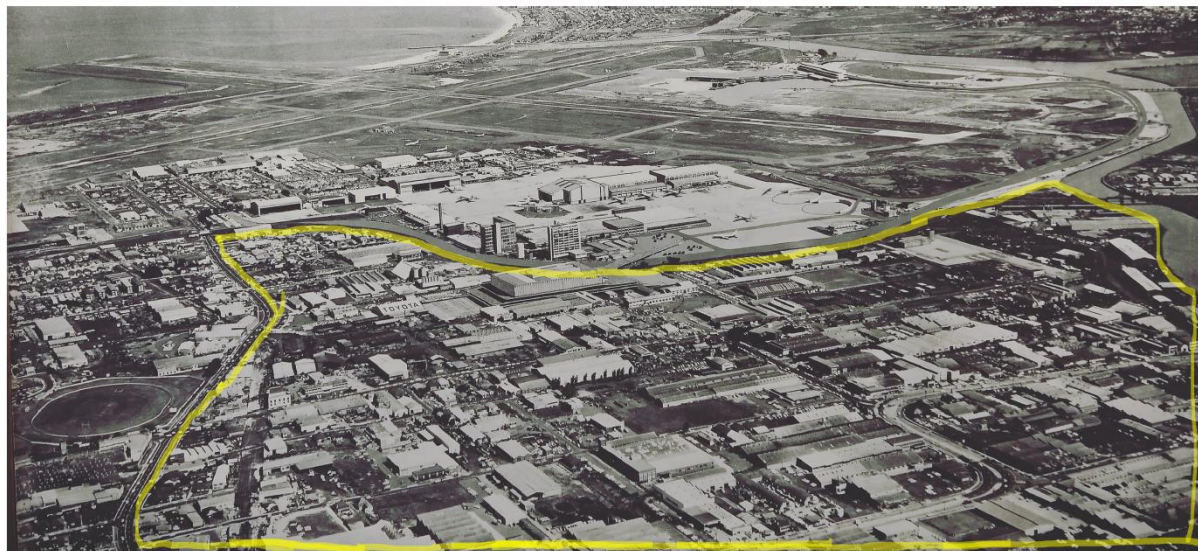
As we said in our previous feedback, it is important that any reform does not have unintended consequences. With this in mind, a key issue for nationally significant trade gateways like Sydney Airport and Port Botany is the need to ensure that reform doesn't precipitate a further loss of already scarce industrial zoned employment lands in the vicinity of those gateways (i.e. within the Eastern City District). We are very much aware that some development industry stakeholders are, in the name of increasing "flexibility", advocating for reforms that would, at least in areas around the airport and port, very likely deliver just such a deleterious outcome.

With this in mind and given Sydney Airport's relatively small land area when compared to other major Australian airports, maintaining a sufficient supply of appropriately zoned employment lands in the vicinity of the airport is important. This will support future growth in aviation activity and allow ancillary airport and aviation support-related land uses to be conveniently located adjacent or close to the airport. This is important now more than ever as the economy starts to recover from the global pandemic. Strong and lasting economic growth, including growth in trade, must be a vital national and state goal for decades to come.

Unfortunately, over many years, large areas of employment lands around the airport and port have been rezoned to permit mixed land uses, including residential, commercial and retail. The figure below shows the highlighted suburb of Mascot to the immediate north of the airport as it was in 1970. In that year, Sydney Airport was 50 years old and the Port Botany Container Terminal had just opened.

As can be seen, much of the land in that suburb was originally zoned and used for employment purposes. Today, the overwhelming majority of those employment lands have been converted to residential and/or mixed uses. While we are of course not suggesting that Mascot should be returned to what it was in 1970, the figure starkly illustrates what's been lost and emphasises the need to protect what little remains.

Sydney Airport



Sydney Airport and surrounds (Mascot) in 1970

The Greater Sydney Commission (GSC) highlighted this loss of employment lands in its *Greater Sydney Region Plan*:

In the past, substantial tracts of industrial land in the Eastern Harbour City were converted to mixed-use residential zones, in response to unprecedented demand for residential supply. There is now considered to be a shortage of industrial and

[REDACTED]

informed by an analysis of industrial lands in the identified a benchmark requirement of three square metres of urban services activities...[t]he per capita level of provision in Sydney well below three square metres per capita.

For these reasons, the GSC has argued that remaining industrial and urban services land in the Eastern City District should be retained and managed, a policy we support. We are aware that the GSC is reviewing this policy, and we will be contributing to that review as a member of the newly established Industrial Lands Review Industry Reference Group.

The NSW Productivity Commissioner also recently highlighted the specific needs of the airport and port in the *NSW Productivity Commission White Paper 2021: Rebooting the economy* (the White Paper).

When distinguishing industrial and urban services land in suburbs like Artarmon from those around the port and airport, the White Paper says that:

...there are strong grounds for land to be retained against encroachment from competing and incompatible uses. The Sydney Airport and Port Botany facilities, for example, will serve the State's growing freight task, which is projected to increase from 443 Mt per year in 2018 to 569 Mt per year in 2038 (INSW SIS, 2018). Industrial lands in and around these logistical hubs:

- *serve the supply chain for import/export activities*

Sydney Airport

- *provide contingency for potential future needs of the Port-Botany/Sydney Airport precinct*
- *act as a buffer against land uses likely to conflict with heavy industrial and waterfront activities, especially residential.*

We believe there are also some positive lessons to be drawn from the Commonwealth Productivity Commission's 2020 case study looking at changes made to Victoria's Commercial and Industrial Land Use Zoning regulations in 2013.

That study specifically highlighted the sort of problems that could occur here if reform does not take account of the employment land needs of critical infrastructure, including problems associated with residential housing being built next to an airport, thus limiting its future expansion.

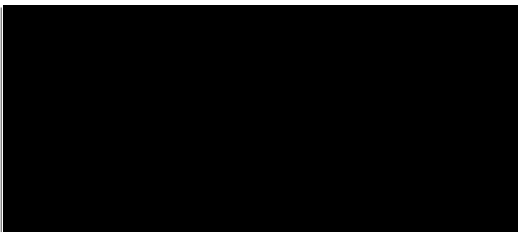
It also highlights the growing importance of freight and logistics, especially eCommerce, with the transport, postal and warehousing sector often requiring large parcels of land close to major transport infrastructure.

It also responds specifically to the *Proposed Employment Zones Framework Position Paper (May 2021)*.

Attached is a more detailed document outlining Sydney Airport's views on the need to protect employment lands. Included is a section on the current Cooks Cove Planning Proposal, which, if approved, would represent the single largest ever loss of airport-related employment lands. The proposal has been referred to the Sydney Eastern City Planning Panel for consideration.

If you would like to discuss these issues further or would like further information, please feel free to contact Sydney Airport's Special Adviser Government and Community Relations, [REDACTED]

[REDACTED]



Karen Halbert
Executive General Manager Corporate Affairs

Sydney Airport's economic contribution to Sydney, NSW and Australia is significant and should continue to be supported through the planning system.

A. Broader economic contribution

Sydney's Eastern Economic Corridor stretches from Macquarie Park in the north, through the Sydney CBD and on to Sydney's two nationally significant trade gateways – Sydney Airport and Port Botany – in the south. Described by the Greater Sydney Commission in the *Greater Sydney Region Plan* as NSW's greatest economic asset, the corridor contributed two-thirds of NSW's economic growth in the 2015-16 financial year.

In this context, international trade and air routes are vital to Australia's economic prosperity. Airports are therefore an essential part of the transport networks that all successful modern economies rely on and their ability to function efficiently and grow should therefore be supported through the planning system.

In addition to providing NSW residents with the opportunity to travel, Sydney Airport also:

- Delivers convenience for business visitors to Sydney, with the CBD just eight kilometres away
 - Delivers convenience for tourists to Sydney, with major destinations within 10 kilometres of the airport
 - Serves as a hub for travel between regional NSW, other Australian cities and the world
- critical exports and imports

critical exports and imports

critical exports and imports

- **Economic activity.** Direct and indirect economic contribution of \$42.0 billion (equivalent to 6.7% of the NSW economy and 2.1% of the Australian economy)
- **Household income.** Direct and indirect contribution of \$19.9 billion.

A typical daily international service contributes \$130 million in value added and supports an estimated 1,200 FTE jobs in Australia. Comparatively, an A380 daily service from China contributes \$632 million in value added and supports an estimated 6,000 FTE jobs.

Air freight is also a vital economic activity that contributes significantly to global business and to the NSW and Australian economies. It is a critical component of the airline industry, part of a value chain that includes airports, related trucking and logistics services, manufacturing and consumer operations and other support industries.

Sydney Airport is the largest international and domestic air freight hub in Australia. The volume of freight is projected to double to around one million tonnes by 2039, with eCommerce-related freight being a major driver of that growth. This is addressed in more detail below.

B. The growth of airfreight

Critical to future growth will be continued demand for airfreight coming in and out of Sydney Airport.

In an environment where the freight task in NSW is forecast to increase by 28% overall and 50% in Greater Sydney through 2061, getting the policy settings and data standards right in this space is critical.

In 2017, Sydney Airport handled more than 643,000 tonnes of airfreight with the international component worth around \$52.5 billion, representing about 45% of Australia's international air freight imports and exports. At the time, this exceeded Australia's entire agricultural freight value. Moreover, total airfreight volumes at Sydney Airport are forecast to increase by 58% through 2039. At the same time, container loads from Port Botany may triple over the next 30 years from 2.3 million TEU to 8.4 million TEU each year.

There has also been a recent movement resulting in the liberalisation of trading arrangements between countries, which will support continued growth in air freight.

For instance, under the Trans-Pacific Partnership, Vietnam, Canada and Peru eliminated seafood tariffs on commencement of the agreement, with Japan and Mexico set to follow within 15 years.

The World Trade Organisation's 2013 Bali Agreement is another important driver supporting the growth of airfreight. This Agreement, which came into effect in February 2017, has a focus on improving trade facilitation, with one of its key articles being a provision enabling paperless customs administration with quicker release and clearance of goods.

The treaty includes special treatment protocols for perishable goods, whereby Customs will prioritise the examination and release of these items. With perishable goods generally better transported by airfreight over other modes of transport, airfreight is particularly well positioned to benefit from the Bali Agreement.

Other factors that have supported the growth of airfreight include trade agreements with key Asian markets over the last decade and, most recently, the Australia-United Kingdom Free Trade Agreement. The removal of barriers to trade with these markets, combined with the strong growth in demand for goods that support the growth of airfreight into the future.

Already scarce employment lands in the vicinity of the airport and port should be protected.

Sydney Airport has long argued the importance of protecting employment lands in the vicinity of the airport.

Sydney Airport's *Master Plan 2039* shows that, over the next 20-years and beyond, the number of airline passengers, aircraft movements and the volume of airfreight passing through Sydney Airport is forecast to grow considerably.¹ This strong growth will continue even after the Western Sydney International (Nancy-Bird Walton) Airport opens in 2026.

Such growth in aviation activity will in turn drive increased demand for a range of airport and aviation support-related land uses, including, but not limited to, airfreight and logistics centres and warehousing (particularly that related to eCommerce); maintenance facilities; flight training facilities; flight catering facilities; and car rental facilities.

While many of these facilities and land uses can and will, in future, be accommodated on the Sydney Airport site, it is inevitable that some will need to be located in areas outside of, and in close proximity to, the airport. This is especially relevant given Sydney Airport itself is only 907 hectares in area. This relatively small area can be compared to larger Australian airports such as Brisbane Airport (2,700 hectares), Melbourne Airport (2,633 hectares), Perth Airport (2,105 hectares) and the proposed Western Sydney International (Nancy-Bird Walton) Airport (1,780 hectares).

In terms of the future demand for land outside the airport boundary, on which airfreight and logistics centres and warehousing will need to be located, one of the key demand drivers for such land is eCommerce-related air freight. The volume of this high value air freight passing through Sydney Airport has increased significantly and has grown considerably in just the last several years and is expected to continue to grow strongly.

[REDACTED] found:
[REDACTED] Australia is unstoppable, with online retail sales surging a [REDACTED] to August 2018... Unsurprisingly, eCommerce retailers [REDACTED] makers of industrial space over the past few [REDACTED] ally suggest that eCommerce operators require [REDACTED] significantly more space (approximately three times) than traditional warehouses ...²

Importantly, the land available to accommodate these eCommerce operators needs to be located close to the air freight's arrival or departure point *and* in an area conveniently accessible to its consumer base. In this case, Sydney Airport and the densely populated areas of eastern and southern Sydney respectively.

As Colliers International also found:

*Consumers are more demanding than ever before with the emphasis now placed on faster delivery time at minimised or no delivery costs. This has driven increased pressure for last mile logistics networks of smaller fulfilment centres strategically located within infill markets supported by larger regional distribution centres on peripheral locations.*³

These findings predate the COVID-19 global pandemic, which has had a significant impact on the volume of airfreight being moved.

¹ Master Plan 2039 was prepared and approved by the Australian Government before COVID-19.

² See Colliers *International, Industrial Research and Forecast Report (Second Half 2018)*, p. 7

³ As above.

Australia Post has said that:

2020 has been a year like no other for eCommerce. The latest statistics show that growth was up over 80 percent year on year (YOY) in the 8 weeks since the COVID-19 pandemic was declared by the WHO, making it clear that the industry has not only kicked up a gear, it has gone into overdrive.⁴

Growth in cross-border (including international) eCommerce – which is particularly relevant to airfreight – has been a significant driver, with Australia Post estimating that the global online goods market will grow from 1.97T USD in 2019 to 3.64T USD by 2024, representing YOY growth of 21.5 percent.

Given this forecast substantial growth in airfreight, it is vital there be sufficient areas of appropriately zoned employment lands close to Sydney Airport to allow trade-related air freight and other aviation support facilities to be located and function into the future.

Unfortunately, areas of employment lands around the airport and port have been progressively rezoned over many years to permit mixed land uses, including residential, commercial and retail.

Individual planning proposals, when looked at in isolation, may seem relatively insignificant in that they may each result in the loss of only a relatively small area of employment land. When looked at cumulatively over decades, however, the situation is far more serious, and one, which in the vicinity of the airport and port, now needs to be urgently addressed.

Indeed, as research prepared for the GSC shows, the supply of employment land near the port and airport has dwindled to a point where it is now well below the accepted benchmark.⁵

It is not just Sydney Airport saying this. Local government, several Commonwealth and NSW Government agencies, policies, strategies and inquiries have also recently highlighted the need to protect employment lands in the vicinity of the port and airport. They each present compelling arguments to prevent the further loss of employment lands and protect what remains.

For example:

a) National Freight and Supply Chain Strategy

Infrastructure Australia identified the need for a *National Freight and Supply Chain Strategy* (the strategy) in 2016. In response, an expert panel was appointed by the Commonwealth to conduct an inquiry to inform the development of the strategy.

In 2018, the expert panel found that

Conversion of former industrial areas near ports and airports has led to potential conflict between freight activities and residential development in freight corridors and near key terminals.⁶

In its priorities for planning for current and future needs, the expert panel recommended to:

Ensure all tiers of government integrate appropriate land use planning protections for existing freight related activities such as: preservation of industrial land; buffer zones

⁴ See Australia Post's *Inside Australian Online Shopping 2020 eCommerce Industry Report*, p5. The report can be accessed at: https://auspost.com.au/content/dam/auspost_corp/media/documents/2020-ecommerce-industry-report.pdf

⁵ See the Greater Sydney Commission's Eastern City District Plan, p91.

⁶ *Final report of the Inquiry into National Freight and Supply Chain Priorities* (March 2018), p. 38.

- *act as a buffer against land uses likely to conflict with heavy industrial and waterfront activities, especially residential.*¹⁰

d) Bayside Council

Bayside Council's Local Strategic Planning Statement (LSPS), adopted as recently as March 2020, includes Planning Priority 14, which is to "[p]rotect and grow the international gateways", with the following specific action:

*Manage potential land use conflict by preventing residential and commercial encroachment on the industrial and urban services areas and along freight corridors through land use controls.*¹¹

To give effect to this action, the draft Bayside Local Environmental Plan (draft BLEP) includes a specific new aim:

*To enhance and protect the functions and roles of the international trade gateways of Sydney Airport and Port Botany.*¹²

The following new objective in the draft BLEP's Land Use Table – Proposed Zones IN1 (General Industrial) and IN2 (Light Industrial) is also proposed:

*To support and protect industrial land for industrial uses.*¹³

e) Other councils

Councils in the vicinity of Sydney Airport other than Bayside Council have asserted that [REDACTED] to [REDACTED] port.

For example, in its LSPS, Inner West Council has said:

[REDACTED]

Inner West support Sydney's trade gateways and provide [REDACTED] residents and those of surrounding areas. However, this [REDACTED] for residential development or replaced with State [REDACTED] to protect the remaining areas of employment lands [REDACTED] to continue stimulating local jobs, enterprise formation and retain local spending.

The draft *Inner West Local Environmental Plan 2020* also retains vitally important employment lands in the vicinity of the airport within the Inner West LGA.

The City of Sydney Council has similarly protected employment lands in its southern precinct, which abuts the northern boundary of the Sydney Airport site.

f) Infrastructure NSW (INSW)

INSW has recommended that:

The Department of Planning and Environment update the relevant state environmental planning policies by the end of 2019 to further protect strategically important ports,

¹⁰ See *NSW Productivity Commission White Paper 2021: Rebooting the economy*, p303.

¹¹ See Bayside Council LSPS, p69.

¹² See draft BLEP, clause 1.2.

¹³ See draft BLEP (land use table).

¹⁴ See Inner West Council's LSPS, p14.

Response to the Proposed Employment Zones Framework Position Paper

The reforms suggested in the May 2021 *Proposed Employment Zones Framework Position Paper* – including the proposed streamlining of the number of employment zones from 12 to five (including two specific industrial zones) – is supported provided that the relevant industrial zones (and their associated permissible land uses) around the port and airport are appropriate to both of their existing and future needs.

We note (and support) one of the key findings of the review of LEPs across NSW undertaken by the Department of Planning, Industry and Environment:

Industrial lands have a critical value to cities and regions. Industrial land should be defined and separated from other higher value or sensitive land uses so industrial activities are not impacted operationally or available land eroded.¹⁹

The proposed General Industrial and Heavy Industrial zones would appear to achieve this outcome (assuming they applied to existing industrially zoned land in the vicinity of the airport), as residential uses within those zones are not supported.²⁰ It is noted, however, that retail uses would be permitted in the General Industrial Zone, which could result in the loss of airport-related employment lands and this should be considered carefully.

The following section headed *Planning for Industrial Land* is also supported:

Within parts of Greater Sydney and particularly the Eastern Harbour City, there is limited industrial land and strong pressure to adapt this land to mixed uses to meet the supply demands of other higher order land uses. While there will always be transition of land between land use activities, once industrial land flips to commercial or residential that [redacted] that [redacted] From a productivity perspective, industrial areas often yield low job ratios, but these operations are often critical to a well-functioning city i.e. warehousing.

[redacted] industrial land in many districts and regions, it is appropriate to [redacted] respond to the different priorities of these industrial [redacted] is the appropriate zone for industrial precincts, councils [redacted] ment lands strategy and how that aligns to the strategic [redacted] ncils should also be cognisant of the long-term [redacted] operational value and supply of their industrial land. In the setting of permitted uses in land use tables, councils should determine their approach to out of centre development and worker amenity/needs.²¹

With respect to the role of local government referred to here, we note the abovementioned policy positions of the Bayside, Inner West and City of Sydney Councils, which assert the need to protect employment lands within their LGAs.

¹⁹ See May 2021 *Proposed Employment Zones Framework Position Paper*, p4.

²⁰ See p7.

²¹ See p16.

Case study: Cooks Cove Planning Proposal

The proposed redevelopment of the Cooks Cove Precinct, which lies immediately adjacent to Sydney Airport's boundary on the western side of the Cooks River, provides a clear example of how airport-related employment lands are still in danger of being lost.

Since 2004, around 20-hectares of the precinct has been within a specially designated airport employment zone which, in part, aims to:

- a) rezone land at Cooks Cove to encourage trade and technology uses, and to attract global-reach businesses which strengthen Sydney's international competitiveness, and
- b) capitalise on the physical proximity of the Cooks Cove site to Sydney International Airport and Port Botany to create trade-focussed development.

This employment zone, in which residential development is prohibited, was therefore specifically created to provide trade-related employment lands to benefit the airport and port.

In recent years, there have been various planning proposals that would abolish the employment zone if approved, and in its place allow predominantly high density residential development.

One such proposal was considered by the Bayside Planning Panel on 14 August 2018. The following is an extract from the panel's reasons for not supporting that particular proposal:

1. *Should the proposal proceed in its current form, this strategic site would no longer be available for employment land uses associated with Sydney Airport or other large [redacted] p.*
2. *The area of the planning proposal is constrained by: trusts; community land [redacted] ft noise; odour; road reservations; air quality; [redacted] Obstacle Limitation Surface for the airport. These [redacted] total question as to whether or not the land is suitable for [redacted] development given the LGA is already achieving its housing [redacted] residential precincts in the LGA.*
3. *The opportunity cost of rezoning this relatively large parcel of land in single ownership currently zoned for employment generating purposes must be considered in the planning and economic context of the medium and longer term. The Panel considers that it has not been demonstrated that the loss of employment lands is warranted for the LGA or region in a strategic planning context.*

The Panel is of the view that there is a need to retain the subject land for employment uses due to its strategic location and the constraints to residential development ...²².

Sydney Airport agreed with the panel's reasoning and its recommendation that the planning proposal be refused. For various reasons, however, that decision was not made by council and a revised planning proposal was submitted in 2020. This revised proposal would, if approved, still see the abolition of the airport employment zone and a significant residential development comprising 2,833 dwellings. The proposal has been referred to the Sydney Eastern City Planning Panel for consideration, which is expected in the near future.

²² See: <https://www.bayside.nsw.gov.au/your-council/council-and-committee-meetings/bayside-localplanning-panel>