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The Director,

### **PROPOSED EMPLOYMENT ZONES FRAMEWORK**

The Planning Institute of Australia (PIA) welcomes the opportunity to engage in the reform of the strategic planning tools relating to employment lands.

#### **PIA Position**

PIA supports action either to improve the use of existing industrial and business zones – or if pursuing the proposed new employment zones – ensure that a new framework enables adopted strategic planning outcomes to be readily achieved. This includes a clear line of sight from the hierarchy of strategic plans including the regional plans, district plans and local strategic planning statements.

PIA supports the stated purpose of the proposed [employment zone framework](#) to:

- Maximise ‘productivity’ while minimising landuse conflicts and ensuring zones fit for purpose
- Address current barriers within the planning system that limit the ability of businesses to establish, expand or adapt, and
- Better support councils in the delivery of the strategic vision contained in their Local Strategic Planning Statements and background studies.

However, these purposes could also be achieved by improving the way current zones are applied for emerging uses, via clearer guidance on how each zone (and definition) can be applied to deliver adopted employment, centres and housing strategy outcomes<sup>1</sup>.

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<sup>1</sup> *Noting that many standard instrument translation LEPs never fully grasped the potential of the various B zones (especially B5) to achieve a strategic planning result.*

PIA also observes that employment zones are part of a broader palette of planning tools to achieve healthy, productive and sustainable cities and towns. It is noted that expanding the range of ‘activity generating uses’ in ad hoc out-of-centre locations can impact the performance of a city and its centres.

Increasing the activity in centres is vital to ensuring access to services and optimizing the use of available transport infrastructure and services (see case study **Attachment B**). Ultimately there is a cost borne by the community from weaker centres that includes externalities across transport efficiency, resource consumption, access to services and amenity.

PIA endorsed the observations in the DPIE Discussion Paper (see extracts in **Attachment B**) regarding pressures for the conversion of industrial land, its relative scarcity in Eastern and Central Sydney and its role in supporting a productive and liveable city. PIA acknowledges the role of district and local place-based planning for employment and housing to resolve the land use tradeoffs. These lands are also important for the achievement of the 30 minute city for access to jobs.

PIA appreciates the importance of updating and enabling emerging productive uses as our urban economy evolves. However, we understand that the way an emerging use performs (eg in terms of access needs and activity generated) is more important than how it is labelled. For instance, urban services are a function performed by many different land uses - and this becomes problematic when attempting a descriptive definition. PIA has offered comment on the proposed definitions and their use in the proposed zones.

**Recommendation:** *Recognize in reform purposes (as well as justification): to improve the role of employment zones in focusing activity in accessible, sustainable, productive and high amenity centres.*

## Background

PIA has prepared over ten submissions (**Attachment A**) on the importance of planning controls being able to give effect to planning strategy – especially in relation to focusing activity in accessible centres, ensuring some land remains available for employment / urban support uses in the face of residential or retail development pressure. PIA has consistently advised the Department to consider whether a new zone or definition would result in activities or uses that would comprise the valuable functions of various employment lands set out in planning strategy.

The priority for planning system reform is to deliver desired place outcomes into the future – in this case for employment, enterprise, urban services and related needs.

The nature of these needs - and the trade-offs necessary to meet them over time - are set out in the adopted planning strategy (ie Region / District Plan / LSPS informed by Employment / Housing Strategy). These strategies are not static and should enable the evolution of future uses.

The existence of sites that are ‘underutilised’ is not a prima facie indicator of policy failure. As the removal of controls against say residential or retail development maintains the productive employment generating potential of the land. This potential can be achieved by ensuring controls enable a broadening suite of emerging uses.

Employment zones and other planning interventions are needed to deliver strategy where the market would otherwise:

- exclude productive ‘employment’ land uses that might be displaced or priced out by uses that can generate a higher private short term return (ie retail / residential uses)
- reduce the return on public and private investment in accessible centres, infrastructure and services
- generate externalities including disamenity and traffic congestion

In these circumstances cities become less productive and increase travel, transport and commuting times.

DPIE should ensure that this is not the “tail wagging the dog”. Employment zones should not make planning strategy – they are a tool to ensure successive planning and development decisions achieve adopted strategic outcomes. These include planning the economic distribution of uses – not just separating incompatible land uses. The tool should therefore improve - not reduce the capacity of government and industry to effectively deliver strategy. Has the Department measured the impact of the suggested reforms against the adopted and endorsed strategic framework for NSW?

To be effective, it follows that any zoning tool must also be efficient, clear and predictable in its application – so that a flow of desirable investment fulfils the place outcomes sought. Planning regulation in excess of that needed to achieve the strategic intent would be ‘red tape’ - and should be cut.

PIA observes that the intent of the SILEP was to standardize certain baseline definitions (eg FSR, height etc) and to introduce a common nomenclature for zones and other planning tools. However, it is neither desirable nor possible for the SILEP to lead to identical planning outcomes wherever the standard zones are applied in NSW. This is because nuanced strategic planning outcomes are sought for different places. A centre in the regions plays different roles to one in a suburb and to one in the centre of a city. As a result, the reforms should acknowledge this is not an appropriate objective.

PIA has considered the employment zone reform proposal in this context and makes the following comments:

- The proposed zones offer flexibility to accommodate the range of existing and evolving productive uses to fulfil the intent of planning strategies
- With important exceptions, the reform proposals offer a different way of achieving the same outcomes possible under existing zones and definitions.
- The exceptions include the potential for planning authorities to insert retail or residential uses where:
  - retail uses could proliferate in out-of-centre locations and impact on the amenity and utility and productivity of centres; and
  - residential uses could dominate, exclude and reduce other productive (eg employment / urban services) uses in mixed use areas (or in core areas (E3) quasi-residential uses (serviced apartments) could also proliferate)
- The mandatory inclusion of certain land use definitions in specific zones will reduce the ability for local (and State Government – see Aerotropolis) to curate place outcomes in line

with adopted strategy. The use of the new zones should be at the discretion of planning authorities to best deliver adopted strategic outcomes).

- The definitions can draw attention away from achieving good planning and urban design outcomes. The lack of design support for high quality ground floor commercial uses is a lost opportunity – while recent shop top housing has crept in scope up to a point where the design is almost indistinguishable from an RFB. (Residential accommodation in centres is a valuable addition to the mix - but not if it comes at the cost of reducing the long term employment / activity generating potential of the place )
- The new definitions and zone inclusions for creative and emerging industry modernize the system – but do not resolve how their potential spillover effects will be managed. Guidance on the construction and deployment of new SILEP zones, complying development reforms and definitions will be required along with an appreciation of Ministerial Directions S9.1.
- The introduction of the new employment zones should be at the time of an LEP review – and not disrupt the intent of existing schemes.

### Proposed new employment zones – Strategic intent and application

Five new employment ‘E’ zones are proposed that incorporate elements of current ‘B’ and ‘IN’ zones. In essence, the reduction from 12 to 8 zones is at the expense of the B1 neighbourhood zone and the inclusion of elements of ‘B5/B6/B7’ in ‘E3’ or SP4”.

PIA is still considering what is lost or gained from the proposed zones, their objectives and mandated uses and definitions. PIA are still reviewing the [public consultation draft](#) of the Schedule 1 Amendment to the SI(LEP) Order 2006. Our preliminary comments are outlined below.

Proposed Zone	Similar to existing?	PIA Comment
E1 Local Centre	B1,B2	The ability to exclude large supermarkets from neighbourhood centres would potentially be affected by this change. Neighbourhood Centres are often small and local serving and do not have roads or public transport provisions suitable for large supermarkets. A concern where a strategy seeks to manage scale of retail / commercial development. This is particularly important where protection of local character is a key place outcome.
E2 Commercial Centre	B3, B8(?)	Would continue to enable the exclusion of residential (not a mandated use – but could be included at discretion). This control is important as residential uses can dominate and exclude strategic employment / urban services uses. Residential uses (including BTR) are not compatible with the objects of this zone. For this reason serviced apartments should also not be a mandated use in the B3 zone, rather Councils should have discretion as they currently do. Serviced apartments can

Proposed Zone	Similar to existing?	PIA Comment
		be a 'quasi residential' use and are often leased long term on the rental market. They have been able to outbid commercial office and can impact on the achievement of strategic outcomes for some centres.
E3 Productivity Support	B5, B6, B7(?), IN2(?)	'Business premises' mandated (but not shop) – potential for out of centre retail and office – supported in regional clusters identified in strategy. This zone would serve a similar role to B5 in attempting to preserve the integrity of 'industrial zones'. It is assumed this zone would also be used for major regional business parks – however the ability to curate the scale and mix of uses of a major business park is not obvious. It is not clear how this zone supports 'urban services' under the GSC interpretation – given that urban services defy a land use definition and are actually a functional characterisation that might be relevant to various E zones. DPIE propose a toolkit on balancing worker convenience retail and out of centre development.
E4 General Industrial	IN1, IN2	Removes distinctions between general and light industrial, appropriately limits retail (to local needs: 'neighbourhood supermarkets' (not supported at scale) and presumably to goods manufactured on site) and office (presumably to ancillary uses) – and presumably prohibits residential.
E5 Heavy Industrial	IN3	Broadly similar IN3 with no retail.
MU Mixed Use	B4, B8(?)	Mixed use for concentrating activity in diverse centres – with the need to genuinely activate ground level and ensuring that this is not a de facto residential zone.
W4 Working Foreshore	IN4	Translation of IN4.
SP4 Local Enterprise	B5, B6	Supported to allow a planning authority to set the land use table to encourage activities that defy zone categorisation.

The reforms should be supported by detailed guidance on how the Department anticipates, the different zones, their objectives, land use table, definitions (and BBBB [complying development reforms](#)) would work together to achieve nuanced outcomes of place strategy. In particular, the extent to which any local provisions or overlays would be enabled.

The proposed zones raise the following questions for DPIE raised by PIA members:

- In what circumstances (and how) should large supermarkets be prohibited or discouraged from smaller neighbourhood centres in E1?
- Why are residential uses able to be included as permissible uses in E2 (and other employment zones) - although not mandated?

- Why are supermarkets (albeit neighbourhood scale) permissible in E4 (General Industrial)? (This is not supported - the transport impacts / car dependency - as well as impacts on centres - are all important. Transport analysis would be required.)
- What is a neighbourhood scale supermarket? Has the risk that this will discourage supermarkets in centres and reduce activity and convenience of centers been quantified?
- Are office uses limited to ‘ancillary’ in E4?
- Is the intent to corral out-of-centre retail uses in regional clusters using the E3 zone?
- How can genuine attention to commercial and activation (especially ground level) be incentivized in MU – to the extent that it is not overwhelmingly a residential zone?
- Are retail uses other than those defined – limited to that which manufactured on premises in E4?
- To what extent would the SP4 zone obviate the use of local provisions for tailoring specific outcomes?
- How would the specific needs of a large scale business/office park be accommodated - and in which zone?
- Could land use overlays be applied under the reforms (eg Victorian model)?
- What degree of conformity is expected among LGAs in the application of non-mandated uses within each zone?
- Will Ministerial Direction S9.1 require amendment?

**Recommendation:** DPIE undertake further engagement on the questions above in advance of finalization - and before the preparation of detailed guidance material / toolkit to support the use of the proposed zones – especially the E3 Productivity Support Zone.

### Proposed new definitions – strategic implications

The proposed zones are accompanied by new land use definitions discussed in the table below.

It is PIA’s preference that standard definitions be limited to universal concepts like FSR and height - and not limit the capacity of local and state planning authorities to incorporate appropriate uses in zones that enable a strategic outcome. Even state agencies have needed to carefully curate zone outcomes for emerging nodes of activity such as the Aerotropolis (see **Attachment C** commentary).

Proposed Definition	PIA Comment
‘Business Premises’	<p>Now distinct from ‘shop’ and mandated permissible in E3 – this has implications for E3 zones becoming de facto centres. As a consequence Business Premises (like post offices, hairdressers etc) should not be mandated uses in E3.</p> <p>It is not important whether a premise is a shop or service – what is important that there is activity generated and some form amenity is provided by either. These are the characteristics that are important for successful and liveable centres.</p> <p>The tidy up of outdated definitions like ‘internet access facilities’ is supported.</p>

Proposed Definition	PIA Comment
'Circular economy facility'	Covers repair facilities that may have been ambiguous and could be permissible in centres and some industrial areas. It is distinct from waste recovery facilities – it should be a sub term of light industry – and potentially business premises.
'Creative industry'	An appropriate subset within light industry definition. It is assumed the definition is needed to expand the range of emerging uses in industrial zones. Again the issue is not only the encouragement of creative industry – but whether activity generating uses might be drawn away from centres. PIA would appreciate advice from DPIE on this assumption and whether 'creative industries' could just 'be' light industry?
'Data centre'	An appropriate subset of high technology industry – needed to enable them to be complying development.  The issue of scale needs attention. Large data centres and other logistics activities can require massive areas of land under roofs to operate effectively. Sometimes this scale can be out of place in certain locations where a finer grain of development is needed. These mega uses can dominate an area and define the place – with perverse effects on productivity.
'Industrial retail outlet'	Can sell outputs of creative industry – effectively expanding the range of retail uses in the General Industrial E4 zone – this is not supported by PIA in its proposed form as a mandated use in E4. PIA notes that the products of 'manufacturing' can typically be retailed from IN zones.  Controls of floor area will be important but not sufficient.
'Shop'	Assume wholesale is retained a distinct from membership retail to avoid de facto supermarkets in industrial or Productivity Support areas?
'Neighbourhood shop'	Support contemporary definition – but reject potential permissibility of 'supermarkets' (even neighbourhood supermarkets) in industrial areas to the detriment of active centres.
'Shop top housing'	PIA support improving the range of uses and design quality of retail and business premise activation especially at the ground floor. PIA supports increasing the distinction between shop top housing (at a lower level of intensity) and RFBs. PIA also notes that some centres would benefit from several/ multiple levels of commercial – not just ground floor.
'Local distribution premises'	Support removal from parent term 'warehouse and distribution premises' to expand permissibility across centres and industrial zones to reflect a strongly emerging service.
'Trades retail premises'	Would clarify that retailing of hardware style goods is permissible in industrial areas as is typically the case – supported.
'Home retail premises'	Presumably a type of specialized retail.

Proposed Definition	PIA Comment
'Self storage units'	Appropriate to clarify and separate from freight and logistics and enable in a range of zones – however it is important that their scale is managed as they could sterilize some centres.

***Recommendation: Have industrial retail outlet not mandated in E4 zone and not include sale of creative industry (beyond what is currently available to items manufactured on site) - In order to improve planning authorities ability to manage retail and other high activity generating uses in industrial areas – and promote them in centres according to strategy.***

***Recommendation: Engage further on managing the perverse impacts of distinguishing business premises from shop – as this will impact on activity in centres.***

***Recommendation: Engage further on the issue of scale of some of the newly defined uses eg 'data centres' to ensure a productive balance of land uses can be sustained in different districts..***

***Recommendation: Clarify that membership retail is not supported in industrial areas (unless genuinely wholesale).***

### **Proposed Implementation Plan**

PIA members advise that the implementation process will not be a straightforward translation. It will require substantial tailoring of the reforms to address district and local strategic planning outcomes. The implementation process will be overlaid on current work by councils to revise their LEPs to implement recent LSPS, housing and employment strategies. It would be an inefficient use of limited strategic planning resources to require a separate timeline for this work – especially given employment / commercial / housing issues are interdependent.

***Recommendation: Integrate implementation of new zones with LEP review processes and timelines – rather than establishing a discrete process for employment zones.***

### **Conclusion**

PIA would appreciate the opportunity to remain engaged in the development and implementation of the reforms. Please contact John Brockhoff [REDACTED] ([REDACTED]) for further information on our submission.

Yours sincerely

[REDACTED]

John Brockhoff  
PIA National Policy Manager



## ATTACHMENT A

### Links to earlier relevant PIA submissions

- Continuing Prod Discussion Green Paper 2020 <https://www.planning.org.au/documents/item/10905>
- Kickstarting Prod Discussion 2019 <https://www.planning.org.au/documents/item/10356>
- REAC Report Rec 2018 <https://www.planning.org.au/documents/item/8997>
- REAC SILEP Defn 2018 <https://www.planning.org.au/documents/item/9145>
- REAC Disc Paper 2018 <https://www.planning.org.au/documents/item/9146>
- Dist Plans <https://www.planning.org.au/documents/item/8305>
- GSC Plan Syd <https://www.planning.org.au/documents/item/8996>
- EP&A reform <https://www.planning.org.au/documents/item/8324>
- Retail drivers and other retail 2016 <https://www.planning.org.au/documents/item/8100>
- Retail sub 2016 <https://www.planning.org.au/documents/item/7947>
- Article in Sourceable: <https://sourceable.net/why-planners-and-economists-should-take-city-strategy-seriously/>
- BBBB complying development submission: <https://www.planning.org.au/documents/item/11322>

## ATTACHMENT B

### Extracts – Responses to key policy questions

PIA acknowledges and supports the following extracts of the DPIE position paper (Proposed Employment Zones Framework).

*‘Responses to key policy questions’ (p16).*

- “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 land is unlikely to ever revert to an industrial use. 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.”
- “Given the finite amount of industrial land in many districts and regions, it is appropriate to provide a range of zones that respond to the different priorities of these industrial precincts. In the review of which is the appropriate zone for industrial precincts, councils should be guided by their employment lands strategy and how that aligns to the strategic intent of the proposed zone. Councils should also be cognisant of the long-term 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.”

## ATTACHMENT C

### History and transport imperatives driving employment land planning

Industrial areas in Sydney have changed over time in relation to land scarcity and rising property values. It is expected that initial industrial uses within the Western Sydney Aerotropolis will consist of large-scale freight and logistics uses. These uses will directly benefit from the Western Sydney International Airport and supporting road investment including The Northern Road Upgrade and future M12 Motorway.

Beginning in the post war period, industrial uses have continued to focus on Western Sydney in a continued search for cheaper and larger land parcels and available labour in a sprawling suburban landscape. Not surprisingly transport networks in Sydney have responded to this population and employment growth. The Sydney Motorway Network has become a key enabler for industrial growth linking Port Botany with Western and South Western Sydney. The connection between growing industrial areas and motorway development continues with upgrades to The Northern Road, M4 Motorway - WestConnex, M5 Motorway and the future long term Outer Sydney Orbital Corridor. The benefits of the recently opened North Connex include the increased efficiency of freight movements between Western Sydney and NSW Regions.

Whilst industrial land and housing has continued to flourish in Western Sydney, the number of jobs has not kept pace with population growth. This imbalance is placing continued pressure on the transport network as more residents in Western Sydney commute to employment in the central and eastern cities. Significant numbers of manufacturing jobs were lost in Western Sydney to productivity gains in the mid-1980s to 1990s. The Western and Central Cities continue to generate lower job densities per hectare in 2016 (46 and 36 respectively) compared with the Eastern City (91 jobs/ha) and other areas in Sydney (150 jobs/ha in North Sydney) (SGS 2019). SGS Economics on behalf of the Greater Sydney Commission suggests this trend is caused by various factors including higher operational efficiencies such as increased automation.

The Western City also has employment areas with lower diversification (such as Erskine Park) due to uniform concentrations of more traditional employment uses, in particular freight and logistic activities. This trend is likely to continue with the release of industrial land along Mamre Road, Erskine Park and precincts within the adjoining Western Sydney Aerotropolis. Planning documents supporting the rezoning of land along Mamre Road highlights the rapid take up of industrial land in Western Sydney over the past 10-15 years following the opening of the M7 Motorway. Without the release of land in the Mamre Road precinct, serviced industrial land stocks in Sydney would be exhausted over the next five years. The majority of industrial uses in the Mamre Road precinct and broader Western Sydney Employment Area (WSEA) are freight and logistics related.

The analysis of industrial land by SGS Economics also identified the increasing transition of industrial land within the Central City toward more diverse land uses. SGS describes this process as a “wave of industrial transition that is moving east to west across Sydney’s economic landscape” (SGS 2019). The GPOP (Greater Parramatta Olympic Peninsula) Economic Corridor is a clear example of this process and will require substantial transport investment to realise a more intensive and diverse land use and employment offering across 26 connected centres.

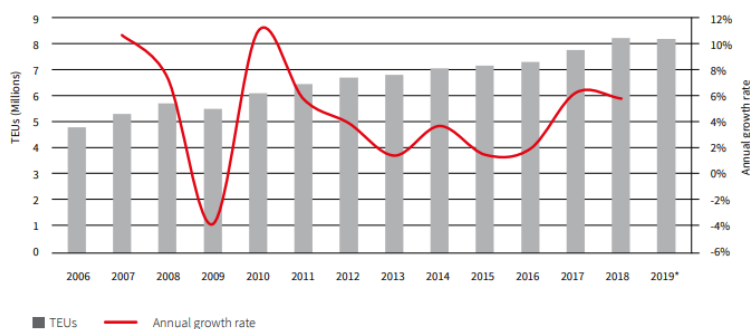
This trend for industrial areas is likely to continue and will include the Western Sydney Aerotropolis in the future. The economic analysis supporting precinct planning for the Aerotropolis suggest that initial industrial development will likely transition over time to more intensive activity and/or the densification of built form. Put simply, uses will become more intensive and the built form will become increasingly dense through additional onsite floor space such as offices or showrooms. Examples in Sydney of this transition include Macquarie Park and the employment lands at Alexandria and Rosebery. The implications for the transport network are how to accommodate this additional growth in freight and general traffic movements. Accommodating access for workers that doesn’t rely on private vehicle access is also a significant challenge.

The integrated land use and transport vision for the Western Sydney Aerotropolis is increasing reliance on public transport together with walking and cycling. The preferred mode share to private vehicles varies across precincts in the Aerotropolis according to land use. The lowest mode share to private vehicles is within the Aerotropolis Core (now renamed Bradfield) and the approved Sydney Science Park in Luddenham. The expected mode share will approximate the Parramatta CBD in the medium term and the Sydney CBD by 2056. The provision of new Metro rail lines into the Western Sydney Airport and Bradfield together with rapid bus transit will be the main drivers in achieving this outcome.

To support this change the proposed transport network for the Aerotropolis has been identified upfront and protected through the Western Sydney Aerotropolis State Environmental Planning Policy (SEPP). A number of arterial transport corridors are identified that support different movement and place outcomes. Wider transport corridors (60 metres) like the Eastern Ring Road, connecting The Northern Road and Elizabeth Drive will fulfil a general traffic and freight function. Precincts with higher concentrations of industrial land uses such as freight and logistics have mode share targets that reflect increased reliance on private vehicles and are therefore serviced with arterial roads that promote higher through traffic speeds and capacity. These corridors have capacity to meet future growth and provide direct connections into the future Airport. Whilst other corridors support transit and place functions including bus only connections into Bradfield, the core of the Aerotropolis.

Whilst motorways and arterial roads will continue to play a vital role in the servicing of industrial and employment areas, other transport modes are of increasing focus and investment. The investment in planning and delivery of new freight rail lines is a case in point. The development of the Moorebank Intermodal Terminal (IMT) in Sydney’s South West is now complimented by the recently announced Western Sydney IMT in the Mamre Road industrial release area. The Moorebank IMT adjoins the dedicated Southern Sydney Freight Line (SSFL) that provides direct access to Port Botany. The connecting Port Botany Rail Line is also being duplicated to ensure adequate capacity to service the continued growth in rail freight, especially for imported containers. The future Western Sydney IMT also adjoins a dedicated freight rail corridor; the Western Sydney Freight Line (WSFL). The WSFL will join the SSFL near Leightonfield and significantly reduce the growth in heavy vehicle movements on the Sydney Motorway Network. Over 80% of containers imported through Port Botany have a destination in Western Sydney. (ENDS)

Figure 23: Port container traffic, 2006 to 2019



\* as at June 2019  
Source: JLL Research