LOCAL GOVERNMENT NSW

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Endorsed by the LGNSW Board in October 2021

Greater Sydney Commission
PO Box 257
Parramatta
NSW 2124

Via ilr@gsc.nsw.gov.au

Industrial Lands Policy Review

Thank you for the opportunity to provide input to the Greater Sydney Commission's Industrial Lands Policy Review. Local Government NSW (LGNSW) is the peak body for local government in NSW, representing all NSW general purpose councils and related entities. This is a draft submission until it is endorsed by the LGNSW Board. We will advise at that time if there are any substantive changes to the submission.

We understand the GSC's review has been initiated in response to Recommendation 7.5 of the NSW Productivity Commission's 2021 White Paper:

"Evaluate the retain-and-manage approach to managing industrial and urban services land in Greater Sydney against alternative approaches, to identify what would maximise net benefits to the State. Adopt the approach that maximises the State's welfare in the next update to the Greater Sydney Region Plan."

This recommendation reflects calls from some development industry lobbyists to reverse the retain and manage policy[1] and appears to be a thinly veiled attempt to mask the intention from certain groups within the development sector for these areas of industrial and urban services land to be turned over to residential land use.

According to the GSC, only 8 per cent of land across Greater Sydney is presently zoned for non-residential uses such as industrial and urban services[2]. It is unequivocal that sound planning and long-term thinking is needed to protect industrial and urban services land and assure its continued supply in the future. The retain and manage policy is based on sound planning principles and is backed by evidence and a rationale underpinned by a substantial body of research and policy work by the GSC[3]. In contrast, the White Paper's evidence and rationale to support its recommendation to re-evaluate this policy is limited and unconvincing.

This submission summarises key considerations and concerns of the local government sector on the policy review of industrial and urban services lands (industrial lands).

'Retain and manage' policy creates certainty

There is strong support among our members for the 'retain and manage' policy which the NSW Government adopted in 2018. The policy is one of the three *principles* for managing industrial and urban services land set out in Objective 23 of the Greater Sydney Region Plan *Metropolis of Three Cities*. Councils appreciate its clarity of strategic intent - they know from experience that allowing room for alternative interpretations – or in the words of the NSW Productivity

[1] Urban Taskforce Submission to NSW Productivity Commission Discussion Paper, December 2019 (Recommendation 16)
[2] https://gsc-public-1.s3.amazonaws.com/s3fs-public/gsc-thought-leadership-tlp2018-1-metropolis-that-works-181023.pdf (p 10)
[3] https://www.greater.sydney/thought-leadership/a-metropolis-that-works

Commission, more flexible employment and industrial zones' - can present ambiguous positions that are harder to implement.

The certainty created by this policy has enabled greater capacity for local government to make quick decisions on those applications which have little merit and a corresponding reduction of councils' time fighting inappropriate planning proposals. This in turn frees the capacity of staff for other critical work, importantly around meeting government targets for improved development assessment timeframes. These crucial outcomes are in line with the aims of many of the proposed reforms by the State Government to streamline the planning process.

While local government has embraced and executed the retain and manage policy, councils also report that application of the policy has been widely supported by planning panels, zone review processes, the NSW Department of Planning Industry and Environment (DPIE) and the GSC. The policy has provided the sector with clear boundaries to face major strategic challenges in protecting employment and productivity centres in the greater metropolitan area particularly from residential encroachment in a market that favours the latter. LGNSW also notes that other peak bodies including the Planning Institute of Australia[4] and Australian Logistics Council (ALC) have advocated its importance. For example, the ALC notes that '*Australia's national freight task is estimated to increase by 25% by 2040…and the protection and preservation of industrial lands…is fundamental to the future operating capabilities of the supply chains.'*[5]

This alignment between state and local policy approaches since 2018 has provided investment certainty to stakeholders. Investment certainty in turn provides opportunities for business and industrial activities to evolve and grow to serve regional and metropolitan needs. It makes it easier for small business, which employs thousands of workers, to secure long tenure. It enables retention of suitable sites, decreases business displacement, enables the retention of business links and encourages investment, which in turn contributes to State's long term economic capacity.

Maximising net benefits and welfare to the State

The assertion in the White Paper that the retain and manage policy is "effectively a moratorium on rezoning land to higher and better use"[6] is a short-term view that fails to recognise the full value that industrial and urban service businesses contribute to the economy. As the GSC has previously indicated in no uncertain terms, *"we can't plan a city simply on the basis of allowing all land to be left to the 'efficiencies' of the market and 'highest and best financial use' or we'll end up with, not with [sic] a city that works, but that is unworkable, with suburbs that are predominantly residential"*[7].

It is well established and accepted that diversification of land use activities is necessary to maintain a long term resilient economy, such as that sought by *2021-22 NSW Intergenerational Report*. Councils share concerns expressed by SGS Economics[8] that introducing 'higher and better use' activities in purporting to promote greater flexibility may in fact result in less diversity and flexibility, by driving up land values and introducing land use conflicts with existing industries. "*The contention that such uses are under-performing in terms of their productive contribution to the economy and should therefore be opened up to 'higher value' industries is flawed, as it assumes that value is based exclusively on land value or the direct economic*

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[4] Planning Institute sounds the alarm on zoning reform signalled in NSW Budget
[5] Australian Logistics Council media release: *Long term thinking needed to protect industrial land and freight corridors*, August 2021
[6] *Productivity Commission White Paper 2021: Rebooting the economy* (p 302)
[7] https://thefifthestate.com.au/urbanism/planning/gsc-on-why-we-cant-leave-city-planning-to-the-efficiencies-of-the-market/
[8] SGS Economics, Submission to *Continuing the Productivity Conversation Green Paper*, September 2020

contribution of the jobs in situ…While these jobs may not directly create as much value as other sectors, they enable significant value to be realised through their operation and location throughout the city."[9] Opening up these lands to other uses considered of 'higher value' also risks escalating industrial rents due to reduced supply.

It is of concern that so called 'higher value' activities would be provided at the expense of centres, small business and emerging industries which grow the State's GDP and contribute to its economic resilience. Erosion of industrial areas by retail activities or residential development pressure also contradict the NSW Government's policies of concentrating growth in centres that are serviced by transport. Industrial areas should be allowed to evolve to meet new advanced technologies, but not at the expense of damaging other existing centres.

Local government does not support poorly resolved policies that perpetuate site-by site rezoning or fragmentation of large landholdings. Such erosion makes it harder for councils to plan for more flexible controls to support business growth. A better approach is where the State and councils identify areas where land use change is required, based on economic and land use research and subsequent amendments are made through the applicable local environmental plan, consistent with the long-term vision for the area and the District Plan initiatives for productivity and economic growth.

Conclusion

LGNSW is concerned that the currently well-argued, well-received and implemented 'retain and manage' policy, which provides certainty to stakeholders, risks being undermined by this review. We join other peak bodies including the Planning Institute of Australia[10] and Australian Logistics Council[11] to fully support the retain and manage policy. The case for this policy has been made comprehensively already by the GSC and is underpinned by extensive research, a detailed thought-leadership piece and many industrial and employment lands-based studies available on the Commission's website.

The 'retain and manage' policy is regarded as highly effective, providing certainty to all stakeholders about expectations on future zoning and giving clear direction on how underutilised sites are to be redeveloped. Retention of the policy is a vital strategic land use planning tool allowing business in industrial lands to invest with certainty and councils to effectively and efficiently refuse inappropriate planning proposals that do not have strategic merit. Any ambiguity added to the currently clear intent will only result in delays to decisions and an increase of time fighting inappropriate planning proposals.

Should you wish to further discuss this submission please contact Jane Partridge (Strategy Manager, Planning).

Yours sincerely

Kelly Kwan
Executive Manager, Advocacy

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[9] Waverley Council, Submission to Green Paper, September 2020, p 9
[10] Planning Institute of Australia Media Release: Planning Institute sounds the alarm on zoning reform signalled in NSW Budget
[11] Australian logistics bodies urge NSW Government to protect industrial land and freight corridors, August 2021