



1 July 2016

Cities Division
Department of the Prime Minister and Cabinet
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Via email: cities@pmc.gov.au

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Dear Sir/Madam

The Sydney Business Chamber (The Chamber) supports the articulation of the Federal Government's cities policy through the Smart Cities Plan. The Chamber is a division of the NSW Business Chamber and represents Sydney's leading corporations, advocating for Sydney to be a competitive and sustainable global city. The Chamber strives to identify, develop and promote the major issues that contribute to economic activity and growth in Australia's only global city, Sydney. This is achieved on behalf of business by representation and collaboration with governments at the local, state and federal level.

Involvement by the Federal Government in cities policy reflects the emergence of cities as the prime location where the majority of Australians now work and live and the consequent impact on existing and future infrastructure.

The Smart Cities Plan provides a strong indication of what the Federal Government views as the challenges and priorities of our cities. The Chamber sees this as only the beginning of the conversation. More detail will be needed on how the Federal Government will support improving governance arrangements to address a key issue facing our cities: uncoordinated and often disparate planning and investment.

A bipartisan approach to cities' policy at the Federal level would provide the business sector with a greater level of certainty about the direction and permanence of public policy and investment in our cities. Following the upcoming election, the Chamber encourages the next Government to work with the Opposition to agree to a strategic and longstanding cities policy that survives longer than one term of government.

Sydney and the national economy

Sydney and other cities are playing an important role in economic growth given the structural changes occurring in Australia's economy, especially in the aftermath of the mining boom. Sydney is the engine room of NSW's economy and the leading contributor to the Australian economy. In 2014-15, Sydney's gross domestic product (GDP) was \$378 billion, which was more than 23 per cent of Australia's total GDP. While a range of industries contributed to this growth, the Financial Services industry was the dominant driver.¹

The structure of Sydney's industries means that, given the right policy settings and investment, it is well positioned to take advantage of future economic opportunities. Sydney is currently recognised as a leader in Professional and Financial Services; Information and Communications Technology (ICT); and Arts and Creative Industries.²

- *Professional and financial services* – Sydney is Australia's main financial centre and is the home of the Australian Stock Exchange and the Futures Exchange. Over three-quarters of all foreign and domestic banks in Australia have their headquarters located in Sydney.³
- *Information and communications technology (ICT)* – Sydney produces around 50 per cent of Australia's ICT exports (valued at almost \$1.3 billion annually) and is the national headquarters for more multinational companies than any other Australian city, including ICT firms such as Amazon Web Services, Google, Microsoft, Dropbox, LinkedIn, Twitter and cloud computing provider Rackspace.⁴
- *Arts and creative industries* – NSW accounts for almost 40 per cent of Australia's direct employment in the arts and creative industries sector and more than 57 per cent of Australia's creative industries services exports (valued at \$1.4 billion annually). Sydney has twice been voted the world's top festival and events city by the International Festivals and Events Association.⁵

Sydney is one of the world's most multicultural cities attracting people from all over the world. Sydney Airport is Australia's main international visitor gateway and Sydney is Australia's top tourist destination. In the year ending March 2016, Sydney received 3.3 million visitors who stayed 73.1 million nights, and saw over \$8 billion in visitor expenditure.⁶

¹ SGS Economics and Planning (2016) <https://www.sgsep.com.au/publications/sydney-and-melbourne-race-ahead-mining-boom-fades>

² NSW Government (2016) <http://www.industry.nsw.gov.au/invest-in-nsw/why-sydney-and-nsw/world-class-cities-and-towns>

³ City of Sydney (2016) <http://www.cityofsydney.nsw.gov.au/learn/research-and-statistics/the-city-at-a-glance/our-global-city>

⁴ NSW Government (2016) <http://www.industry.nsw.gov.au/invest-in-nsw/industry-opportunities/information-and-communication-technology>

⁵ NSW Government (2016) <http://www.industry.nsw.gov.au/invest-in-nsw/industry-opportunities/arts-culture-and-creative>

⁶ Destination NSW (2016) <http://www.destinationnsw.com.au/wp-content/uploads/2014/04/NSW-intl-visitation-infographic-Mar-16.pdf>

These factors drive Sydney's status as a global city. A global city is a city which exudes economic and cultural influence, is firmly engaged on international trade and finance, and is attractive to globally-mobile workers and visitors.⁷

Sydney's global economic corridor encompasses a number of areas with high levels of economic activity reaching from Sydney Airport to the Sydney CBD, North Sydney and through to Macquarie Park. The corridor generates over 41 per cent of NSW's total economic output and is the location of many high value service industries such as finance, insurance, technology, health, education and tourism.⁸

Western Sydney is also booming. Greater Western Sydney is home to almost one-tenth of Australia's population and 44 per cent of Sydney's population. Parramatta is the major city centre which has been experiencing strong growth, complemented by growth in recent years in Camden, Campbelltown, Blacktown and Penrith. While manufacturing remains the dominant industry sector in terms of employment, the Health Care and Social Assistance, Education and Training, and Professional Scientific and Technical Services sectors have seen the biggest employment growth in the past decade.⁹ However, Western Sydney's population growth has significantly outstripped jobs growth, leading to a severe jobs deficit in the region and further compounding congestion issues in Sydney as Western Sydney residents need to travel east for job opportunities.

Greater Sydney's population is expected to grow to seven million by 2051. Without significant action, Sydney's current congestion and housing affordability challenges will only get worse as the population grows. While these issues are not confined to Sydney, Sydney remains the most congested and least affordable place to buy a home in Australia and these problems must be addressed.

The 30-minute city is an optimistic but necessary target to enhance the productivity and liveability of Sydney. It captures the essence of the changing mood of governments, business and investors in the way we plan and operate our cities. It will require a strong relationship between transport, residential density and job location therefore further necessitating coordination in planning and investing in infrastructure.

⁷ Infrastructure NSW (2012) http://www.infrastructure.nsw.gov.au/media/16970/sis_report_section3.0_print.pdf

⁸ Infrastructure NSW (2012) http://www.infrastructure.nsw.gov.au/media/16970/sis_report_section3.0_print.pdf

⁹ Western Sydney University (2016) <http://profile.id.com.au/cws/industries>

Smart Investment

The Federal Government plays a key role in infrastructure investment in cities. Federal funding of infrastructure projects is appropriate in cases where projects have a positive cost benefit analysis (taking into account economic benefits as well as broader social and environmental benefits) and generate positive outcomes for the nation. Given the economic importance of cities to the national economy, federal funding of city projects is appropriate. In Sydney alone, the Federal Government is involved in a number of road, rail and freight projects. A renewed interest in public transport by the Federal Government is particularly welcome in Sydney given patronage of public transport will continue to grow.

There is no magic pudding for funding public investment in infrastructure projects. These projects need to be funded by either taxpayers or users, but governments should consider innovative options when it comes to financing these projects, to minimise the impact on government balance sheets. The Chamber supports the establishment of the Infrastructure Financing Unit to examine innovative financing options for each project it is involved in.

The Government's commitment to assessing value capture opportunities is also sensible, particularly where infrastructure projects provide opportunities for urban land development. The Hong Kong metro system demonstrates how urban rail can be transformed into a profitable asset when linked with land development. Utilising the air space above and land adjacent to rail corridors in metropolitan areas provides additional revenue streams offering greater value-for-money for an infrastructure project. It could also be the difference between an infrastructure project being built, and it not being built at all.

Governments should also encourage the private sector to fund and finance infrastructure projects where appropriate. The Unsolicited Proposals process in NSW is a good example of encouraging the private sector to innovate and deliver infrastructure projects. Without this process in place, it is unlikely that the NorthConnex project would have been delivered by 2018.

Governments should also ensure they are following best practice when procuring infrastructure design, construction and operation. The Australian Construction Industry Forum's proposal to establish an Australian Centre for Procurement Excellence to build stronger relationships between government and business, and support best practice procurement at all levels of government, would help ensure governments get value for money from infrastructure investments.¹⁰

However, the most important mechanism the Federal Government can use to support smart infrastructure investments is through selecting infrastructure projects which are in the best interests of the community. This is why the Chamber supported the establishment of both Infrastructure Australia and Infrastructure NSW to reduce politics in infrastructure decision-making.

¹⁰ Australian Construction Industry Forum (2016) <http://www.acif.com.au/policies>

Smart Policy

While the involvement of the Federal Government in cities policy is welcome, it adds another layer of governance to infrastructure and land use planning. For too long, Sydney has been disadvantaged by uncoordinated and often disparate planning policies resulting from a lack of collaboration both between state agencies, and between the state government and an overcrowded local government sector. The involvement of the Federal Government in cities policy further increases the need for an agreed and strategic approach to transport and land use policy making by all three tiers of government.

The NSW Government has attempted to address the lack of cohesion in land use and transport planning by establishing the Greater Sydney Commission to consult with the community and local government sector, and then advise the state government on investment priorities. The Chamber fully supports the work of the Commission and it is imperative that the Federal Government works in concert with the Commission when determining policy priorities for Sydney.

The City Deals proposal put forward in the Plan, requiring governments, industries and communities to develop collective plans for growth and commit to the actions, investments, reforms and governance arrangements needed to implement these plans, has merit and is consistent with the Chamber's call for a Western Sydney Airport Authority.

Following the Federal Government's decision to develop an airport at Badgerys Creek, the Chamber initiated calls for the establishment of a Western Sydney Airport Authority to work with all governments and community to support integrated planning for the airport site and the surrounding area. While we recognise there has been cooperation between the Federal and NSW Governments, the cooperative approach has been ad hoc to date and we believe an Authority would formalise a coordinated approach to planning and investment. The Authority would also provide a single and clear direction for investors and the community on the future vision for the airport and the surrounding land.

The City Deals concept should also support specialised industry and innovation clusters in cities. Having more specialised hubs will increase their viability and ensure these hubs are complementing one another rather than competing with each other.

However, the Government needs to provide further detail and clarity on how the City Deals process will work in practice, particularly relating to its plans to incentivise state and local reforms. The Plan states that City Deals will become a vehicle through which the Federal Government will encourage states to reform a number of areas including planning, land use, housing, and governance. Issues may arise when there are policy differences between state/local governments and the Federal Government, or if the state government is unable to proceed with reforms due to significant opposition (as occurred with the NSW Government's initial attempt to update its planning legislation). These issues have not traditionally been within the remit of the Federal Government, therefore there is also a risk that there is a lack of skill within the federal

public service on these issues. The Federal Government must outline how it intends to determine and incentivise reforms without undermining the efforts, expertise, priorities and political reality of the other democratically-elected governments, and ultimately run the risk of delayed or underinvestment in infrastructure projects.

Smart policy will mean strategic, coordinated and informed planning. This will further ensure the right projects are selected based on integrated land use and transport plans which have support from the public sector, the business sector and the community. Also cities need to become much stronger specialised hubs which, for example, will make the Westmead Precinct different to other hubs such as the Australian Technology Park.

Smart Technology

Cities must be well-placed to take advantage of disruptive new technology in transport, communications and energy efficiency. The Government's commitment to examine the extent to which new technologies are used to improve the efficiency, sustainability and services of infrastructure networks is absolutely necessary and this approach should be business as usual.

The recent NSW Intergenerational Report made clear that governments need to examine innovative ways to deliver infrastructure and services, given population growth and an ageing population will require continued investment in infrastructure and more services.

This means that regulators will need to be responsive to emerging technologies and new service delivery models. For example, the NSW Government's decision to permit Uber is an example of a regulator responding to an innovative new service. Governments will also need to ensure they are ready to respond to other technologies such as increased use of electric vehicles and driverless cars.

Governments should also examine how technology advancements can enable smarter use of infrastructure and therefore reduce the need for expensive capacity augmentation. For example, technologies which can capture time-of-use data at a reasonable cost can further enhance the energy and transport markets by making demand management mechanisms possible. The principles outlined in the Better Infrastructure Initiative of the John Grill Centre for Project Leadership, especially in relation to extracting maximum value from existing physical infrastructure, should be fully reflected in cities policies.

The Chamber fully supports the Government's commitment to increase the collection and analysis of city performance data to measure and inform policies, as well as the increased release of non-sensitive public data to support private sector innovation of service delivery.



Thank you for the opportunity to comment on the Smart Cities Plan. Please contact Larissa Cassidy on 02 9458 7359 or Larissa.Cassidy@nswbc.com.au if you would like to discuss anything further.

Yours sincerely

A handwritten signature in black ink that reads "Patricia Forsythe".

The Hon. Patricia Forsythe
Executive Director
Sydney Business Chamber