

Submission

No 43

INQUIRY INTO THE UTILISATION OF RAIL CORRIDORS

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1 March 2012

The Committee Manager
Committee on Transport and Infrastructure
Parliament House
Macquarie St
Sydney NSW 2000

Dear Sir/Madam

NSW Business Chamber welcomes the opportunity to comment on the Committee of Infrastructure and Transport's Inquiry into the Utilisation of Rail Corridors. NSWBC represents the interests of around 30,000 companies across NSW and the ACT, ranging from owner-operators to corporations and from manufacturers to service providers.

Benefits of rail corridor development

Utilising air space above and land adjacent to rail corridors will provide multiple benefits to the Greater Metropolitan Area of Sydney. Allowing land development in air space above rail stations and on land adjacent to rail corridors can provide a significant revenue base for rail owners/operators beyond ticket revenue. The additional revenue streams from this type of development could offer greater value-for-money for an infrastructure project, which may make the difference between a rail infrastructure project being built, and it not being built at all. It could also encourage governments, the private sector and the community to deem an infrastructure project viable, and act as a mechanism for funding the infrastructure investment itself.

Besides delivering sources of revenue, creating development around rail corridors may also have other benefits. Having mixed-use development around rail corridors is likely to increase public transport patronage, thereby reducing traffic congestion and also making public transport services more economically viable. Rail corridor development may also serve social and economic benefits. It can help unite neighbourhoods divided by rail corridors, provide needed neighbourhood amenities and uses, and also generally have a revitalizing effect by bringing jobs, businesses and housing to formerly undesirable locations. This kind of development in Sydney, the Illawarra and the Hunter could also address some housing affordability issues by providing residential development in infill areas.

Development around rail corridors is not a new phenomenon. It is regularly undertaken throughout the world and there are examples of it already occurring in the Greater Metropolitan Area. In Japan, many commuter rail services have been financed by land and development rights. In Hong Kong, MRT operators make more money out of surrounding land development than from running the trains. Local examples include Chatswood and St Leonards which have both had a rejuvenating effect on the community. Despite this, opportunities for development above and adjacent to rail corridors in Sydney, the Illawarra and the Hunter are being missed. The Edmonson Park railway station on the South West Rail Link is a

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good example where the opportunity for high density development adjacent to railway corridors has not been realised.

Promoting development in rail corridors

This lack of development near rail corridors can be attributed to a range of barriers faced by the development industry as well as a lack of general appetite by governments for this to happen. One barrier faced by developers relates to limited zoning and floor space ratio (FSR) regulations. Often developers require a higher FSR than permitted in order to make a proposed development financially feasible. However, local councils are often unwilling to approve higher density developments due to perceived community opposition.

Local governments should recognise the potential benefits of this type of development to the community, and should therefore have appropriate zoning controls in place to ensure development of a sufficient size can occur. NSW Business Chamber recommends that no future railway lines should be built without the land around rail corridors being zoned R4 – High Density Residential or B4 – Mixed Use. This would also support two *NSW 2021* targets relating to building liveable cities and placing downward pressure on the cost of living.

The type of title available can also act as a deterrent for developers. Rail owners/operators could choose to recover revenue either through property sales, which would allow up-front revenue delivery close to the period of the infrastructure investment, or through holding onto built assets and generating ongoing revenue streams through rent.¹ The latter example may be beneficial for new growth areas where land values are projected to increase significantly. However, if the only title available to potential buyers is leasehold, this may deter a significant proportion of buyers who prefer freehold title. Rail owners/operators would need to consider this when providing the land for development.

To realise the benefits stemming from development near rail corridors, the NSW Government agencies and RailCorp will need to begin looking for more opportunities for this type of development. NSW Business Chamber therefore recommends that an audit of all RailCorp-owned land should be undertaken to identify both the short and long term opportunities for development around rail corridors in the Greater Metropolitan Area of Sydney. Relevant strategic planning documents should reflect these opportunities for development around rail corridors, combined with appropriate mechanisms in place to ensure these strategic priorities are reflected in local planning decisions. This would both provide guidance to planners as well as demonstrate to developers that there will be opportunities for this type of development to occur.

Governments should also consider the type of development which it wishes to attract and should signal this early on. While intensive land use of any type (e.g. office space, retail or industrial), will attract transit use, mixed-use land could contribute to a more-balanced and consistent passenger throughput at different

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¹ Hale, C. and Charles, P. (2006) *Making the Most of Transit Oriented Development Opportunities*, 29th Australasian Transport Research Forum, p. 8.

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times of the day and week. This can lead to a more efficient utilisation of transit infrastructure which will benefit rail owners/operators and their customers.²

While outside the Terms of Reference for this Inquiry, NSW Business Chamber advocates that changes be made to the strata scheme laws so that it is no longer a requirement to reach 100 per cent agreement in order to terminate a strata scheme. NSW Business Chamber recommends that the NSW Government should consider changing this requirement so that only a majority is needed to terminate a scheme. These changes would help encourage higher density development in infill areas of older suburbs which currently have lower density residential apartment blocks on land adjacent to rail corridors. By changing the strata laws, it is more likely that an agreement will be reached to terminate the scheme to make way for renewal of the site, enabling greater high density residential development which would allow a larger housing supply in Sydney.

As a principle, development in the airspace above rail corridors can lead to many benefits for rail owners/operators, developers and the community. However, it should be noted that such developments are not always financially feasible due to significant engineering requirements. In addition, if buildings are to be built over train lines, this could require decommissioning operations at critical times of construction. Therefore, each development of this kind should be considered individually, as development above the air space should not be regarded as a given solution to raise revenue and fund infrastructure projects. Early engagement between RailCorp and developers will provide greater certainty about logistics and costs. This engagement should occur no later than the commencement of the tender processes.

Conclusion

NSW Business Chamber believes development above and adjacent to rail corridors has the potential to transform communities surrounding rail infrastructure while also addressing broader issues of congestion and housing supply. Most importantly to Sydney, the Illawarra and the Hunter, it could also provide an additional source of funds for much needed infrastructure projects. Allowing development in these areas will also generally create economic and jobs growth.

To promote greater development near rail corridors, both the NSW and local Governments will require a change in thinking. The NSW Business Chamber recommends:

1. No future rail lines should be built without appropriate zoning of nearby land to enable mixed-use, high density development.
2. An audit of RailCorp-owned land should be conducted to identify opportunities for development.
3. The Government should change strata scheme laws so that only a majority is required to change the scheme.

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² Hale (2006) pp. 5-6.

NSW Business Chamber also recommends engagement with the development industry at an early stage of the process to ensure the regulatory and planning environment is conducive to attracting investment in developments of this kind.

Thank you for the opportunity to comment on this Inquiry. Should you wish to discuss this further, please do not hesitate to contact me on 02 9458 7642 or Larissa Cassidy, Policy Adviser – Infrastructure on 02 9458 7359.

Yours sincerely



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