

Submission

No 53

INQUIRY INTO THE UTILISATION OF RAIL CORRIDORS

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Date Received: 1/03/2012

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29 February 2012

Our Ref: 2012/059863

File No: S076358

Mr Charles Casuscelli MP

Chairman, Parliamentary Committee Transport & Infrastructure

Parliament House

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By email: charles.casuscelli@parliament.nsw.gov.au

Dear Mr Casuscelli,

Committee on Transport and Infrastructure – Inquiry into Utilisation of Air Space Above and Adjacent to Rail Corridors in Greater Metropolitan Sydney

I wish to respond to your Committee's invitation for submissions on the considerable opportunities within railway corridors to accommodate metropolitan Sydney's growth between the Illawarra and the Hunter.

Council is very mindful of the importance of ensuring the State's transport assets can adapt to changing demands as Sydney grows. Equally pressing is the need to identify better and more efficient uses of State-owned land in the face of the pressures to accommodate growth and the economic benefits it will deliver. This is why your committee's work is so important.

Even though your Committee's terms of reference address greater Sydney, many of the same issues are evident at the heart of the metropolitan area, as follows.

Value Capture

Allowing redevelopment above and near rail corridors will deliver windfall gains to affected land. Land near significant existing transport infrastructure generally attracts premium prices. The greater connectivity between and within bounding precincts will add to that value. Development of intermodal interchanges will enhance connectivity – and hence land value – yet further. Increased land value will obviously apply to State owned land but may also benefit nearby privately-owned land.

The Committee's terms of reference rightly consider how this gain can first be captured and then deliver on State policy commitments. The City supports "value capture" re-investment in improved transport infrastructure. However, the City also recommends examination of complementary investment that would increase the State's productivity overall yet reduce the transport investment impost on government, particularly as community infrastructure expectations are now so high.

city of villages

Affordable Housing

An example of complementary investment is affordable housing – the first of your Committee’s terms of reference. One of the principle difficulties faced by inner city residents and businesses is the lack of affordable accommodation. In addition to the fiscal and taxation levers, affordable housing is significantly determined by the price of land and costs to develop. Your committee’s inquiry is well placed to address both these issues and it is recommended that a proportion of developable sites in and near rail stations be reserved from the outset for affordable housing.

Developing housing in close proximity to rail stations could be a means to ensuring access to services and jobs which is a key objective of affordable housing, recognised in the State Government’s Affordable Housing SEPP 2009. It could alleviate some of the current demand for residential housing and could be tailored to the specific needs of the affordable housing market. Also, from the City’s research, proximity to rail stations means that the proportion of development otherwise required for car parking may not be necessary, which puts less pressure on construction costs and in turn, affordability.

While the City is supportive of identifying opportunities and benefits of rail corridors for affordable housing, compatibility and liveability must also be key considerations.

The City has explored to some depth the issues of affordable housing; generally and by sectors. Some of these studies were furnished to the Affordable Housing Taskforce, established by the Minister for Planning. A fundamental theme is that housing affordability can only be delivered if agencies and levels of government collaborate. Missing in the City’s work is an understanding of the possible benefits to State infrastructure investment and productivity arising from affordable housing close to work places. The City would welcome the opportunity to explore this further.

There appear to be broader benefits relating to congestion and productivity that the State can realise through such a policy approach. Proximity of occupants to inner-city work places will deliver congestion savings on state roads and – if proximity favours walking and cycling – lower congestion on public transport and concomitant public health savings. Affordable housing development would improve the business and labour market worker through ‘key worker’ accessibility by reducing labour turnover and staff recruitment cost. It follows that savings on road and other transport infrastructure investment and productivity gains could then be directed to fund the supply of affordable housing.

Connectivity and intermodal interchange

Transport infrastructure investment and development capacity are complementary pre-requisites for productivity growth of the New South Wales economy.

It is no longer economically feasible for the State to invest in one-size-fits-all transport modes. Low-capacity and inefficient modes such as freeways are less and less economically sustainable for private transport, particularly in competition with logistical distribution from ports and airports. It has been the City’s experience that transport modes must now be more responsive both to cost and the transport task, for example walking and cycling for short trips, light rail for longer trips, heavy rail for greater distances with buses serving a mix of these tasks. It follows that efficient intermodal interchange will be increasingly important. Therefore, any air-rights redevelopment around existing stations must hold as a priority – above maximising yield – the immediate and long-term

efficiency of modal interchange, for which the announced NSW Long Term Transport Master Plan will be an essential guide.

Productivity and improved utilisation of transport investment

Though your committee's terms of reference cover the entire metropolitan area, Central Station presents unique opportunities for air-rights development.

You may be aware that the City of Sydney has also long recommended opportunities be examined for development above Central Railway Station and its rail yards for convention, exhibition, entertainment and associated visitor accommodation facilities. The suggestion is that the cost of building a deck above could be recovered by redeveloping Darling Harbour land as part of an expanded city centre and increased visitor accommodation. Net benefits might then be redirected to other infrastructure investment, including a replacement event facility, inner city hotels, trade precinct, or improved connections from Central to regional New South Wales. A more detailed account of this proposition is at **Attachment A**.

In conclusion, you may be aware that Council is an active participant in improving the city and its economy. The City has committed \$180 million to public domain improvements to complement the State's introduction of light rail along the George Street spine, which will link Railway Square to Circular Quay. I also draw your attention to the Chinatown public domain improvement works that Council is about to commence in that part of the City linking Darling Harbour and Central Station.

Council seeks to work with and assist your Committee in maximising the economic benefits to Sydney and the State.

Yours sincerely



KIM WOODBURY
Acting Chief Executive Officer

ATTACHMENT A

City of Sydney comments on replacement of Convention, Exhibition and Entertainment Centre facilities

In its Sustainable Sydney 2030 Plan, Council recommended the investigation of "...railways, including above Central Station, where the potential for entertainment, exhibition and convention facilities would benefit from co-location with Central Station" (Action 9.6.2). When making this recommendation, Council was aware that the State's premier passenger rail asset must remain adaptable to changing future transport demands but that city centre growth pressures could eventually engulf that same asset.

Sydney's role as the nation's global city means that its competitors are in Asia; they are cities such as Singapore and Hong Kong. For this reason, the City supports the principle that a new facility should be visionary and that it should primarily compete with its international counterparts.

Replacement of the existing SCEC is one of many competing State priorities to build the New South Wales economy. Construction of a new SCEC should occur at least-cost to government and New South Wales. In particular, it should preserve ongoing revenue to the government during demolition and construction of a new facility; it should not diminish government capacity to fund other essential infrastructure; it should only incur justifiable infrastructure expenditure; it should make most efficient and strategic use of existing government assets, and; it should maximise opportunities to expand trade and visitation benefits to New South Wales in the long term.

International and domestic convention events are fundamentally about building trade, which increasingly is based on ideas and services. Sydney can draw on its current strengths in professional and financial services, media, education and tourism attractiveness to develop and embed the economic benefits that improved convention and meeting infrastructure will confer. A visionary facility should therefore help transform the economy of Sydney, New South Wales and – by virtue of Sydney's global city role – the Nation.

City of Sydney's Proposal

Council has long considered there are benefits to the State of a precinct-wide approach to maximising productive activity through clusters. This is why the City recommended exploring the benefits of including Central Railway Station in options for replacing SCEC as part of a wider trade and exhibition precinct.

Building on the City's Sustainable Sydney 2030 Plan, the City's vision is that both Darling Harbour and Central Station be developed together with existing adjacent precincts into a new global meeting and trade centre for Sydney and New South Wales (refer draft Precinct Plan, attached).

The City considers that such an approach would address a short term goal to replace the existing SCEC facilities with least-cost to government and the New South Wales economy. It would also address a long term goal of re-building Sydney's and the State's economy by developing new trade opportunities and

allowing the City to grow. These objectives are completely consistent with those in the NSW State Plan *NSW2021*, particularly the importance of stimulating productivity, promoting regional development, encouraging business investment and growth, improving Sydney's competitiveness to interstate and global counterparts and encouraging tourism through improved convention and business events.

Economic impacts and benefits

In the short term, confining the replacement of SCEC to Darling Harbour alone is likely to incur significant revenue losses and costs to the NSW government.

The report, "*A world class convention and exhibition centre for Sydney: Pre-feasibility Study*" (PricewaterhouseCoopers, September 2010)(PwC study), indicates that the existing SCEC currently generates a direct economic benefit of about \$466 million per annum to the New South Wales economy (PwC study page 14). International event bookings are typically made several years in advance, are very sensitive to the attractiveness of host facilities and take time to recover after any disruption. For example, losses to the state arising from total closure for a three-year rebuilding period could approach \$1.4 billion. Sydney's reputation as a desirable destination for international events could be damaged and exacerbate these losses further.

Alternatively, redevelopment of the "land-hungry" components of SCEC above Central Railway Station would permit a smooth transition from the current facilities to new state-of-the-art facilities above Central, with little or no loss of economic benefit to the State.

The cost of a new larger facility is difficult to know at this stage, though the PwC study suggests that \$1 billion is certainly possible (pages 49, 78). If funded as suggested on page 102, a "PPP Gross Annual Availability Payment" by the State could approach \$300 million, which might be reduced to about \$200 million per annum over 30 years through the income offsets the analysis describes. The offset might be greater – and cost to government reduced – with additional commercial development. However, the scale of a new facility would occupy most of the available land in Darling Harbour leaving limited room for other development.

Alternatively, if 100,000 m² of Darling Harbour land were redeveloped to a density of 4:1 equal to that permitted in Ultimo directly adjacent, the City could grow by about 400,000 m² and that development could help to cross-fund the replacement of SCEC. The PwC study (page 81) suggests that to obtain a 100,000 m² footprint above Central Station would probably cost \$200-300 million but this amount would include the footings, floor and loading docks for a new facility.

A more detailed investigation of development costs above and near Central Railway Station could be explored further. Such analysis might also include examination of the benefits of developing a boulevard along Quay Street to connect a new SCEC, redeveloped Darling Harbour and existing tourism and knowledge precincts of Ultimo and Chinatown.

Transport and infrastructure benefits

Accommodating forecast City growth is looming as a constraint on Sydney's global status. New city locations must be found within the next 15-20 years despite the fact that construction of Barangaroo has commenced. However, to prevent new growth in the City centre being stymied by congestion, significant investment in public transport is required. Tensions between City centre growth, congestion and transport investment are already evident. City centre expansion at Barangaroo is an example where significant investment is needed to improve pedestrian links to Wynyard Station, which in turn requires funding to carry additional passenger demand.

Continued inefficient or under-utilisation of State owned land and assets is no longer an acceptable option to a government dedicated to rebuilding the State's economy. Therefore, when making decisions about replacing SCEC, accommodating the next stage of City centre growth in Darling Harbour should also be considered. Where conference attendees perceive Darling Harbour as disconnected from the City centre, that location for commuters can be well served at reasonable cost by improved light rail and good pedestrian linkages to both Central Railway Station and Town Hall Station. The new Darling Walk development in east Darling Harbour is well served from Town Hall Station.

In particular, Sydney is critically short of hotel accommodation. Where hotels are considered fully booked with 75% occupancy, average inner-city occupancy rates this year approached a peak of 93% and has exceeded 75% for the last 8 years. New hotels are an essential component of event and meeting infrastructure so for Sydney any expansion must include an even greater proportion of visitor accommodation. Generally, business cases for new hotels are difficult to make unless assisted in some way – such as subsidised land. However, redevelopment in Darling Harbour alone will provide limited opportunity as residual land will likely be needed for more profitable development to cross-fund the cost of a new SCEC. The opportunity to subsidise hotels would be greatly increased if both Central Station and Darling Harbour were considered together.

The different attributes of Darling Harbour and Central Station also suit the different components of event and meeting infrastructure. Close proximity and views to the city from Darling Harbour are suited to hotels and valuable commercial development. Large floor-plate low-rise structures are increasingly common above rail stations – for example the Millennium Park facilities in Chicago, Federation Square in Melbourne or the long established convention centre in Adelaide.

In contrast, City views do not benefit the inward looking “dark boxes” of convention and exhibition halls, which by virtue of their large floor-plates would also require expensive relocation of existing roads to fit within Darling Harbour. Equally, the option of accommodating longer-term City centre expansion over Central Station should be carefully explored so as not to prejudice the future capacity of this crucial transport asset to adapt to changing transport needs.

International and trade benefits

Conventions are important in generating further business investment and visits. They benefit the state directly through the tourism “spend” of attendees and indirectly through the myriad contacts, meetings, and relationships developed at each event. Tourism benefits accrue for the duration of attendees’ stay and from repeat visits, which together are significant enough to warrant State investment in events infrastructure. The benefits from contacts and exchanges at events can extend much longer and it is the City’s view that a truly visionary replacement for SCEC should explicitly seek to capture and embed these benefits within the State.

In this regard physical context is important. Linking Darling Harbour and Central Station to the east is the rapidly expanding tourist destination of Chinatown and to the west is the emerging education and ICT “hub” around the University of Technology Sydney. Both precincts are locally and internationally significant: Chinatown is currently one of the most popular international tourist destinations in Australia; tertiary education is an important international export particularly to Asia, and; the ICT industries are clustered in Pyrmont /Ultimo, with creative industries centred in Surry Hills. Viewed together, Chinatown and Ultimo accommodate industries and attractions that appeal to many of the international visitor markets New South Wales wishes to attract with new events facilities. The Gehry designed business school will only add to this. These precincts also host three of the five sectors to be targeted by State Industry Action Plans to grow the New South Wales economy (Andrew Stoner MP, media release, 16th Sept 2011).

There are also potential strategic benefits. It is well accepted that the City centre needs to grow if Sydney’s – and the nation’s – global status is to be maintained. Expansion into Darling Harbour provides this opportunity and, together with new meeting facilities, would provide a contemporary focus on Sydney’s internationally competitive financial services and professional services sectors. Central Station is the subject of recent master-planning that intends to guide its development over coming decades. Meeting and entertainment infrastructure directly above Central Station would provide a market for what would otherwise be a net cost to State government for essential transport upgrades.

Should an east-coast Very Fast Train service be introduced to Central, the event attendee catchment market would extend to include Canberra and mean that Central Station – with its current good links to Sydney Airport – could become over time the meeting point between national government and international conference visitors. It would also be a convenient portal for international event tourism and business into regional New South Wales and beyond to Melbourne and Brisbane.

The City recommends that the business case for assistance from Infrastructure Australia for the Very Fast Train project should include the potential benefits of convenient exchange between the National government and international meetings at Central Railway Station if SCEC were to be relocated there as a short-term use during construction of a more permanent facility at Darling Harbour.

Conclusion

Development of the entire neighbourhood from Central Railway Station to Darling Harbour as a coherent strategic precinct may well enable a smoother transition – with less interim costs – to a higher yielding globally competitive tourism and meeting venue. It would also enable Sydney to take advantage of opportunities arising out of Asia's economic rise and structural transformations. Complementing new convention and meeting infrastructure with a precinct dedicated to trade and city growth – all linked by existing globally engaged precincts – would be truly visionary and send a powerful signal that New South Wales is serious about its national and global economic role, particularly in emerging Asian markets.

Draft Precinct Plan: Darling Harbour to Central Railway Station

