Randwick City Council
a sense of community

WAVERLEY COUNCIL

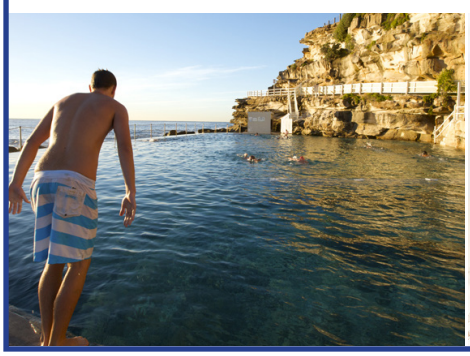
Attachment Pack 2

Research and Analysis

2.1 SGS Economics and Planning, Eastern Sydney Local Government Review, Feb 2013

2.2 Mangioni, V, University of Technology, The Research and Innovation Office, A Review of Rating Residential Land in Randwick Local Government Area, 2013

2.3 SGS Economics and Planning, Eastern Suburbs Economic Profile, Dec 2013



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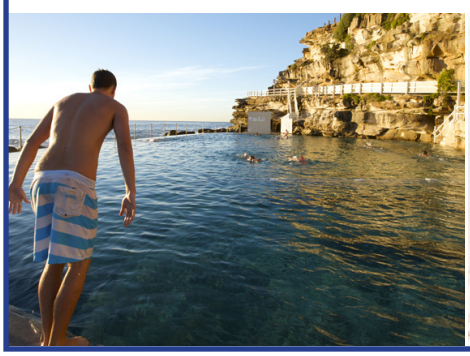
Attachment 2.1

Eastern Sydney Local Government Review

SGS Economics and Planning Feb 2013



Eastern Sydney Local Government Review

Final Report
Randwick City Council
February 2013

Independent insight.

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CONTENTS

EXECUTIVE SUMMARY

SGS was engaged by Randwick City Council to undertake a strategic and financial assessment of potential options for structural change to local government within eastern Sydney. This review has involved the development of options for structural change, including the amalgamation of current local government areas (LGAs) and part LGAs. The LGAs that have been considered in this report include Randwick, Woollahra, Waverley and Botany Councils.

Strategic planning context

Eastern Sydney is identified as a sub-region for planning of the Sydney metropolitan area, by the NSW Department of Planning, and includes Botany Bay, Randwick, Waverley and Woollahra LGAs. This sub-region is adjacent (and partly included within) to the Global Economic Corridor, identified in the 2005 *Sydney Metropolitan Strategy*[1] and *Metropolitan Plan for Sydney 2036*[2] as Australia's pre-eminent higher order job location. The Global Economic Corridor extends from Macquarie Park to North Sydney and continues through Sydney City to Port Botany and Sydney Airport. Key centres in or adjacent to this area are the Sydney CBD, Bondi Junction, the Randwick Health and Education Precinct, Sydney Port and Sydney Airport. These areas are home to over 500,000 jobs, almost one fifth of the total in metropolitan Sydney.

As part of this Global Economic Corridor (GEC), the southern Sydney employment corridor extending from Redfern to Alexandria and beyond to the Mascot area north of the Airport is increasing in complexity and economic value. An integrated economic zone encompassing these southern Sydney employment areas, the airport and the CBD is emerging. This critical economic zone is not well served from a coordinated local planning perspective, partly because four local governments have responsibilities in this area (City of Sydney, Marrickville, Botany Bay and Rockdale). Similarly, the economic zone of the Port and the surrounding industrial activities to its north is split between the Councils of Randwick and Botany Bay, hampering effective planning as an integrated area.

In this analysis the potential for revision of boundaries has been investigated through a number of options. These reflect the community of interest of the eastern suburbs councils and the potential rationalization of local planning and management of the Port, and associated industrial areas to its north and west (east of Southern Cross Drive), as part an expanded Eastern Sydney LGA.

Options identification

Arising from the strategic analysis, four options for structural change have been developed in addition to the 'do nothing' base case.

The four options that were tested for structural change were:

- Option 1 - the amalgamations of the LGAs of Randwick, Woollahra and Waverley into a new Local Government Authority
- Option 2 – As per option 1 and the addition of the Port Botany and associated industrial areas into one LGA
- Option 3 – As per option 2 and the addition of the rest of Botany Bay except the airport and associated industrial areas connected to South Sydney, and
- Option 4 – the amalgamations of the LGAs of Randwick, Woollahra, Waverley and Botany as well as the airport.

Each of these options is described in the table below.

[1] Department of Planning, *City of Cities, A Plan for Sydney's Future*, *Metropolitan Strategy,* 2005
[2] NSW Government, *Metropolitan Plan for Sydney 2036*, 2010

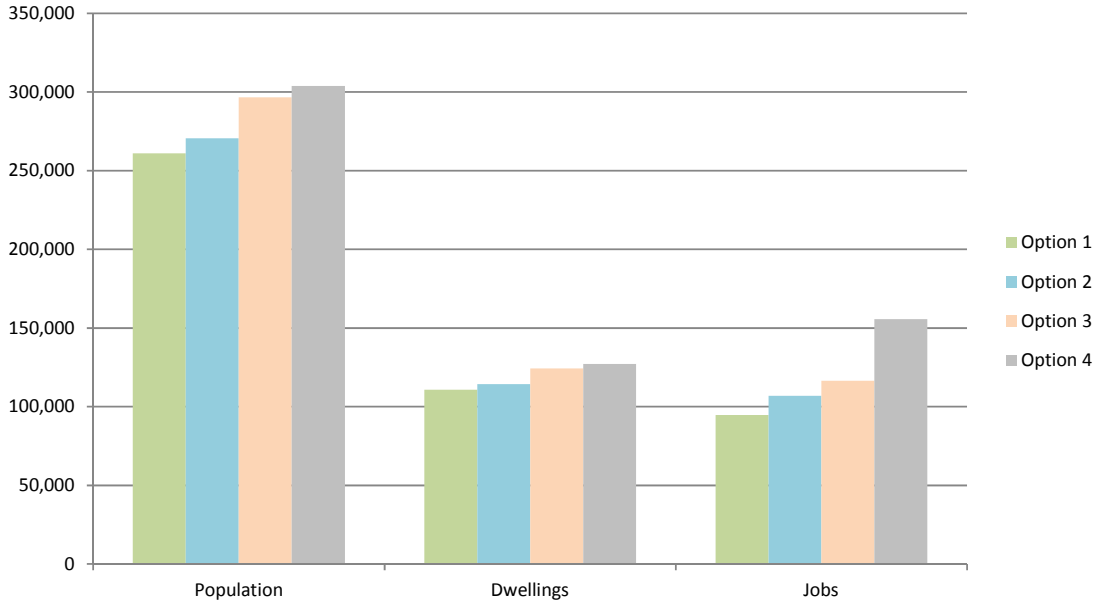
BASE CASE AND AMALGAMATION OPTIONS

LGAs	Base Case	Option 1	Option 2	Option 3	Option 4
Randwick	1				
Woollahra	1	1			
Waverley	1		1		
Botany Bay	1	1		1	
- Port Botany and associated industrial areas					1
- Residential areas and the balance			1		
- Airport and associated industrial areas in Mascot					
Total number of councils	**4**	**2**	**2**	**1**	**1**

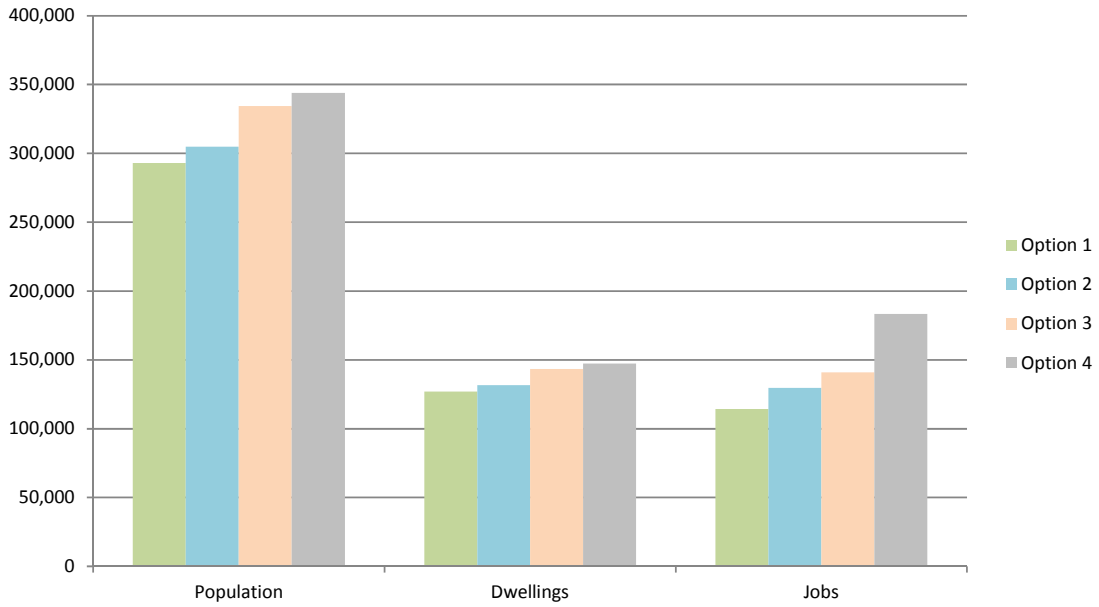
Source: SGS based on discussion with Randwick Council, 2012

Population/dwelling and employment projections for the different options have been prepared and used in the analysis to calculate the rate income and service cost in the financial analysis section. These projections per option are outlined in the tables below.

POPULATION, DWELLING AND EMPLOYMENT PROJECTION BY OPTION 2011



POPULATION, DWELLING AND EMPLOYMENT PROJECTION BY OPTION 2031

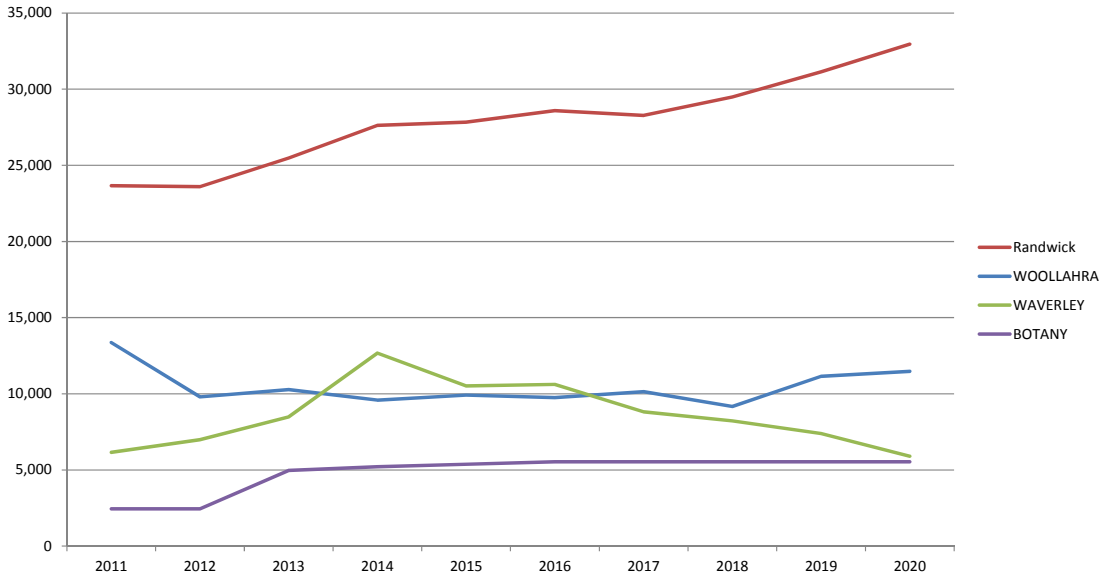


Options analysis

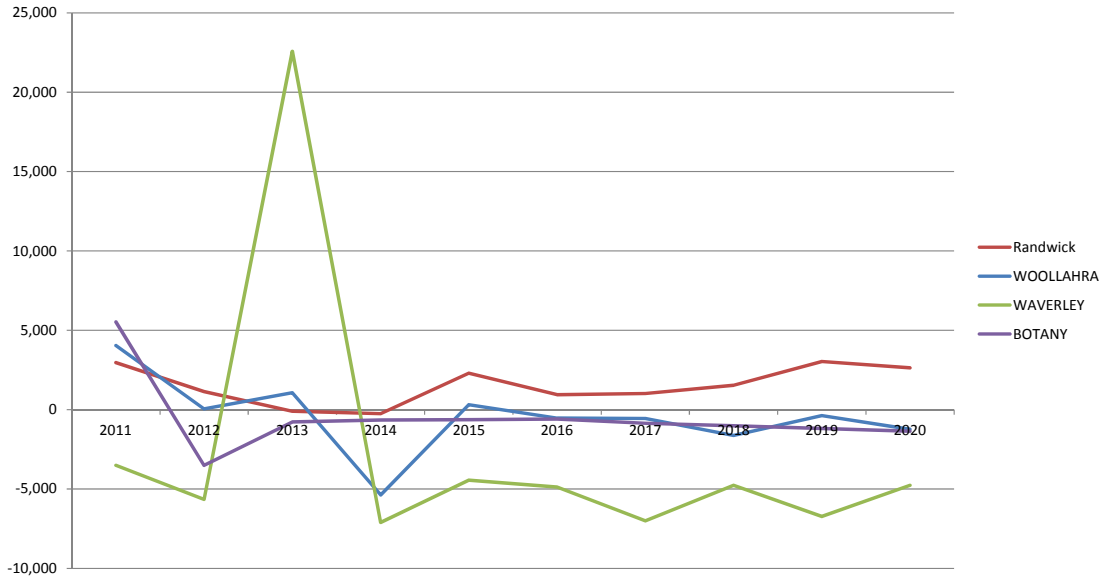
The current financial situations of the four Eastern Sydney councils were compiled by Randwick City Council (RCC) from publicly available documents published by each council, using a financial template provided by SGS. This allowed review of the revenue and cost structure of each council and to compare the rates/charges, service costs and current and long-term financial sustainability between the four councils under the base case (that is without amalgamation).

The current operating and capital surplus for the Councils is identified in the figures below. Note for Waverley, in 2013, the peak in the operating and capital surplus is caused by a one-off sale of their asset.

NET OPERATING SURPLUS/DEFICIT EXCL CAPITAL REVENUE AND DEPRECIATION (FUNDS AVAILABLE FOR CAPITAL EXPENDITURE), 2011-20, $000



OPERATING AND CAPITAL SURPLUS/DEFICIT (EXCL RESERVE TRANSFERS), 2011-20, $000



Source: prepared based on numbers compiled by Randwick City Council, 2012

A financial analysis has been prepared for the four options (and the base case) including in-depth analysis of the projected annual cash flows under each option over a 10 year period.

To assist in direct comparison of the results from each option, the financial flows are converted to their present value using a nominal (inflation included) discount rate of 5 percent (the only exception being the asset uplift cost which is discounted at 3.3 percent). The present value conversion provides a comparison of future financial flows in terms of their worth in 2011 and enables a comparison of the potential financial implications.

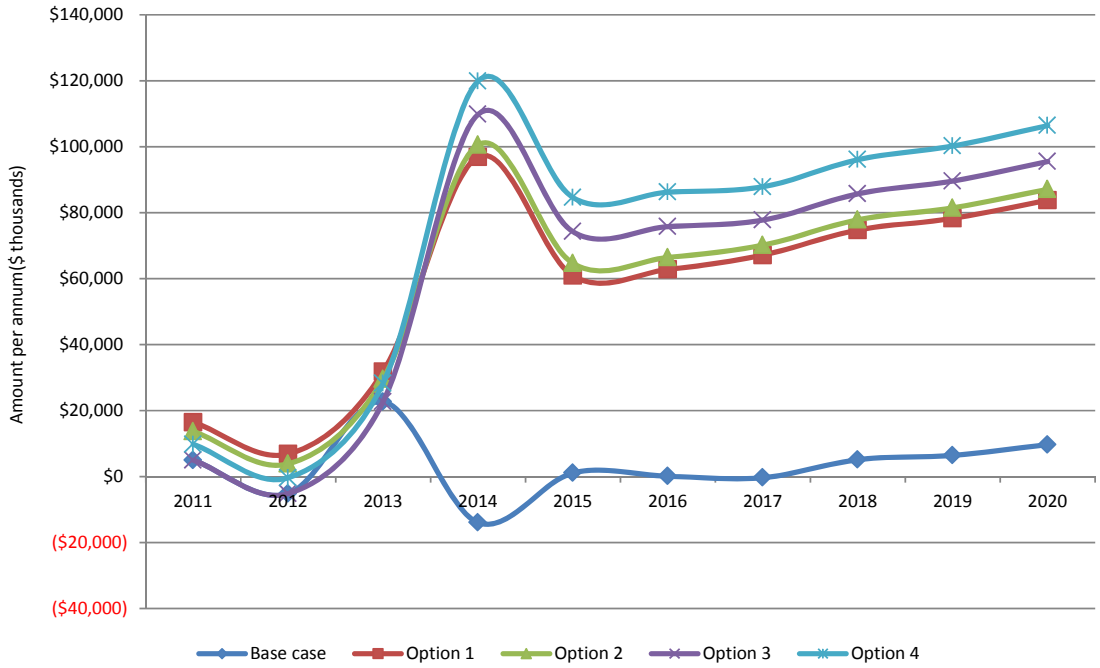
PRESENT VALUES COMPARISON OF OPTIONS - 10 YEAR PERIOD (2011-20)

	All figures are Present Value (thousands)				
	Base Case	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure					
Total rates and charges	$1,880,787	$1,703,967	$1,754,628	$1,880,787	$1,933,155
Other operating income	$1,090,962	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,971,749	$2,668,683	$2,752,910	$2,971,749	$3,105,230
Total operating expenditure (excl. depreciation)	$2,506,659	$1,883,571	$1,942,832	$2,098,898	$2,151,424
Net surplus/deficit - operating only	$465,091	$785,112	$810,078	$872,851	$953,806
Capital income and expenditure					
Total capital income	$154,219	$190,767	$193,223	$200,003	$201,989
Total capital expenditure	$595,994	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($441,774)	($340,191)	($355,027)	($395,991)	($407,991)
Net surplus/deficit - operating and capital	$23,316	$444,921	$455,051	$476,860	$545,815
Others					
Asset quality upliftment cost	$70,813	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	($42,554)	$407,303	$409,922	$410,989	$473,868
Net surplus/deficit - after debt repayment	($51,720)	$398,137	$400,756	$401,823	$464,702

Source: SGS, (2012).

The following figure compares projected financial flows as they occur over the 10 year period of the analysis. Given the larger rate base, Option 4 has the greatest operating and capital surplus in all post-amalgamation years.

NET SURPLUS – OPERATING AND CAPITAL ONLY



Source: SGS, (2012).

In order to test the robustness of the modelling results, sensitivity testing of the results has been conducted in regards to three separate scenarios. These scenarios include:

- Lower rates and annual charges: 10 percent and 20 percent reduction
- Higher service costs: 10 percent and 20 percent increase (Note this increase does not apply to health, environment, recreation and culture service areas as well as parking areas in transport and communication service, where there is little opportunity to achieve cost efficiencies, and also does not apply to the first three years), and
- Shorter period for the amalgamation process: one year (instead of three) with a transition arrangement.

The results of this sensitivity testing demonstrated that if rates and annual charges were reduced by 10 percent, options 1 to 4 would still maintain a strong surplus.

If service costs were increased by 10 percent, options 1 to 4 would still maintain a strong surplus and would still provide robust surpluses even with a 20% increase in service costs.

Finally, in regards to the sensitivity testing, if a 1 year transition was achieved (as opposed to the 3 years used in this analysis), this shorter transition period would increase the net surplus by between 20 to 27 percent for option 1-4.

In addition to the financial analysis, criteria were developed and an MCA undertaken with the Randwick City Council to provide a transparent assessment of weighting of a broad range of criteria and identification of a preferred option (internally at this stage to assist in options analysis). These criteria included the following:

- Strategic capacity - planning, process, governance
- Services provision – level and range of services
- Asset planning and renewal
- Communities of interest – engagement, identification and functions
- Local representation and participation
- Financial sustainability
- Metropolitan planning, and
- Environmental sustainability.

Rating of the different options was completed by SGS, and did not involve quantitative analysis.

Preferred option

Based on the multi-criteria assessment both options 2 and 3 are identified as best meeting the range of criteria. Whilst option 3 and 4 identify a better financial performance, based on present value comparisons, there is concern that there is an under-estimation of the infrastructure and asset costs for Botany Council in the data that was available. If these options were to be further pursued, improved information regarding Botany Council should be reviewed.

As a result, the preferred option from this high level analysis would be options 2 or 3 in terms of the essential elements of local government identified by the Local Government Review Panel. However, as identified in the strategic planning discussion earlier in this paper, a variation to the option 2 boundary to reflect the functional relationships associated with the Port should be considered, if this option was further developed.

The Independent Local Government Review Panel also identified a number of key factors to consider when reviewing local government boundaries (refer to Box 6 in the report "Better, Stronger Local Government - The Case for Sustainable Change" Nov 2012). In terms of local government boundaries, the establishment of a boundary broadly based on Southern Cross Drive would allow for the port and associated industrial areas to be located in one LGA. This would allow for a major road to define the local government boundary. This is broadly consistent with option 3.

The Independent Local Government Review Panel identifies where possible amalgamation should combine the whole of two or more existing LGAs to avoid additional cost and disruption. Option 4 would best meet this criterion.

1 INTRODUCTION

SGS was engaged by Randwick City Council to undertake a strategic and financial assessment of potential options for structural change to local government within eastern Sydney. This review has involved the development of options for structural change, including the amalgamation of current local government areas (LGAs) and part LGAs. The LGAs that have been considered in this report include Randwick, Woollahra, Waverley and Botany Councils.

Eastern Sydney is a key sub-region within the wider Sydney metropolitan area, and the sub-region includes key economic infrastructure such as Sydney Airport, Port Botany, associated industrial areas, the major centre of Bondi Junction as well as tertiary education (UNSW) and health precincts. In addition, the sub-region includes residential areas located in a high amenity coastal area which is accessible to the Sydney CBD.

Understanding the options for local government structural change is particularly important in the context of the reviews currently being undertaken for the NSW Government (by the Local Government Taskforce as well as the associated Local Government Act Review) as well as changes proposed for environmental planning and assessment legislation (to the EP&A Act 1979) currently proceeding through Green and White paper processes.

The study brief required the following:

- Provide a brief community profile, and projections of growth, for the areas being investigated.
- Provide an overview of drivers of local government structural reform options.
- Establish a base case of the current local government areas in Eastern Sydney, including Randwick, Waverley, Woollahra and Botany. This base case was to use published information regarding the LGAs.
- Review strategic planning issues, including structural and economic relationships, for the eastern suburbs of Sydney including for example the Sydney CBD, Port Botany, Sydney Airport, and Southern Employment Corridor, major employment generators such as educational institutions and hospitals and major centres such as Bondi Junction. This strategic analysis is to provide the strategic context for assessing alternate structural options for local government boundaries.
- Develop a number of options for local government structural reform (in addition to the base case which involves the retention of the current LGA boundaries).
- Complete a financial analysis over a 10-year period of the various options for structural reform. This financial analysis will consider the ability to establish a sustainable financial basis, the ability to fund any asset renewal gaps and the impact on revenue and levels of property rates.
- Conduct a high level multi-criteria analysis against identified criteria of the various options for local government structural reform. This strategic analysis will be based on publically available information provided by Randwick City Council.

These brief requirements are addressed in this report.

2 BACKGROUND

2.1 Overview of local government areas

Randwick

Randwick is located in the south–east of the Eastern Sydney sub-region, covering over 37 km². The LGA extends from Clovelly south to Botany Bay. Randwick has the largest population of all LGAs in the Eastern Sydney sub-region with around 137,757 residents in 2011. Randwick has 29 km of shoreline with rocky cliffs and Coogee and Maroubra Beaches.

In addition to industrial land in the south, it has employment based on institutions such as the University of New South Wales, Randwick TAFE and Randwick Hospitals (including Prince of Wales Hospital). Its' extensive parkland, which includes Centennial Park, Heffron Park and the coastal environments of Botany Bay National Park, diverse housing stock and the close vicinity to the CBD make Randwick attractive for residents and visitors.

Waverley

Waverley is close to the CBD and well connected via public transport, particularly the Eastern Suburbs Rail Line. It encompasses approximately 9 km² and some of Sydney's prime coastline including Bondi Beach. The beaches offer a tourist attraction all year round and in summer, overseas and local visitors flock to Bondi, Tamarama and Bronte. Waverley's coastline also offers the Bondi to Bronte Coast Walk, providing beaches, parks and views that attract daily joggers and tourists, especially during the annual 'Sculpture by the Sea' public art event.

Bondi Junction acts as the major commercial and retail centre, providing regional services, large numbers of employment opportunities and a transit interchange.

Most of the area is residential in character and the LGA was home to approximately 68,567 residents in 2011. Waverley's density is high with around 7,000 persons per km², which is much higher than the Sydney average of 329 persons per km². A high diversity of housing types is available within the LGA.

Woollahra

Woollahra with a 2011 resident population of approximately 56,324 is located on Sydney Harbour's southern shore. It covers an area of 12.3 km². The LGA is highly sought after as a residential location with some of the highest real estate values in Australia, a median income nearly double that of the Greater Metropolitan Region and a high population density of around 4,300 persons per km².

Woollahra has 16 km of Sydney Harbour foreshore providing attractions such as city views, beaches and bays; as well as 100 hectares of parkland and coastal headlands around South Head. These environmental assets along with a diverse range of retail facilities attract residents and visitors alike.

Botany Bay

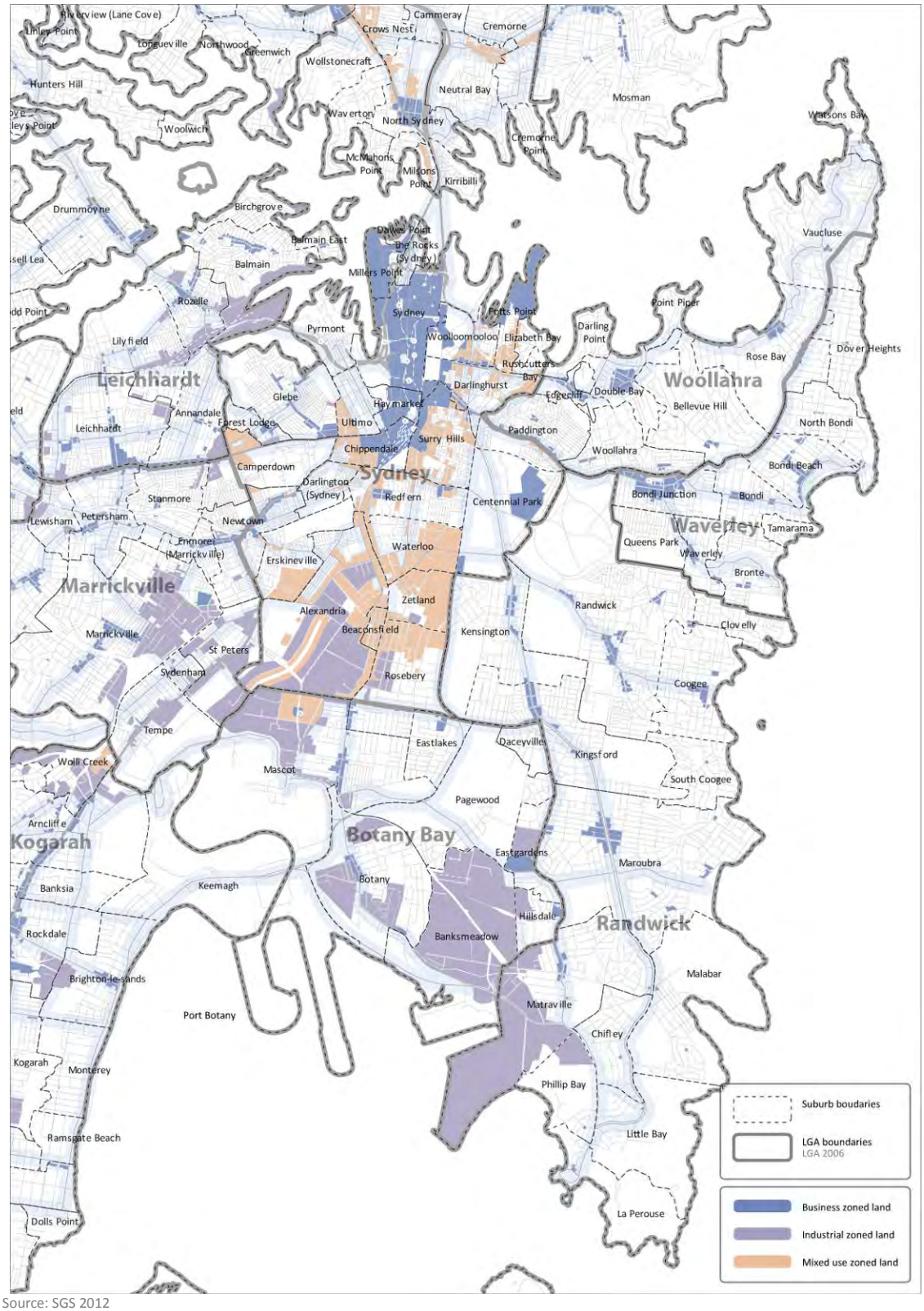
Botany Bay is located to the south of the sub-region covering an area of 22 km², with approximately 41,674 residents in 2011. Over 100,000 people travel to Botany Bay each day for work. Over half of the Botany Bay LGA land area is made up of industrial and commercial land uses, much of which plays an important role in supporting Port Botany and Sydney Airport and therefore the Sydney and NSW economy. These gateways and their environs are amongst the most strategic Employment Lands within the Greater Metropolitan Region.

High levels of aircraft noise and interface issues between residential and employment Lands need to be managed. Botany Bay has long been dominated by industrial development associated with Port Botany and Sydney Airport. It also has significant natural wetland areas of historical and cultural importance.

There has been some conversion of industrial areas to residential use in the past decade, while at the same time, industry uses have intensified around Port Botany and Sydney Airport, particularly transport and logistics related use.

The current local government areas, suburbs and key employment lands are shown in Figure 1 below.

FIGURE 1 – LOCATION



Source: SGS 2012

2.2 Community profile

A brief comparison was undertaken of selected characteristics based on the ABS 2011 census for the four local government areas and then compared to NSW.

What becomes evident when viewing the information is both the similarities and differences across the sub-region.

Highlights of the community profile include:

- Randwick LGA has the largest population with the highest proportion of 20-24 year olds
- Botany Bay LGA has the highest proportion of residents born overseas and who speak a language other than English at home
- Waverley LGA has the highest proportion of residents aged 25-34, rented private occupied dwellings, and flats units or apartments
- Woollahra LGA has the highest median monthly mortgage repayments and weekly rents, and the highest internet usage
- Randwick experienced a greater growth in total population between 2006 and 2011 census periods
- Botany had the highest percentage of people that identified themselves as being an Aboriginal and/or Torres Strait Islander
- Residents in Botany are relatively disadvantaged in terms of socio-economic profile, compared to the other three eastern suburb LGAs
- Botany LGA has the largest proportion of individuals who earn less than $800 per week with 59%
- Randwick LGA has by-far the largest number of privately occupied dwellings with 51,000, and
- Botany LGA has the same average number of persons per household as NSW at 2.6.

FIGURE 2. POPULATION COMPARISON, 2011

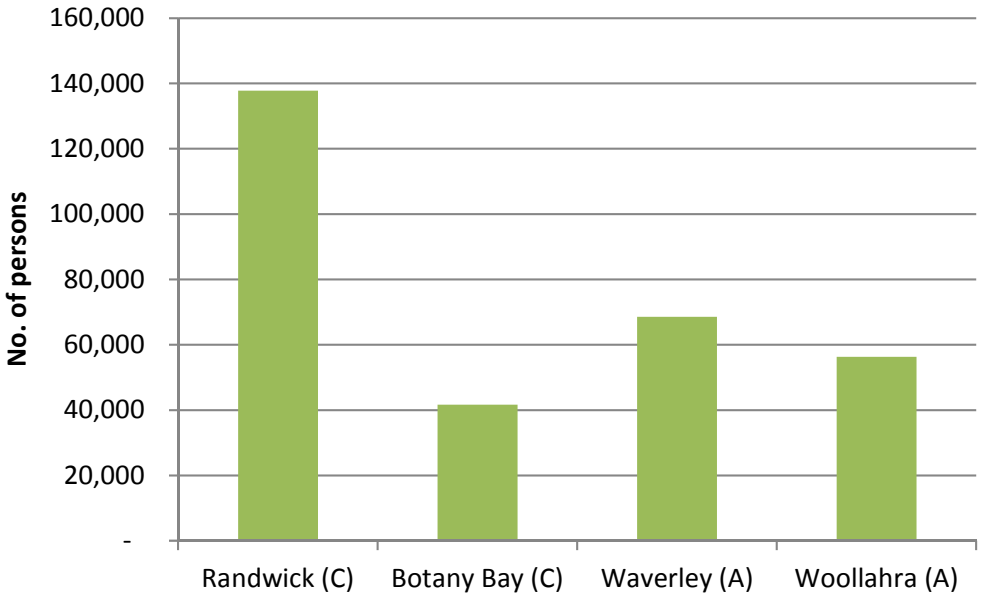
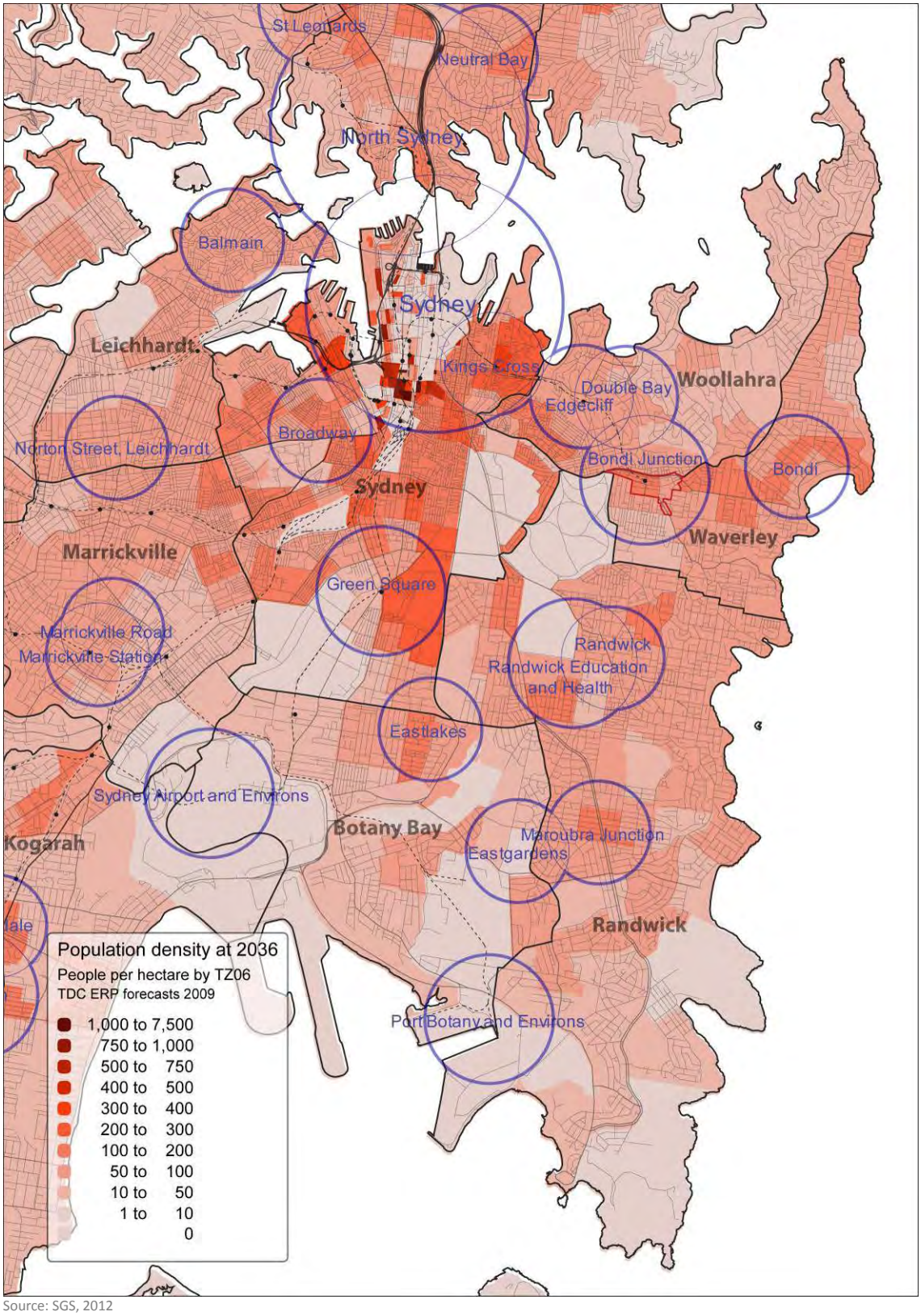


FIGURE 3 POPULATION DENSITY



Source: SGS, 2012

FIGURE 4 POPULATION BY AGE COMPARISON

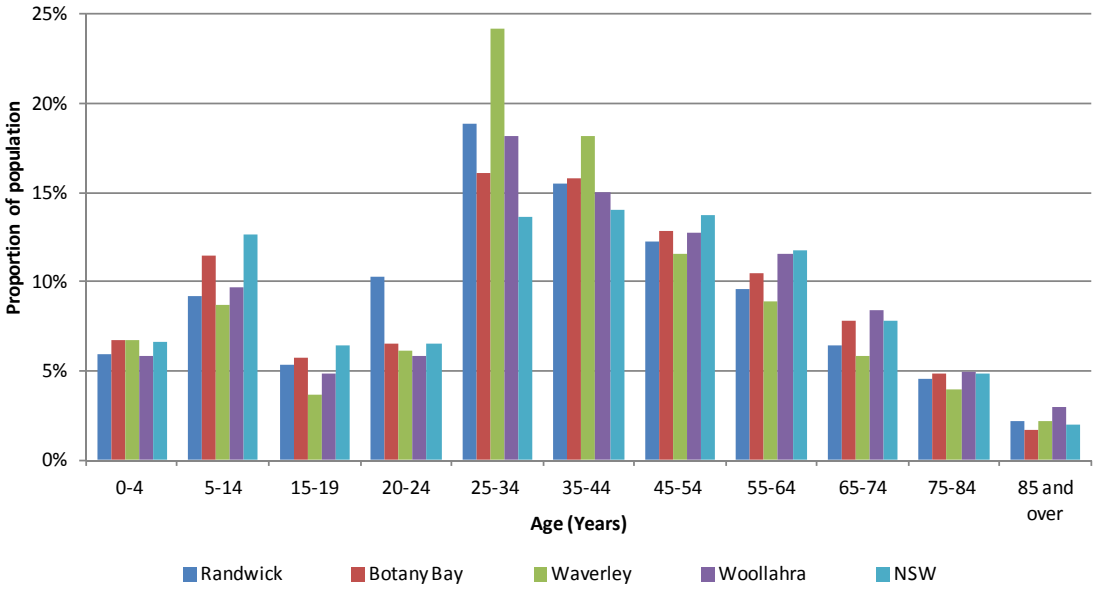


FIGURE 5 OVERSEAS BORN POPULATION

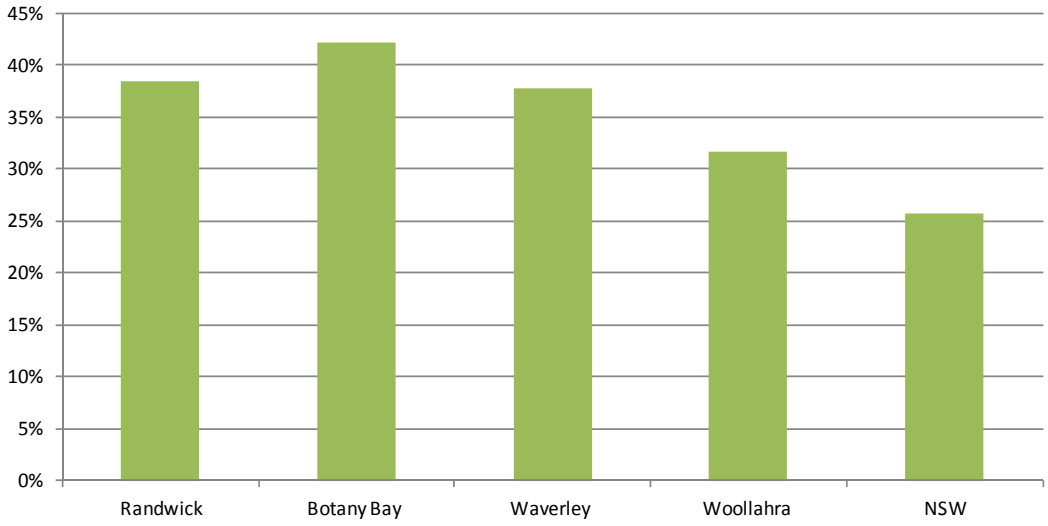


FIGURE 6 PROPORTION WHO SPEAK A LANGUAGE OTHER THAN ENGLISH

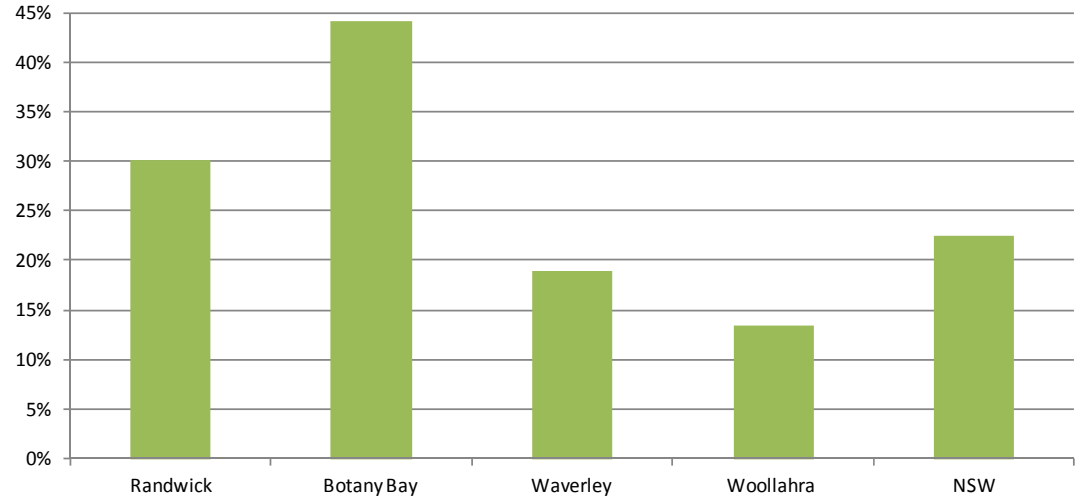


FIGURE 7 WEEKLY INCOME LESS THAN 800 DOLLARS

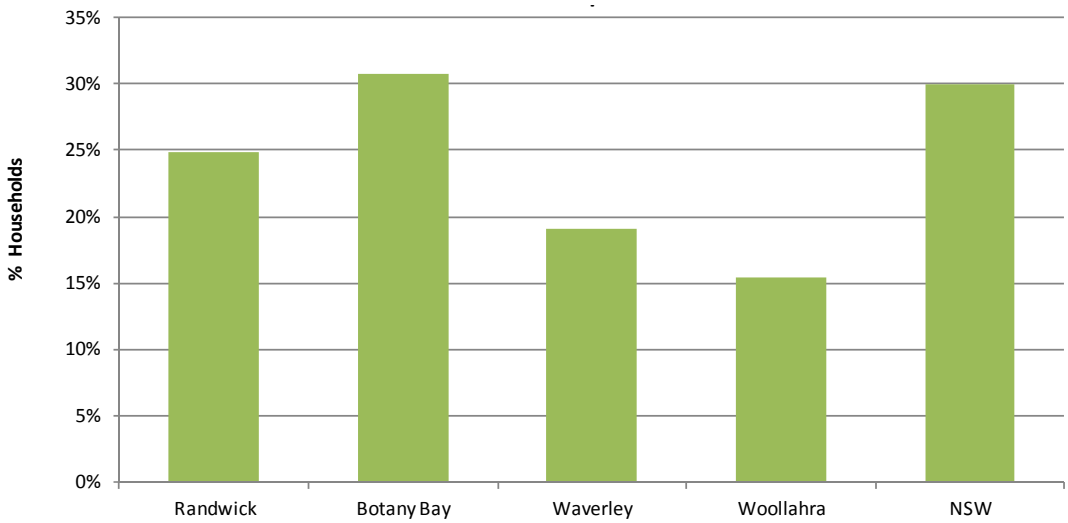


FIGURE 8 SOCIO-ECONOMIC INDEXES FOR AREAS(SEIFA INDEX, ABS 2006)

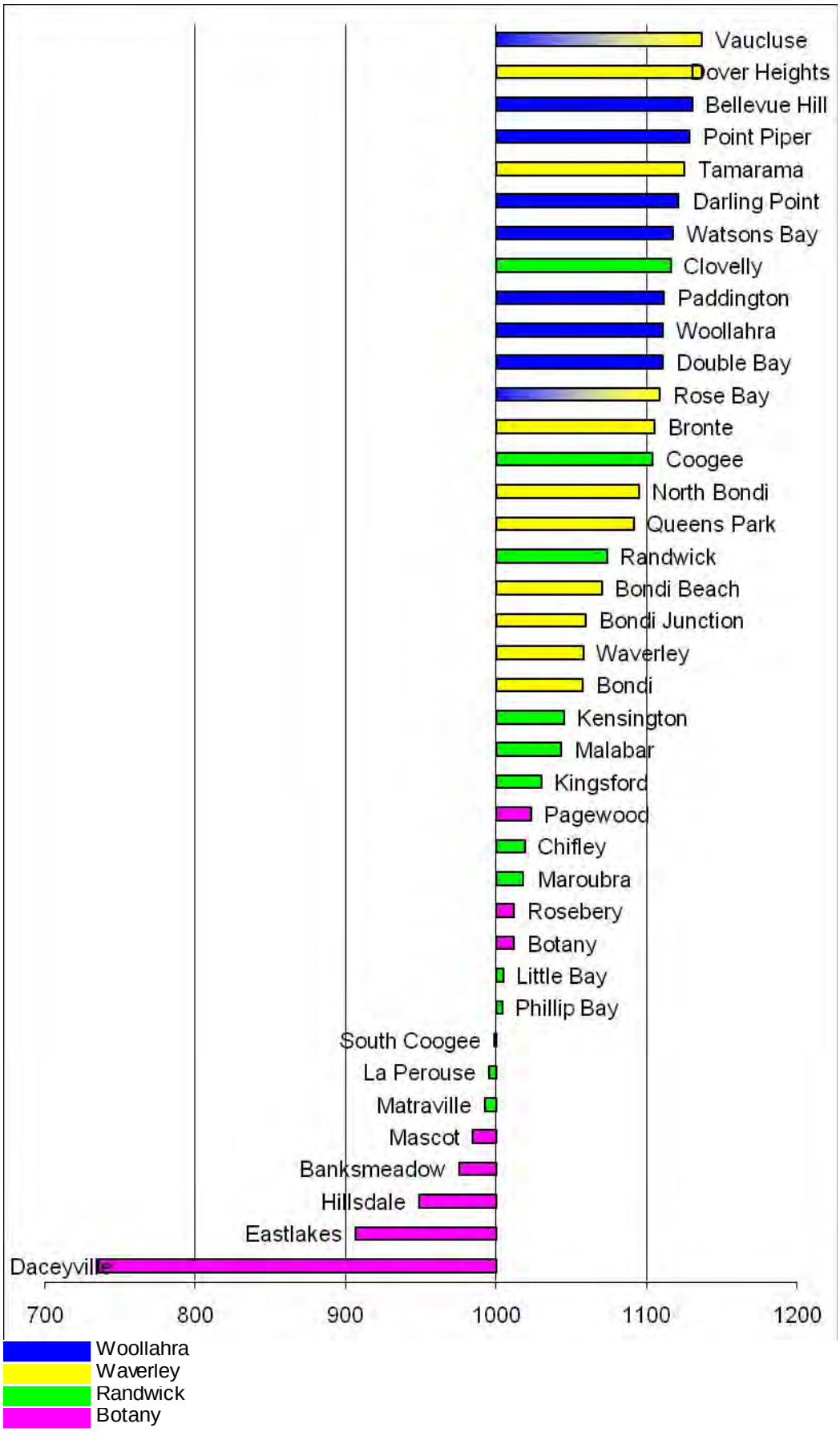


FIGURE 9 PRIVATE OCCUPIED DWELLINGS

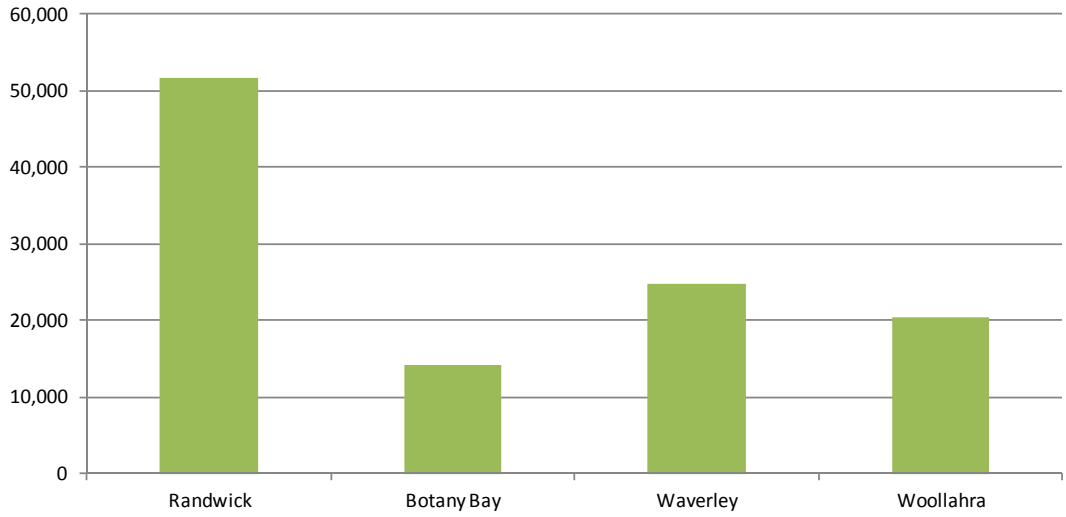
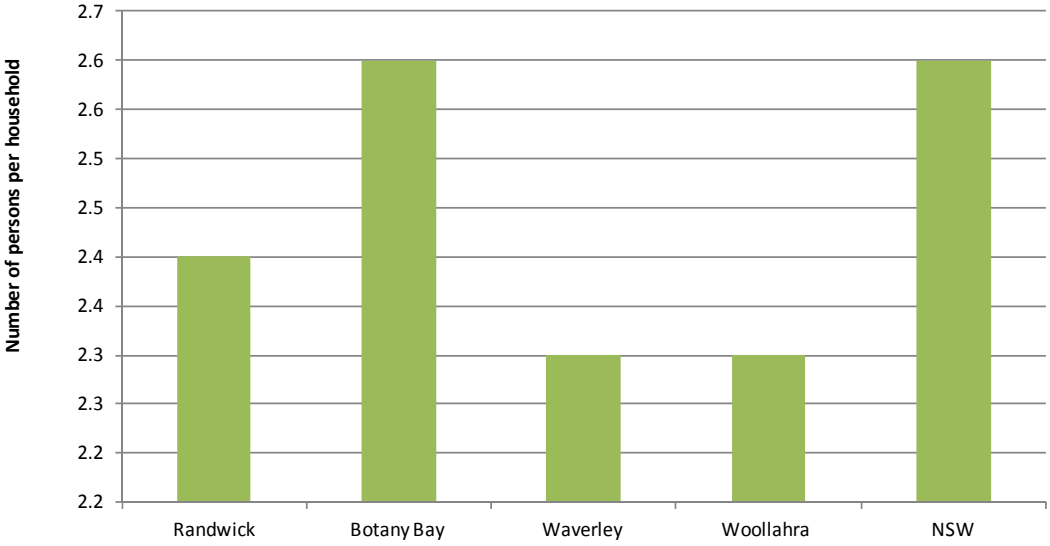


FIGURE 10 AVERAGE HOUSEHOLD SIZE



2.3 Local Community Strategic Plan Outcomes

Under the Integrated Planning and Reporting Framework all local authorities are required to develop long-term community strategic plans. These plans are for the local government area as a whole and not just a plan for the relevant council operations. These plans need to link to other levels of government and identify partners in the delivery of the plans.

In assessing the key outcomes for the four Councils the common themes / outcomes that emerged are as follows:

- Leadership in sustainability
- A vibrant and diverse community
- An informed and engaged community
- Excellence in urban design
- Excellence in recreation and lifestyle opportunities
- A liveable city
- Heritage that is well protected and celebrated

- A strong local economy
- Integrated and accessible transport, and
- A healthy environment.

3 STRATEGIC CONTEXT

This section outlines the context for local government reform, including current local government reform discussions in NSW, as the basis for identification of criteria to assess the various options for structural change in a multi-criteria analysis. In addition, this section also provides a detailed discussion of the strategic planning context for the Eastern Sydney sub-region of the Sydney metropolitan plan and the key planning and functional relationships that should be considered in developing options for structural change.

3.1 Background to local government reform

Local government is a dynamic entity that employs over 170,000 people across Australia. Councils in Australia vary significantly in terms of size, population and area and each has its own set of community outcomes to meet. In NSW local councils have a workforce of over 50,000 and an expenditure of $10 billion each year.

The primary source of revenue for local government is property rates but as found by the local government review panel, "during the eight year period from 1995/96 – 2003/04 rate increases in aggregate for NSW councils were about 29%. This was about half the rate peg average increase for councils in each other mainland state" (November 2012). A majority of local government income is spent on operating expenses and employee –related expenses, potentially resulting in minimum funding for capital expenses and infrastructure backlogs.

Local government faces increasing challenges including the ability to finance ageing infrastructure and undertake renewals, cost shifting from other levels of government, rate pegging and in some cases a lack of desire to apply for special rate variations, increasing community expectations and changing community needs.

The local government sector in Australia has undergone a number of reviews and resulting reforms over the past ten years. The rationale for structural reform lay in the need to increase efficiencies, economies of scale and scope, financial sustainability and asset management.

A report by the Australian Centre of Excellence for Local Government (ACELG) undertook a rigorous review of literature and a few of the major findings of this report include (Aulich et al 2011):

- Benefits of some sort generally accrue when councils adopt mechanisms to collaborate or consolidate with other local authorities
- There is little evidence that structural reform will automatically yield economies of scale, although the capacity to achieve economies of scope is more obvious
- Efficiency gains typically transpire as enhanced strategic capacity or in new services and approaches to service delivery, than through headline cost savings or reduced property rates. Enhanced strategic capacity is most likely as a result of consolidation of councils into relatively large units, and
- Concerns for any diminution of local democracy were muted.

The recent paper by the Independent Local Government Review Panel (November 2012) sets out their thinking on creating a case for sustainable change for local government.

3.2 Drivers of local government reform

The various reform agendas have highlighted a range of drivers of local government reform. Most recently, the Independent Local Government Review Panel set out the elements of an effective system of local government in the "Better, Stronger Local Government" Report (Nov 2012). The following lists the various drivers identified by the various reviews and their link to the elements of an effective system of local government:

Drivers of Local Government Reform	Elements of an Effective System of Local Government
• Financial sustainability • Redistribution of grant income to rural areas	o Councils with an adequate revenue base (own source or grants), healthy balance sheets, and sound financial management including reasonable and justifiable rate increases and proper use of borrowing.
• Improved planning for communities of interest • Existing historical & traditional values in existing areas	o Councils renowned for their efficiency and focus on outcomes, based on the Integrated Planning and Reporting framework. o A Local Government Act that minimises prescription and provides a range of options for the way councils and regional organisations are structured and operate, tailored to the differing characteristics and needs of communities. o Integrated strategic planning involving State and local governments as partners at all levels. o A range of effective mechanisms for State local consultation, policy development and operational partnerships, linked to the State Plan and regional coordination framework.
• Effective / improved service delivery • Asset management	o Universal use of modern information and communications technologies for service delivery, council meetings and community engagement.
• Economies of scale, scope and specialisation leading to efficiency gains • Equitable distribution of public good • Increased capacity to offer a wider range and higher quality of services • Greater purchase power • Reduced administrative costs • More efficient use of plant and equipment • Reduce the cost of local government and stimulate growth in the private sector	o A reduction in State regulation and compliance regimes, replaced by improved auditing and a focus on capacity building and continuous improvement. o Regional organisations of councils that share resources on a large scale and jointly plan and advocate for their regions (but not a 'fourth tier' of government).
• Increased specialist professional expertise • Lower costs of representation	o Councils that are managed like multi-million dollar companies; have highly skilled mayors, councillors and executive teams; and are respected by the State government and community alike. o Mayors who are recognised leaders both within the council and throughout the local community, and enjoy a positive reputation for that leadership. o Mayors and councillors who are adequately remunerated in return for high-level performance. o Professional development for new councillors and mayors, including access to accredited courses and coaching of a high quality, similar to that of company directors. o Council elections characterised by high quality candidates standing on soundly-based policy platforms, and fully aware of their potential responsibilities as a councillor. o Clear definition in the Local Government Act of the respective roles of mayors, councillors and senior managers. o A constructive relationship between employers, employees and employee organisations, focused on improving productivity, performance and rewards. o A local government association that is focused on strategy; a well-informed, dynamic advocate; a leader in reform; and a trouble-shooter for dysfunctional councils or councillors.
• Community interest and cohesion in existing and proposed area • Logical jurisdictional boundaries.	o An electoral system designed to ensure that as far as possible councils are representative of the make-up and varied interests of their communities.

These drivers to local government reform and elements of an effective local government have been reviewed and utilised as criteria to assess the options in the multi criteria assessment later in this report.

3.3 Strategic planning in Eastern Sydney

Metropolitan Planning and the East sub-region

The 2005 Metropolitan Strategy identified 10 sub-regions in metropolitan Sydney. Draft sub-regional plans were prepared. The East Sydney sub-region contains the LGAs of Woollahra, Waverley, Randwick and Botany Bay. The East Sydney sub-region is located to the immediate east of the City of Sydney, which is its 'own' sub-region.

FIGURE 11 DRAFT SYDNEY EAST SUBREGIONAL STRATEGY – EAST SUBREGION KEY MAP

Source: Draft Sydney East Subregional Strategy (2007)

Sub-regional planning is intended as an intermediate step in translating the Metropolitan Strategy at a local level, and recognises that some issues extend beyond local government boundaries and require a 'sub regional' approach.

The 2031 Vision for the East in the Draft East Subregional Strategy was as follows:

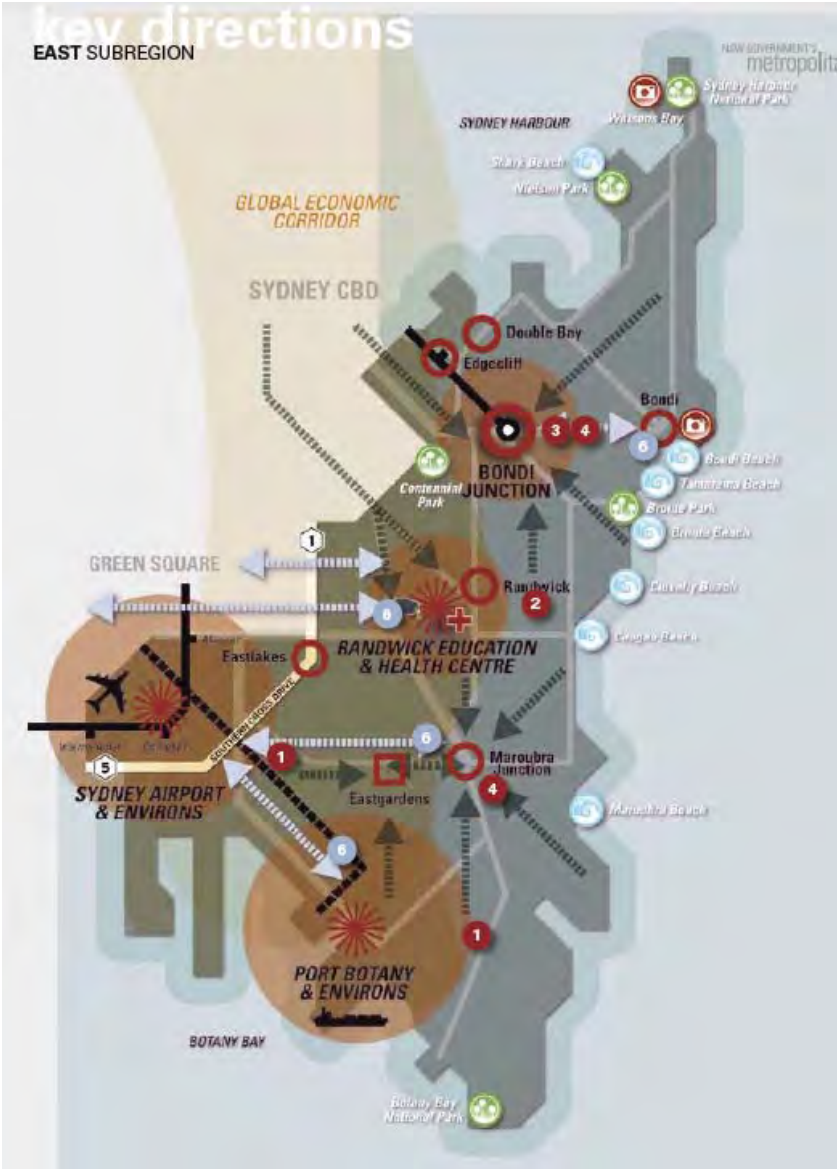
- *A thriving economy bolstered by expansion of Australia's primary economic gateways (Port Botany and Sydney Airport)*
- *Protected and enhanced Employment Lands and increased employment opportunities in Strategic Centres*
- *Superior quality of life and amenity for residents, visitors and tourists and will continue to be one of Australia's premier tourist destinations*
- *Diverse supply of housing to meet the needs of the changing demographics of residents and the workforce, and*
- *Enhanced range of public transport with improved east–west connections to the sub-region.*

The East sub-region has many attractions for residents, tourists and visitors including Bondi Beach, Watsons Bay, Coogee Beach and Maroubra Beach. The sub region exhibits natural beauty through its coastline, Sydney Harbour foreshores and extensive public parklands.

The sub-region was home to over 304,300 residents in 2011 and offers a diverse housing mix. Accessibility within the sub region is relatively high. Trains, buses and ferries service the north of the sub region while buses are the main public transport mode for the southern part of the sub-region.

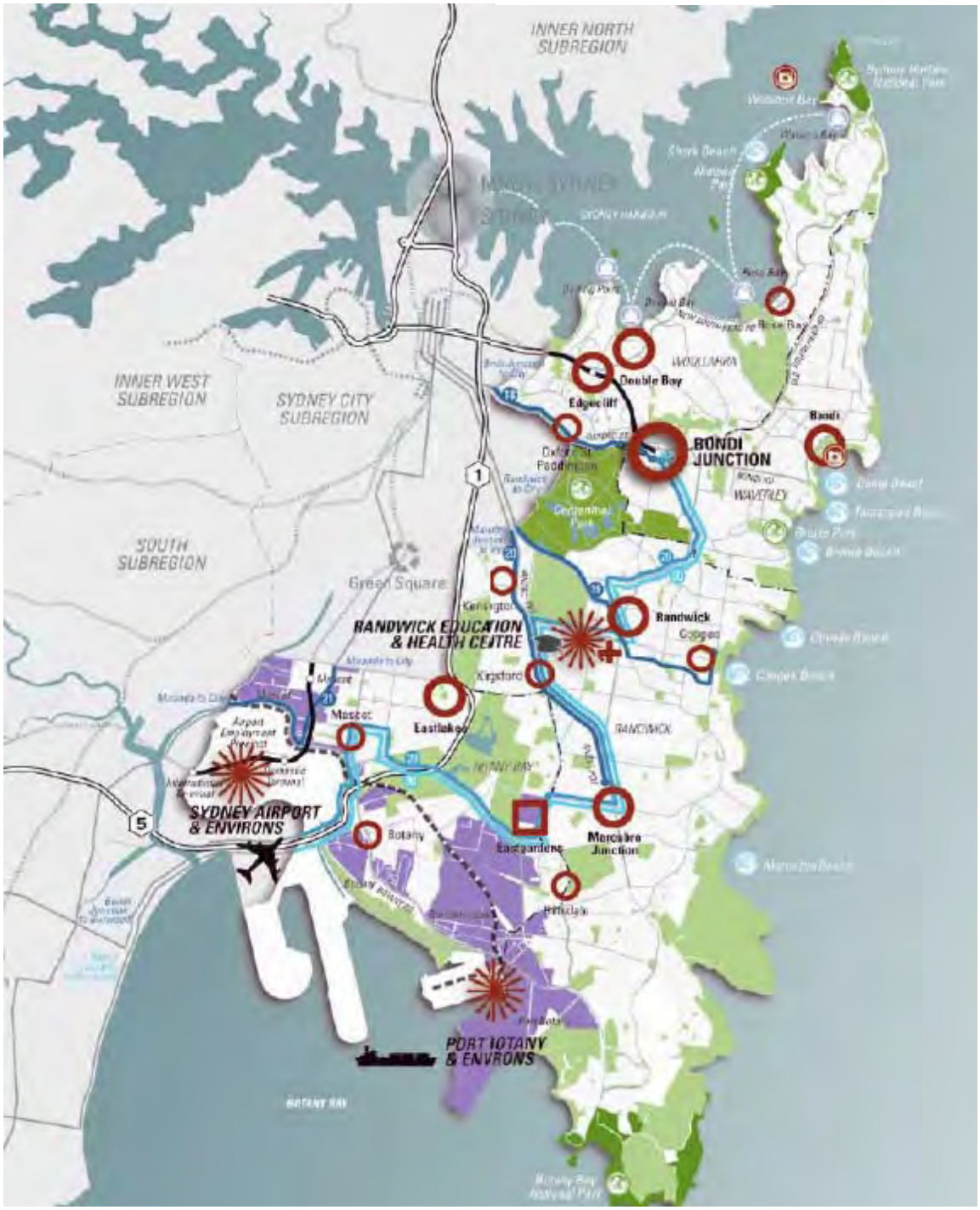
Bondi Junction has been identified as a Major Centre for the East Sub region. It, along with the Specialised Centres of Randwick Education and Health, Sydney Airport and Environs and Port Botany and Environs provides significant employment opportunities, and sub regional and metropolitan services.

FIGURE 12 DRAFT SYDNEY EAST SUBREGIONAL STRATEGY – EAST SUBREGION KEY DIRECTIONS



Source: Draft Sydney East Subregional Strategy (2007)

FIGURE 13 DRAFT SYDNEY EAST SUBREGIONAL STRATEGY – EAST SUBREGION STRUCTURE PLAN



Source: Draft Sydney East Subregional Strategy (2007)

Global Economic Corridor Context

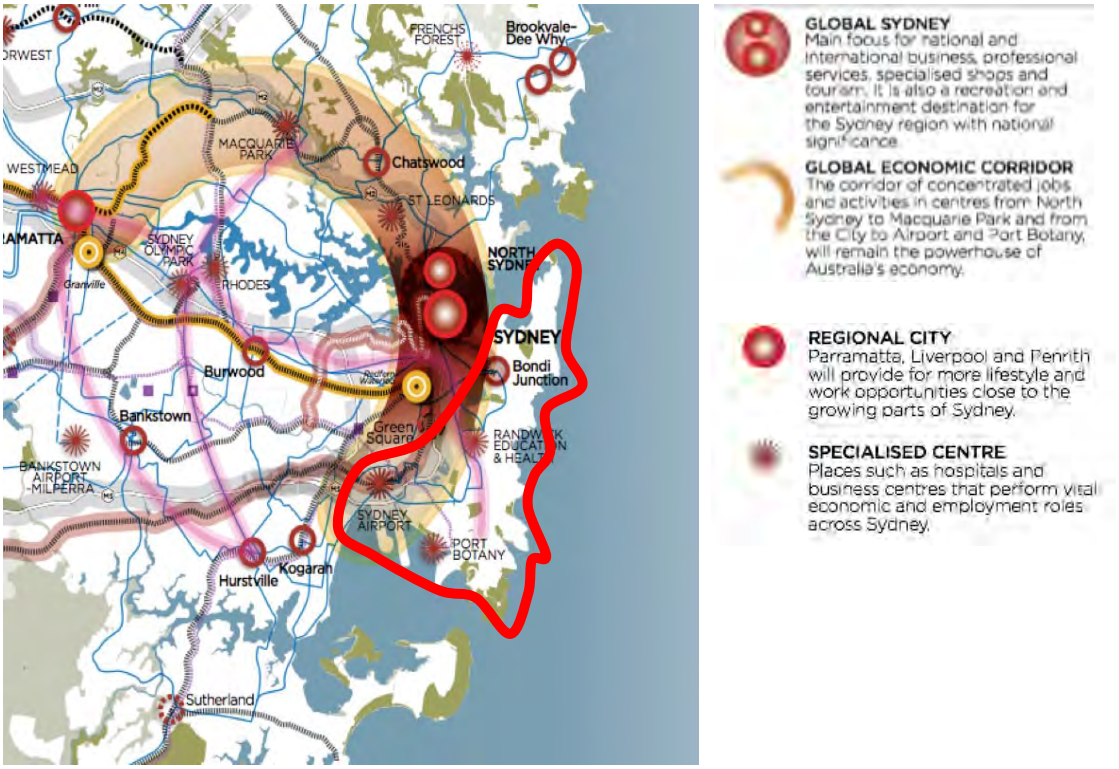
Eastern Sydney is adjacent to the Global Economic Corridor (GEC), identified in the 2005 *Sydney Metropolitan Strategy*[3] and *Metropolitan Plan for Sydney 2036*[4] as Australia's pre-eminent higher order job location. The Global

[3] Department of Planning, *City of Cities, A Plan for Sydney's Future*, *Metropolitan Strategy,* 2005

Economic Corridor extends from Macquarie Park to North Sydney and continues through Sydney City to Port Botany and Sydney Airport (see **FIGURE 14**). Key centres in or adjacent to this area are the Sydney City Centre, Bondi Junction, the Randwick Health and Education Precinct, Sydney Port and Sydney Airport. These areas are home to over 500,000 jobs, almost one fifth of the total in metropolitan Sydney.

The designation of the GEC recognises the nationally and internationally significant role of the centres and hubs it contains. The Port is NSW's shipping gateway to the world (2m TEUs, second to Melbourne Port with 2.5mTEUs in 2010/11); Sydney Airport is Australia's pre-eminent international gateway (37m passengers compared to 28m in Melbourne in 2010/11) and the Sydney CBD and other commercial centres in the GEC contain around 50 percent of Australia's advanced business service export jobs, which make metropolitan Sydney a leading knowledge centre in the Asian region (and underpins its global city status).

FIGURE 14. EASTERN SYDNEY RELATIVE TO THE GLOBAL ECONOMIC CORRIDOR, STRATEGIC METROPOLITAN CONTEXT



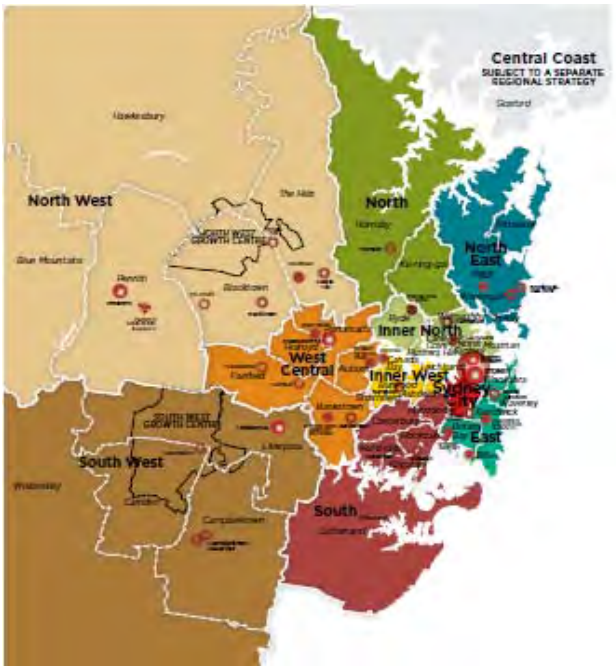
Source: Metropolitan Plan for Sydney 2036 (2010)

Housing

Including the City of Sydney, Eastern Sydney is host to approximately 350,000 people and 200,000 dwellings, about one eighth of the total in Metropolitan Sydney. Figure 15 shows the Metropolitan Plan dwelling targets (for 2006 to 2036). Sydney City has a significant target of 61,000 dwellings while the East sub-region has a relatively modest target of 23,000.

FIGURE 15. METROPOLITAN PLAN: SUBREGIONAL HOUSING TARGETS

[4] NSW Government, *Metropolitan Plan for Sydney 2036*, 2010



SUBREGION	NEW 2006–2036 DWELLING TARGET
SYDNEY CITY	61,000
EAST	23,000
SOUTH	58,000
INNER WEST	35,000
INNER NORTH	44,000
NORTH	29,000
NORTH EAST	29,000
WEST CENTRAL	96,000
NORTH WEST	169,000 inc. 87,000 in new release areas
SOUTH WEST	155,000 inc. 83,000 in new release areas
CENTRAL COAST*	70,000 inc. 29,000 in greenfield areas
TOTAL	769,000

TABLE 1 converts the Metropolitan Plan targets into SGS adjusted targets for relevant sub regions and LGAs using the 2011 census data and the draft sub regional strategies released following the 2005 Metropolitan Strategy. The table includes the targets as a 5 yearly increase (and an annual increase).

TABLE 1. ESTIMATE OF HOUSING TARGETS DATA BY SUBREGIONS and LGAs, 2011-36

	Estimated Metro Plan Housing Target				
	Total increase	2011 - 2036 5 year increase	Annual increase	Total dwelling by 2036	% of total dwelling by 2036
Subregion					
Sydney	44,517	8,903	1,781	152,853	7%
East	22,472	4,494	899	170,784	7%
Total	**66,989**	**13,397**	**2,680**	**323,637**	100%
Local government area					
Sydney (C)	44,517	8,903	1,781	152,853	7%
Botany Bay (C)	7,062	1,412	282	29,625	1%
Randwick (C)	10,825	2,165	433	75,822	3%
Waverley (A)	798	160	32	33,076	1%
Woollahra (A)	3,786	757	151	32,260	1%
Total	**66,988**	**13,397**	**2,679**	**323,636**	100%

Source: SGS adjusted from Metropolitan Plan 2036

TABLE 2 shows actually housing supply in the last 15 years, also expressed as five year increments since 1996, for relevant sub regions and LGAs. It shows a steady supply over each five year period of around 15,000 in the City and around 4,000 in the East.

TABLE 2. HOUSING SUPPLY DATA BY SUBREGIONS and LGAs, 1996-2011

	Census Dwelling Count (based on place of enumeration)				
	Total increase 96-11	Average 5 year increase 96-11	96-01	01-06	06-11
Subregion					
Sydney	49,107	16,369	15,705	15,405	17,997
East	13,983	4,661	3,942	4,061	5,980
Total	**63,090**	**21,030**	**19,647**	**19,466**	**23,977**
LGAs					
Sydney (C)	49,107	16,369	15,705	15,405	17,997
Botany Bay (C)	3,478	1,159	948	1,099	1,431
Randwick (C)	6,235	2,078	2,357	1,744	2,133
Waverley (A)	2,795	932	465	556	1,773
Woollahra (A)	1,475	492	171	661	643
Total	**267,571**	**89,190**	**114,862**	**84,806**	**67,903**

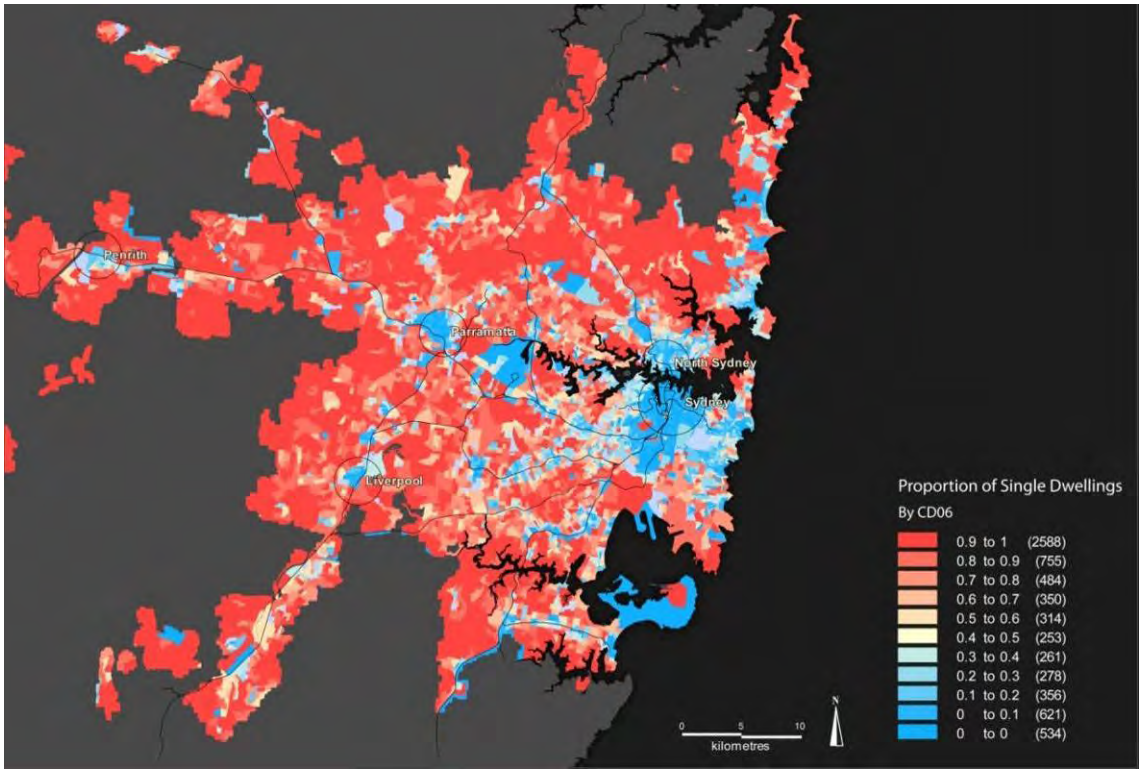
Source: ABS Census

The financial fundamentals for housing supply are clearly in place in the City and East sub region. Land values and price points support new infill higher density development. Access to a significant share of Sydney's employment and high amenity values (proximity to the beach, services and shops) underpins high land values.

Because these regions appear to be meeting their targets there is probably a case for them to be reviewed upwards somewhat in future metropolitan strategies, depending on supply opportunities. Parts of Randwick and Botany Bay LGAs in particular contain relatively low density suburbs with potential for intensification (see Figure 16) which shows the proportion of single dwellings in Metropolitan Sydney with a relatively high share in South Randwick and Botany Bay.

The Randwick LGA also contains a high proportion of public housing stock (in the South Randwick area) and this represents an opportunity for significant higher density redevelopment.

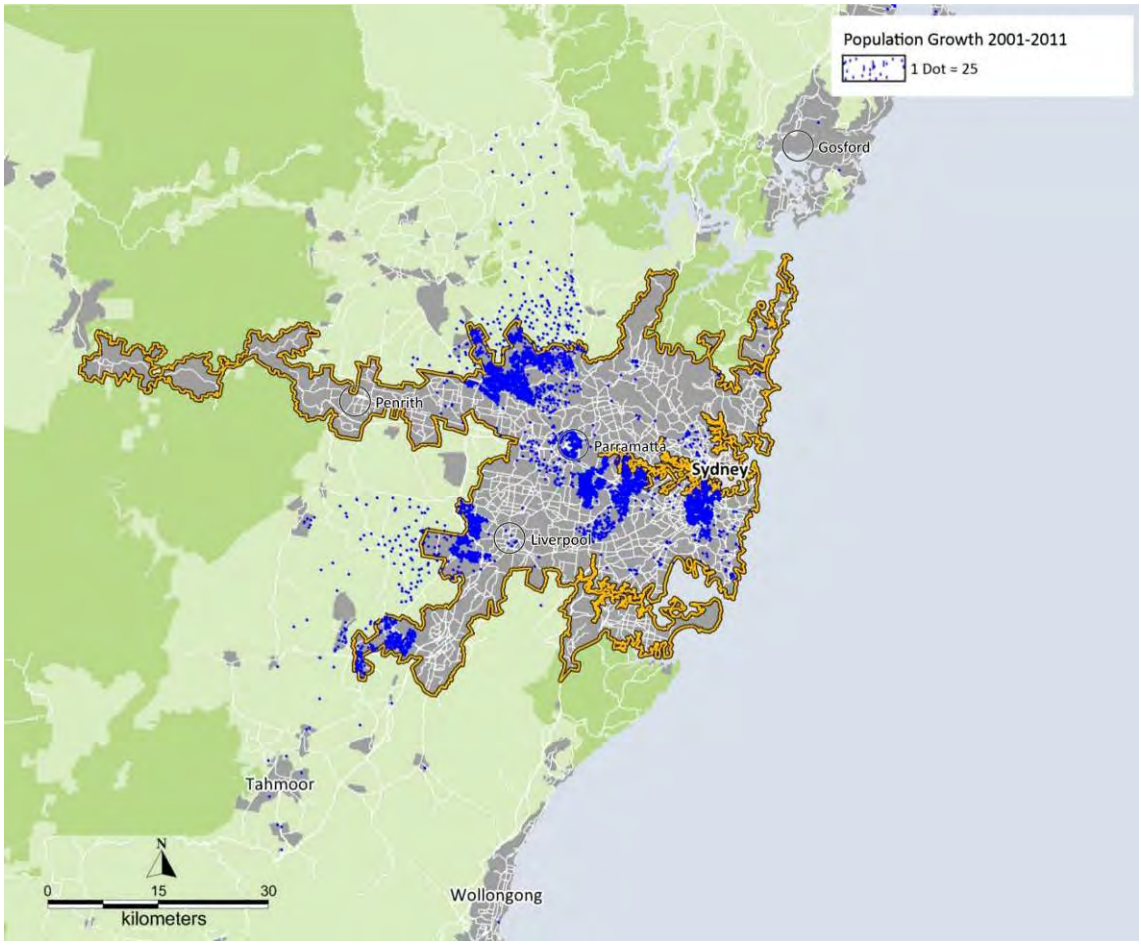
FIGURE 16. PROPORTION OF SINGLE DWELLINGS IN METROPOLITAN SYDNEY



Source: SGS based on ABS Census

The picture of strong population growth in the City of Sydney and more isolated growth in Eastern Sydney is shown by **FIGURE 17**. While Eastern Sydney does not have the industrial and commercial areas that might turnover in the same way as the City of Sydney, the underlying fundamentals of development support continued change in Eastern Sydney and pressure for higher density residential development is likely to intensify.

FIGURE 17. POPULATION GROWTH IN METROPOLITAN SYDNEY 2001 TO 2011



Source: SGS based on ABS Census

Employment

As mentioned above this region is a powerhouse of the Australian economy. Employment grew by almost 90,000 in the City of Sydney and 14,000 in the East sub-region in the 15 years to 2011 (see **FIGURE 18**). A key message of employment growth in this period is the strong share in higher order business services such as financial and insurance services and professional, scientific and technical services (see **FIGURE 19**). This type of employment grew strongly as a share in both sub regions in the period, highlighting its value to the metropolitan area as a whole.

The Draft NSW Long Term Transport Master Plan (2012) states:

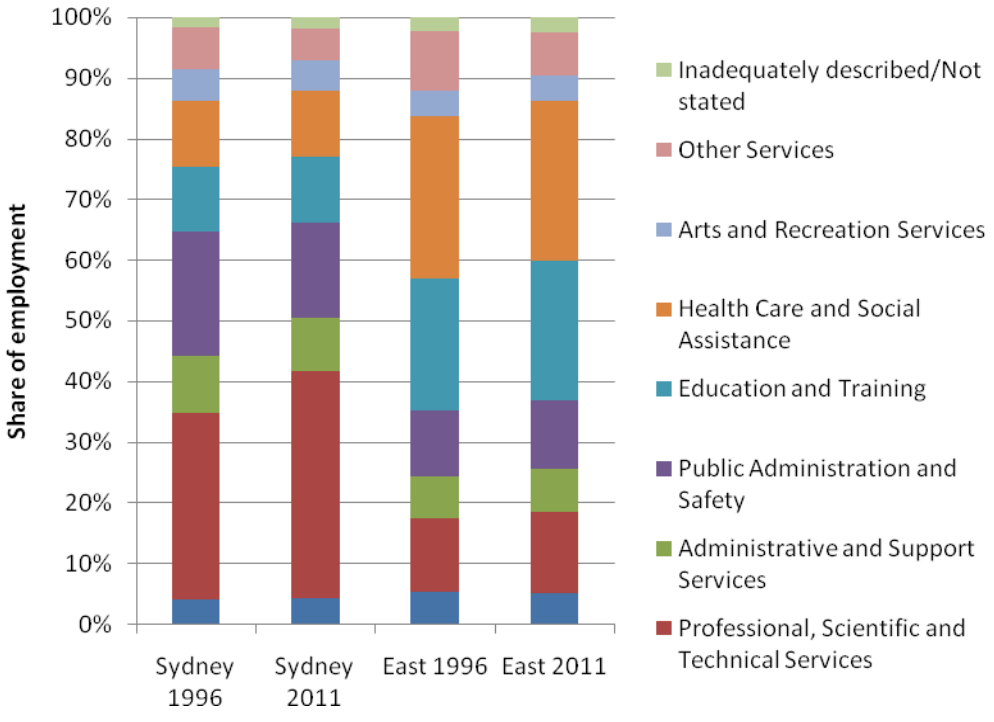
> *"The Port Botany Precinct and the Randwick Education and Health Specialised Centre are hubs of activity for strategic industries that are important to Sydney's future.*
>
> *Randwick is expected to experience 50% growth in industry output between 2011 and 2031…. The main driver for this growth is the Randwick Education and Health Specialised Precinct, made up of the University of NSW and the Randwick Hospitals Precinct. Randwick is an example of the influence being exerted in many cities around the world by strong growth in health and education services, with leading hospitals, research institutions, universities and private firms increasingly joining forces to commercialise scientific research – creating new jobs and opportunities along the way.*
>
> *The South Sydney Industrial Area, between the CBD and Port Botany, is the second largest employment area in Sydney after the CBD, with employment in 2011 of about 65,000 and an additional 16,300 people employed at the Airport. Significant jobs growth is forecast for the precinct, including a 31 percent increase at the Port and a 21 percent increase at Sydney Airport. The precinct is also a catalyst for much of the surrounding economic activity and employment growth."*

The need to provide spaces and supporting infrastructure to enable these high value employment offerings to continue to grow will be critical. Centres such as Bondi Junction and the Randwick Health and Education precinct will expand and play an increasingly important role in a growing Global Economic Corridor but it could be expected that other centres such as Maroubra Junction and some beachside centres such as Bondi and Coogee will be under more pressure to provide niche live-work and small scale office opportunities. The eastern region as a whole shares these pressures in relationship to the continued growth of the Global Economic Corridor.

FIGURE 18. EMPLOYMENT GROWTH, SYDNEY AND EAST SUBREGIONS 1996 AND 2011

Source: SGS based on ABS Census

FIGURE 19. EMPLOYMENT SHARE BY OCCUPATION, SYDNEY AND EAST SUBREGIONS 1996 AND 2011



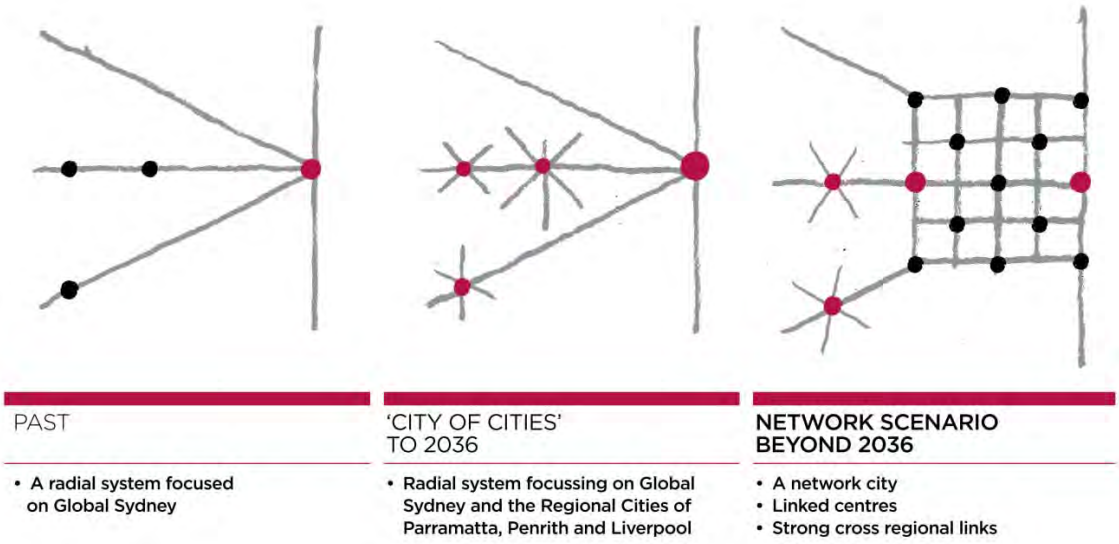
Source: SGS based on ABS Census

Connection challenges

A key challenge for the future is to enhance the integration of Eastern Sydney's employment and economic centres. These addresses the productivity agenda served by enhanced agglomeration, whereby economic activity is concentrated and connected so as to achieve economies of scale and scope, access to diverse skilled labour, availability of several supply sources and knowledge spillovers.

Geography and topography and existing development patterns are beginning to constrain the city's ability to grow jobs in the centre of the city. The appropriate urban structure in Sydney – to address both a productivity and social agenda – is to develop a **'network and polycentric city'** with a greater share of highly cross connected employment centres in a larger, higher density core area but also with a few key suburban centres (the regional cities of Parramatta, Penrith and Liverpool) beyond this core where employment development is encouraged. Sydney's Metropolitan Plan from 2010 points to this future.

FIGURE 20. URBAN STRUCTURE



Source: Metropolitan Plan for Sydney 2036, 2010

Eastern Sydney's centres, the CBD, the port and the airport need to be intensely connected as part of the lattice which will be crucial to the network city agenda. Increasing road congestion threatens to weaken the ability of the connections between these centres in Eastern Sydney so public transport has a major role to play in future. The connections that will underpin a network city are increasingly cross radial – not just focussed on the Sydney city centre.

On the 13 December 2012 the NSW Government announced construction will commence on a light rail line from Circular Quay to Randwick and Kingsford in 2014. The draft NSW Long Term Transport Master Plan states, in addition to the NSW Government's consideration of a light rail solution from the CBD to University of NSW, further investigation of mass transit options to Malabar will be undertaken to support expected densification and urban renewal in the South Randwick corridor. Further investigations will also be undertaken into strategic transit network corridors to be considered for bus rapid transit or light rail, with the corridor along Anzac Parade between Kingsford and Maroubra or Malabar as a priority. Extension of the light rail network from the UNSW and Hospitals to Bondi Junction and Bondi Beach is also being investigated to cater for growing transport and destination corridors in the Eastern Suburbs.

FIGURE 21. CBD AND SOUTH EAST LIGHT RAIL

CBD and South East Light Rail – Key facts

Opal card – the electronic ticketing system – will be implemented on all light rail services.

Circular Quay to Central Station

- Three kilometre route along a dedicated corridor with a 15 minute journey time
- Service reliability of 97 per cent
- Nine stops in the CBD between Circular Quay and Central
- Interchange with heavy rail, bus and ferry services at Circular Quay, Wynyard, Town Hall and Central Stations
- 'Turn up and go' services, with services every two to three minutes during peak periods and continued high frequency across the day, evenings and weekends
- Pedestrianised zone on George Street between Hunter and Bathurst Streets.

Central Station to Nine Ways at Kingsford

- Six kilometre route along a dedicated corridor with a 24 minute journey time
- Seven stops between Central and Kingsford, including the University of NSW at Anzac Parade and Moore Park
- Bus interchange at Kingsford
- 'Turn up and go' services across the day, evenings, weekends and nights.

Central Station to Randwick

- Six kilometre route along a dedicated corridor with a 20 minute journey time
- Seven stops between Central and Randwick, serving the Prince of Wales Hospital, University of NSW at Wansey Road, Randwick Racecourse and Moore Park
- Potential to join two vehicles together for special events at Moore Park – doubling capacity to move up to 18,000 commuters each hour in each direction
- Bus interchange at Randwick
- 'Turn up and go' services across the day, evenings, weekends and nights.

Light Rail Vehicles

- Air-conditioned, accessible low-floor design, electric powered
- Capacity for approximately 100 seated and 200 standing passengers
- Can carry up to 9,000 passengers per hour in each direction on a highly reliable service that is not impacted by traffic congestion.

CBD and South East Light Rail extension route map

Source: Sydney's Light Rail Future, 2012

Given the critical importance of the network city agenda to Australia's economic future, there needs to be a strong commitment to invest in a transit connection (preferably metro or heavy rail rather than light rail) that will reduce connection times across eastern Sydney, and not just to the CBD but also to the port, airport and potentially further west to Sydney University. This sort of infrastructure investment is critical to not only connecting key employment centres but will also underpin future residential renewal and intensification in areas such as South Randwick and possibly parts of the Botany Bay LGA which are currently relatively low density. There are advantages for the Eastern Sydney sub-region being able to establish a single planning approach in relation to the importance of this network city agenda.

The changing economic geography in the south Sydney area

The southern portion of the Global Economic Corridor is a dynamic and highly complex economic area. While the northern portion (Macquarie Park to North Sydney) is generally defined by its concentrations of professional services jobs and activities, the area south of the Sydney CBD and including the port and the airport contains a mix of transport, manufacturing, retailing, warehousing and variety of service sector activities (as well as new residential development). This diversity and complexity has emerged particularly in the last 20 years, as the drivers associated with Australia's premier commercial centre (the CBD), its busiest airport, the port and a legacy of large scale industrial activities and areas have evolved.

The lower lying south Sydney industrial areas are a focus for the intersection of many of these drivers. This area is now proving attractive as a location for:

- professional and creative services such as architects and design companies who desire a 'near' CBD location but prefer lower rents and a finer grain urban 'feel'
- firms which need a central Sydney location but also a little extra showroom space, and who also prefer sub-CBD rents (the north Rosebery area for example includes jeans and clothing companies with principally office employment, though their buildings include small showroom areas)
- archives and storage for major firms with head offices in the CBD
- bulky goods retailers, servicing the fast growing inner city residential market
- airport related activities ranging from off airport car hire and storage to global freight forwarding companies to the headquarters of Qantas, and
- freight and logistics companies, particularly focussing on sea and land freight movements (associated with the port).

The jobs associated with these firms and activities are generally 'white collar' and service based. Data is not yet available from the 2011 census for recent employment by industry change in the south Sydney area but **TABLE 3** shows the NSW Bureau of Transport Statistics projections for the 2006 to 2011 period based on past trends. Traditional industrial sectors such as manufacturing and warehousing are expected to decline while professional service sectors such as financial and insurance services and professional, scientific and technical services are expected to see continued and rapid growth.

TABLE 3. PROJECTED EMPLOYMENT CHANGE BY INDUSTRY SECTOR, SOUTH SYDNEY SLA, 2006-11

ANZSIC Industry	Projected change 06-11	Change from 06 by industry
Agriculture, Forestry & Fishing	-1	-3%
Mining	19	169%
Manufacturing	-128	-2%
Electricity, Gas, Water & Waste Services	23	4%
Construction	291	14%
Wholesale Trade	-80	-1%
Retail Trade	-97	-2%
Accommodation & Food Services	530	29%
Transport, Postal & Warehousing	989	16%
Information Media & Telecommunications	-320	-17%
Financial & Insurance Services	191	38%
Rental, Hiring & Real Estate Services	125	13%
Professional, Scientific & Technical Services	1205	31%
Administrative & Support Services	397	30%
Public Administration & Safety	101	4%
Education & Training	30	2%
Health Care & Social Assistance	208	9%
Arts & Recreation Services	219	32%
Other Services	336	13%
Unclassified	99	5%
Total	**4137**	4137

Source: NSW Bureau of Statistics, SGS compilation

These professional service and 'white collar' activities co-exist with traditional industrial land uses in this area such as:

- concrete batching or postal sorting which need to be regularly distributed throughout a large metropolitan area (to minimise travel times)
- traditional 'heavy' industry and some residual manufacturing (still in the area through historical ties or sunk investments making a move expensive)
- airport and port related storage (including large container parks associated with the port and the rail links).

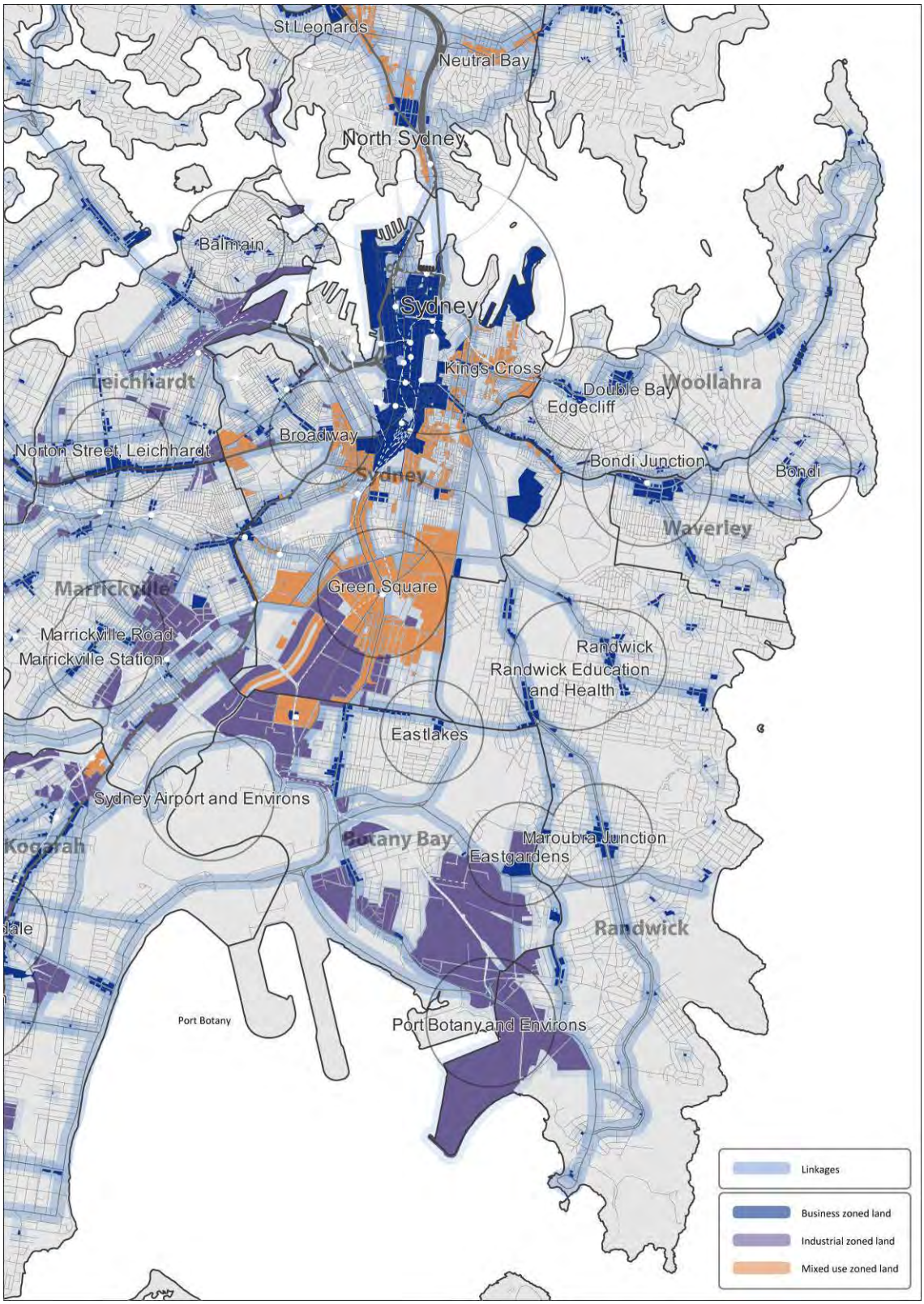
This mix of activities is creating some significant transport challenges. Notwithstanding the aims to increase the share of port freight being distributed by rail from the port, and to increase public transport mode share for jobs, road transport of all types is still dominant (and set to increase).

The literature on trends in economic geography during the 1990s and early 2000s included a focus on generating economic activity around airports. The notion of the 'aerotropolis' was based on the idea of the airport hub attracting global investment in freight, modern industry, tourism and commercial and professional services. While some cities or jurisdictions actively pursued economic development based on the 'aerotropolis' idea Sydney, in a sense, already had an 'aerotropolis', with a concentrated and diverse area of economic activity around the airport – and near to the CBD.

The strengthening linkages between the Sydney CBD, the airport and the rapidly changing south Sydney industrial and employment lands – and the increasingly high value economic activity which is locating in this area – is not reflected in governance or institutional boundaries or relationships, with four councils responsible for this area (City of Sydney, Marrickville, Botany Bay and Rockdale).

The Queensland Government developed the idea of the 'Australia Trade Coast', the extensive industrial, airport and port area at the mouth of the Brisbane River. This area is promoted as an integrated gateway and industrial complex, and represents a partnership between Brisbane Airport and Port (both privatised), landowner representatives, the state government and a single council (Brisbane City Council). The links promoted by the Australia Trade Coast concept between a sea port and airport are tenuous (in fact in Sydney's case the traffic associated with both facilities conflicts and it would be better if they were separated, but linked by a freeway, as in the Melbourne case). Nevertheless, the Australia Trade Coast concept provides for a common branding, but also for an integrated approach to portside and landside industrial and other economic activities, and for transport planning.

FIGURE 22 LINKAGES AND KEY LAND USE



Source: SGS, 2012

Enhancing coordination of activity in the Ports area

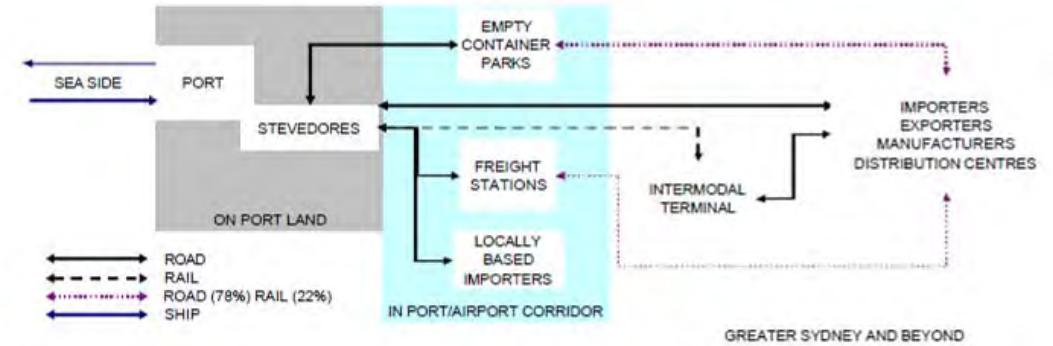
In Sydney the coordinated development and branding task in the port and airport area is made difficult by a mix of stakeholders including a private airport authority, a public port authority (due to be sold), private and public land holders, different rail service authorities (track and rolling stock) and four councils (City of Sydney, Rockdale, Botany Bay, Randwick). Around the port at least, the prospects for coordinating land and port side activities would be enhanced if the port and landside industrial activities were in a single council area.

In previous SGS research undertaken for Randwick Council focusing on port logistics chains and associated land uses (the 2008 Randwick Economic Activity study[5]), it was pointed out that there is a critical link between port and landside uses and activities in ensuring an efficient logistics chain is in place.

> *At Port Botany docks and loading and unloading facilities are located on port land, along with stevedores (Patrick and DP World). The largest categories of containerised imports (in mass tonnes) are chemicals, manufactured goods, machinery, paper products and non-metallic minerals. The largest export categories are cereals, chemicals and non-ferrous metals.*
>
> *In the area surrounding the Port, a number of directly port-related industries are located. This includes Freight Stations/Forwarders and Empty Container Parks. Some locally based importers also have warehousing in this corridor to facilitate quick distribution of goods to a local (Central and East Sydney) market.*
>
> *Containers enter/leave the port by truck or train (on a dedicated freight line). Containers on trucks tend to be driven through Botany and Marrickville and onto Western Sydney, where importers, exporters, warehousing and distribution centres are located. Containers travelling by train are either destined for locations outside the Sydney region, or unloaded and transferred to trucks at Intermodal Terminals. The Sydney region has a number of Intermodal terminals, for example at St Peters (Cooks River), Bellfield, Chullora and Minto. A new Intermodal terminal has been approved at Enfield. Empty containers are returned by road or rail to container parks in close proximity to the port, for re-export.*

These relationships are shown in **FIGURE 23**. The pale blue area in the graphic is the landside activity which principally occurs in the industrial area adjacent to the port in Sydney. The general strategy is to shift more freight station and empty container park activity to lower cost hinterland areas. This would free up landside resources for higher value import and export activities and logistics advisors.

FIGURE 23. PORT LOGISTICS CHAINS (FIGURE 32 FROM ECONOMIC ACTIVITY STUDY)



Source: SGS

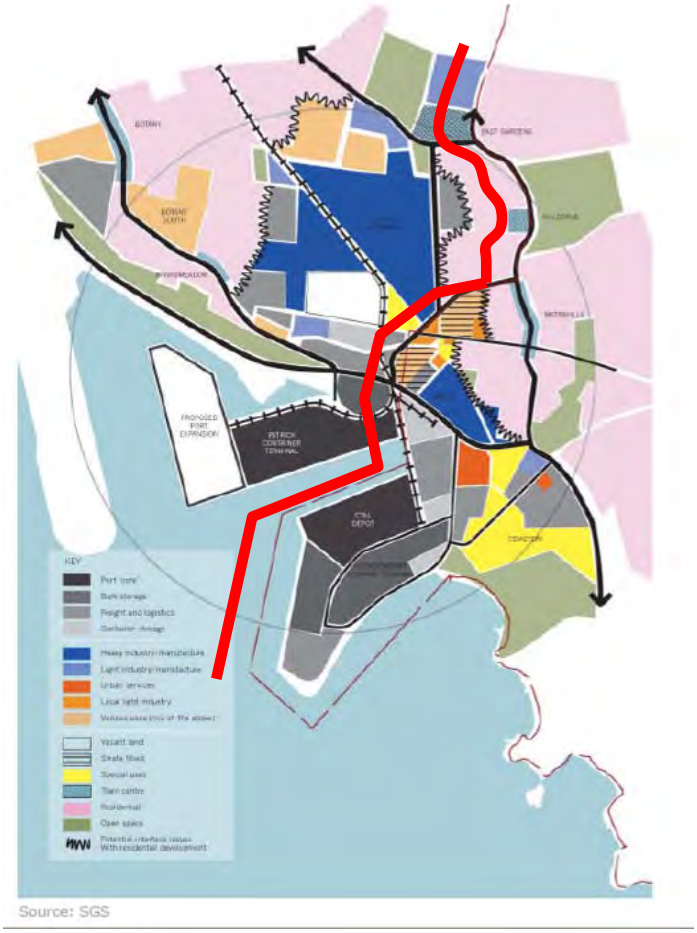
At the Port of Sydney the immediate catchment area for the port and its landside activities are the industrial areas within about 1 kilometre. This radius and the industrial and economic activities this area contains are shown in various colours in **FIGURE 24** from the Randwick Economic Activity study.

[5] SGS Economics and Planning (2008) *Randwick Economic Activity Study* for Randwick Council http://www.randwick.nsw.gov.au/library/scripts/objectifyMedia.aspx?file=pdf/78/32.pdf&siteID=1&str_title=Economic%20Activity%20Study%20(pdf%206.36MB)

The graphic also shows the boundary between Randwick LGA and Botany Bay LGA in red. This reveals the odd situation of having one of the nation's premier industrial and economic activity zones – recognized as a Specialised Centre in successive metropolitan strategies - effectively split in half by a local government boundary.

It makes strategic and administrative sense to enhance planning and coordination in this nationally significant economic zone to revise local government boundaries.

FIGURE 24. PORT BOTANY INDUSTRIAL LANDS (FIG 43 RANDWICK ECONOMIC STUDY)



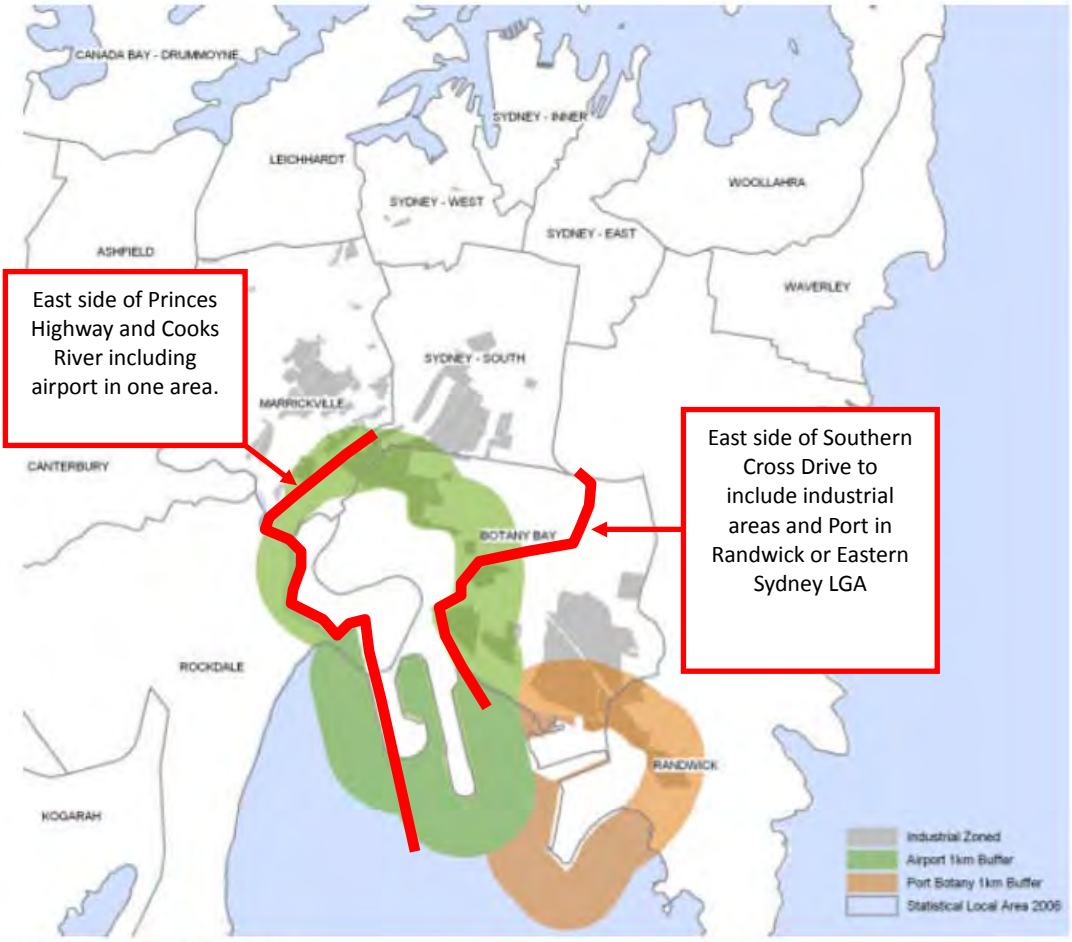
Directions for local government boundary reform to enhance coordination for economic development

The southern Sydney employment area extending from Redfern to Alexandria and beyond to the Mascot area north of the Airport is increasing in complexity and economic value. An integrated economic zone encompassing these southern Sydney employment areas, the airport and the CBD is emerging. Unfortunately this critical economic zone is not well served from a coordinated planning perspective, partly because four local governments have responsibilities in this area (City of Sydney, Marrickville, Botany Bay and Rockdale).

Similarly, the economic zone of the Port and the surrounding industrial activities is split between the Councils of Randwick and Botany Bay, hampering effective planning.

FIGURE 25 shows the one kilometre economic zone 'catchments' around the airport and port. These areas indicate a logical overlay for reconsidering local government boundaries. Possible revisions to boundaries to rationalise the planning and management of these vital areas are also superimposed on the graphic. In this scenario the airport and the residential and employment areas to the north (east of the Princes Highway and west of Southern Cross Drive) go to the City of Sydney, while the port and industrial areas to its north and west (east of Southern Cross Drive) go to Randwick (or an Eastern Sydney) LGA.

FIGURE 25. REVISED LOCAL GOVERNMENT BOUNDARIES TO BETTER ACCOMMODATE ECONOMIC ZONES AROUND AIRPORT AND PORT (BASED ON FIG 36 FROM RANDWICK ECONOMIC ACTIVITY STUDY)



Source: SGS, ABS 2001

4 BASE CASE

The current financial situations of the four Eastern Sydney councils have been compiled by Randwick City Council (RCC) from publicly available documents published by each council, using a financial template provided by SGS. This review is to understand revenue and cost structure of each council and to compare the rates/charges, service costs and current and long-term financial sustainability between the four councils under the base case (that is without amalgamation). The financial information gathered by RCC is summarised in the following sections, and provides the base case.

It should be noted that this is a desktop analysis of information available publicly, and has not involved discussions with the individual councils (other than Randwick) concerning specific service provision issues. As a result it is a high level analysis.

4.1 Service costs

The table below compares the service costs, broken down by council's function or activity, amongst the four Eastern Sydney councils. According to this, Randwick currently incurs a service cost of $858 per capita, with almost 30 percent associated with its environment function, which includes services such as solid waste management, street cleaning and storm water management.

On a per capita basis, Randwick City Council is able to service its population most cost-efficiently, with an average service cost of $858 per capita.

This is 45 percent lower than the per capita cost in Waverley and 33-35 percent lower than the cost in Woollahra and Botany Bay.

TABLE 4. SERVICE COSTS BY FUNCTION AND ACTIVITY

Service costs ($000)	Randwick	Waverley	Woollahra	Botany Bay
Governance	$3,498	$0	$2,308	$2,210
Administration	$3,838	$20,917	$16,865	$8,963
Public order and services	$6,872	$5,850	$4,693	
Health	$24	$1,794	$358	
Environment	$32,118	$18,717	$12,175	$2,757
Community services and education	$5,232	$8,111	$3,810	$3,493
Housing and community amenities	$12,209	$6,460	$6,405	$13,288
Recreation and culture	$26,263	$15,854	$7,831	$9,030
Construction	$2,551	$781	$1,419	
Transport and communication	$17,744	$19,323	$11,678	$10,776
Economic affairs	$387	$824	$864	
TOTAL ($000)	**$110,736**	**$98,631**	**$68,406**	**$50,517**
Total service costs per capita ($)	**$858**	**$1,554**	**$1,312**	**$1,284**

Source: compiled by Randwick City Council, based on 2010-11 financial statements and Botany Bay's 2012-13 delivery program

The administration costs in both Waverley and Woollahra Council in particular appear to be significantly higher than Randwick City Council, which can be partly due to the method for allocation of administrative costs across service provision areas.

The following table compares the **net** service costs, which take into account the incomes resulting from the provision of the respective services.

TABLE 5. NET SERVICE COSTS BY FUNCTION AND ACTIVITY

Service costs ($000)	Randwick	Waverley	Woollahra	Botany Bay
Governance	-$1,679	$0	$2,301	
Administration	$3,630	$18,965	$15,545	
Public order and services	$6,723	$3,768	-$263	
Health	$24	$1,551	$266	
Environment	$1,861	$3,675	-$2,675	
Community services and education	$3,595	$3,066	$2,543	Not available
Housing and community amenities	$5,066	$367	$2,409	
Recreation and culture	$18,748	$12,476	$5,605	
Construction	$1,475	$557	$431	
Transport and communication	-$1,040	-$5,788	$6,578	
Economic affairs	-$1,031	-$2,596	-$8,252	
TOTAL ($000)	**$37,372**	**$36,041**	**$24,488**	**Not available**
Total service costs per capita ($)	**$290**	**$568**	**$469**	**Not available**

Source: compiled by Randwick City Council, based on 2010-11 financial statements and Botany Bay's 2012-13 delivery program

Note that the net service cost cannot be compiled for Botany Bay Council, as the service associated income was not available from its most recent financial statement. The net service cost in Randwick is around $290 per capita, almost half of the per capita cost in Waverley.

4.2 Average and minimum rates/charges

The table below compares the rates and charges of four councils. It shows that, of the four councils, Botany has the lowest average residential rate ($632 per annum), while it has the highest average business rate ($8087 per annum).

On average, the residential property rate ($950 per annum) in Randwick lies between the rates charged in Woollahra and Waverley. However, the business rate and domestic waste charge in Randwick is higher than that in Woollahra and Waverley.

Amongst those LGAs where minimum rates are applicable to certain number of properties, Randwick currently has the highest minimum rate of around $615 per annum for residential properties and $991 per annum for rateable businesses.

TABLE 6. ANNUAL RATES AND CHARGES 2011-12

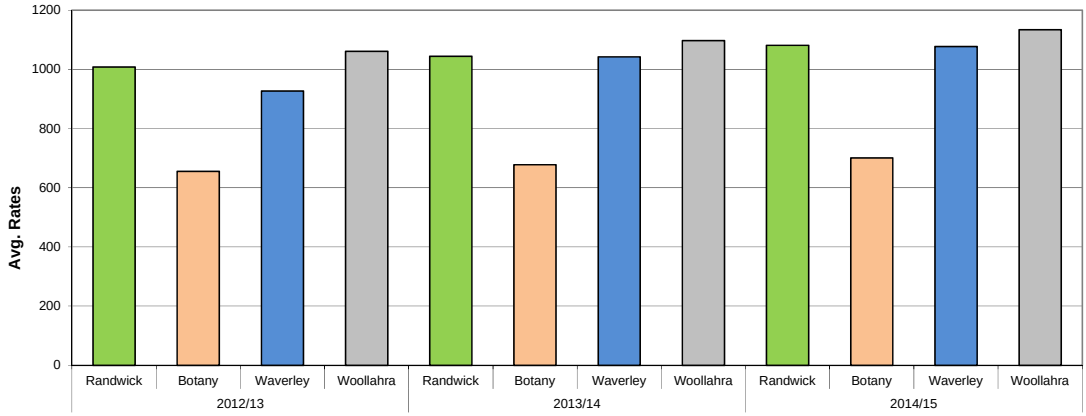
	Average Residential Rate	Minimum Res Rate	Average Business Rate	Minimum Bus Rate	Special Rate Average	Domestic Waste Charge
Randwick	$950	$615	$5,772	$991	$66	$465
Woollahra	$1,014	Not applicable	$3,080	$523	$136	$374
Waverley	$816	$443	$4,885	Not applicable	$0	$420
Botany	$632	$442	$8,087	$442	$1,180	$390

Source: compiled by Randwick City Council, 2012

The following charts compare the average residential and business rate (excluding special rates) between the four councils from 2012/13 to 2014/15. During this period, the rate in Randwick, Botany and Woollahra is expected to

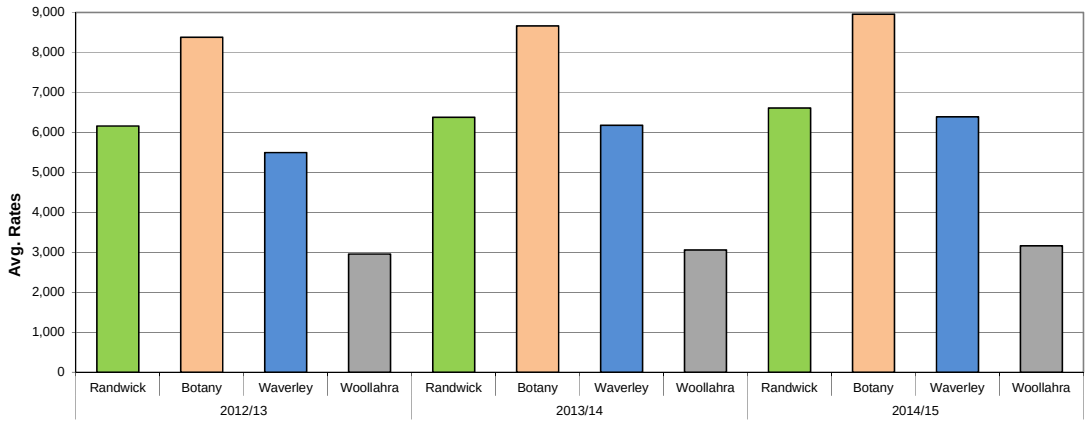
grow by around 3.5 percent per annum, while Waverley is set to increase its average rate by 14 percent from 2012/13 to 2013/14.

FIGURE 26. AVERAGE RESIDENTIAL RATE COMPARISON – FUTURE PROJECTIONS



Source: compiled by Randwick City Council, 2013

FIGURE 27. AVERAGE BUSINESS RATE COMPARISON – FUTURE PROJECTIONS



Source: compiled by Randwick City Council, 2013

4.3 Parking income

In addition to rate incomes and annual charges, another major income source to some of the Eastern Sydney councils is the income from parking meters, parking fines and car parking fees.

The following table shows the parking related incomes collected by three councils in 2010/11. Noticeably, Waverley collected $10 million from parking fines, $6.8 million from parking meters and $5.5 million from car parking fees, which are significantly higher than the parking proceeds of Woollahra and Randwick.

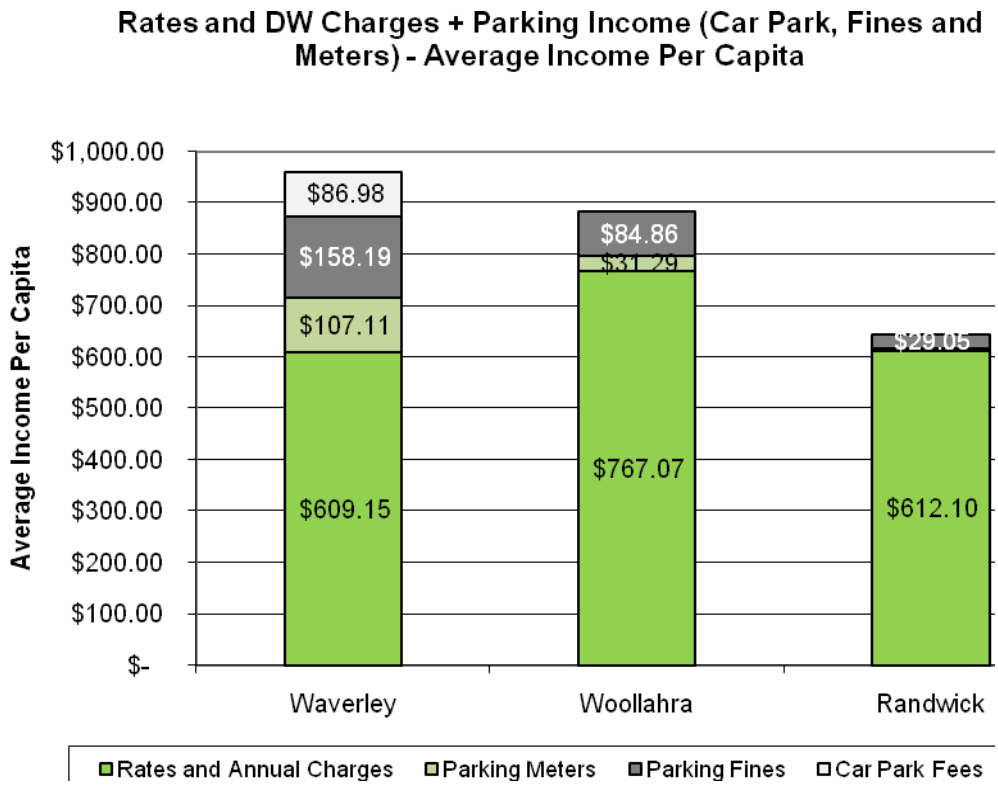
TABLE 7. ANNUAL RATES, CHARGES AND PARKING INCOMES ($000)

$'000	Waverley	Woollahra	Randwick
Rates and Annual Charges	$38,673	$40,009	$78,954
Parking Meters	$6,800	$1,632	$514
Parking Fines	$10,043	$4,426	$3,747
Car Park Fees	$5,522	$0	$0
Total	**$61,038**	**$46,067**	**$83,215**

Source: compiled by Randwick City Council, 2012

The chart below compares the average parking income per resident, on top of the rates and annual charges, between three councils. This shows that Waverley collected more parking income ($358 per capita) on a per capita basis, compared to Woollahra and Randwick.

FIGURE 28. AVERAGE INCOME PER CAPITA, INCLUDING PARKING INCOME



Source: compiled by Randwick City Council, 2012

4.4 Actual and forecast net surplus/deficit

The actual and forecast net operating and capital surplus/deficit of the four councils are provided in Appendix 1.

Only Randwick City Council has prepared their long term financial plan over a 20 year period. Woollahra and Waverley Council have prepared their financial plans for the next 10 years. No long-term financial plan for Botany Bay has been made available to Randwick City Council during their review. As such, a forecast has been made for the long-term capital works expenditures by indexing the 2012/13 figure based on CPI (2.5% p.a.). The net operating surplus for Botany is held constant from 2016/17 onwards.

It should be noted that operating income (as reported in the Appendix 1) excludes any unrealised gains or losses on investment and any adjustment made to the fair value of the council's investment property. Likewise, operating expenditure does not include estimated asset depreciation. This is to avoid inconsistencies in methods used by each council for the evaluation of their asset depreciations and any changes to the fair values, but also to provide a comparison of funding surpluses between councils.

The net operating surplus/deficit is calculated by subtracting the operating expenditure from the sum of the operating income and net gain/loss on sale of financial assets. This, together with capital revenues from grants and contributions and proceeds from asset disposal, represents the funding available for capital expenditure. The operating income mainly comprises of rates and charges incomes, operating grants and contributions, while the operating expenditure is largely consisted of employee costs, materials and contractual services.

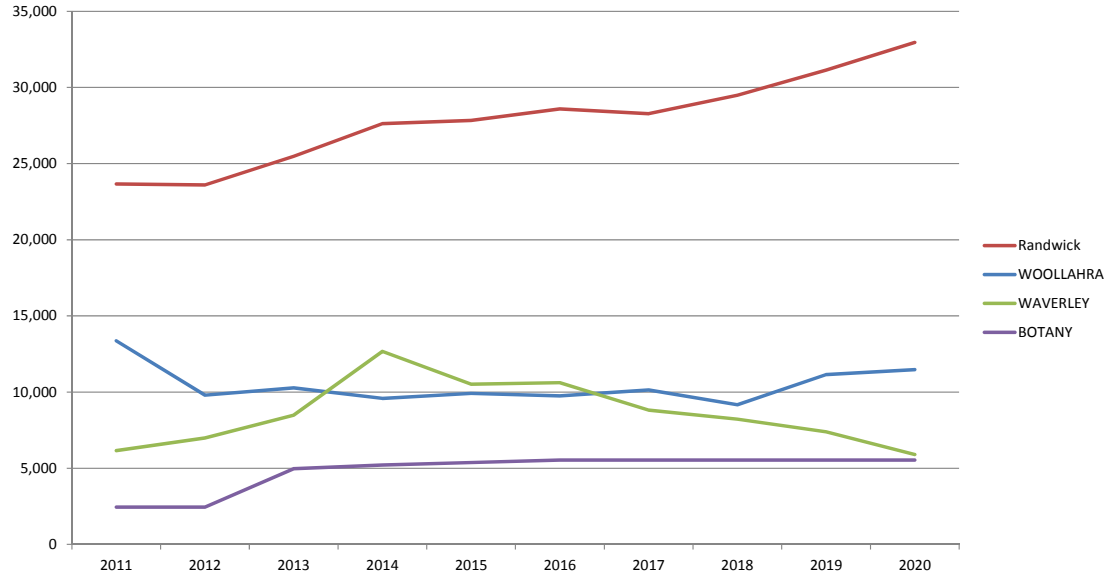
The net operating and capital surplus/deficit is calculated by subtracting the capital expenditure from the sum of the operating surplus, any capital income and proceeds from asset sales. This net balance would be the money Council transfers to (or withdraws from) their reserves.

Figure 30 compares the forecast operating and capital surplus/deficit between the four councils. Note that the 'peak' in 2013 for Waverley is due to a once-off receipt from the asset disposal. The chart shows that Randwick has the strongest forecast for its net operating and capital surplus. Together with capital incomes, this is sufficient to fund the planned expenditures in its capital works program during majority of the forecast period. Randwick is forecast to contribute $34 million to its cash reserves during the period from 2012 to 2030.

Long-term financial plans prepared by Woollahra and Waverley Councils show that they are expected to result in a net capital and operating deficit of $10 million and $34 million respectively over the next 10 years, which would need to be withdrawn from their reserves or accommodated by borrowings.

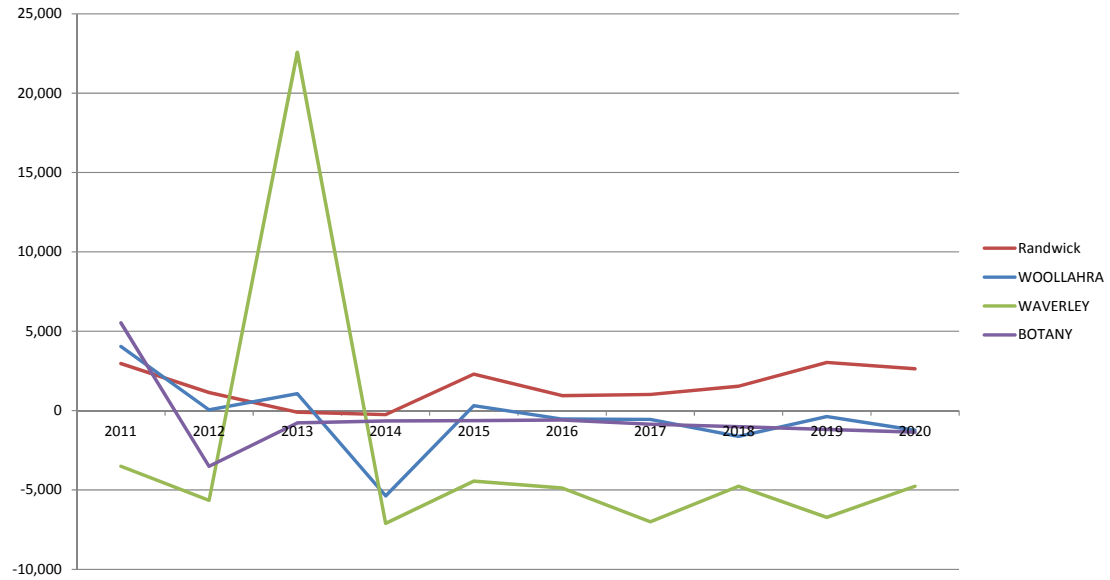
NSW Treasury Corporation (TCorp) is currently undertaking financial assessments of each Council in NSW. Randwick's draft report (provided by Randwick City Council) states the Council is in a sound sustainable position. The report states that Council has a track record of operating surpluses which are forecasted to continue, sound liquidity, strong focus on sustainability, financial flexibility with own source operating revenue above the benchmark, debt free and capital expenditure well above the benchmark. It would be advisable that this report be updated with information from the TCorp assessments of the each of the Eastern Sydney councils to validate their financial position, once these reports are publicly available.

FIGURE 29. NET OPERATING SURPLUS/DEFICIT EXCL CAPITAL REVENUE AND DEPRECIATION (FUNDS AVAILABLE FOR CAPITAL EXPENDITURE), 2011-20, $000



Source: prepared based on numbers compiled by Randwick City Council, 2012

FIGURE 30. OPERATING AND CAPITAL SURPLUS/DEFICIT (EXCL RESERVE TRANSFERS), 2011-20, $000



Source: prepared based on numbers compiled by Randwick City Council, 2012

4.5 Other financial benchmarks

FTE costs

The following table compares the staffing levels and costs between four councils.

The analysis shows that Waverley's FTE number is 60 greater than Randwick, which has significantly greater population than Waverley.

Reducing the average percentage of FTE costs in operating expenditure to Randwick's level (i.e. 42%) would save $8.3 million across three councils and $9.7 million across four councils.

On average, each FTE in Randwick services 261 persons, which is significantly greater (100 persons) than the average population per FTE across the four councils.

Randwick has the highest employee cost per FTE. However, employee costs in Randwick only make up 42 percent of the operating expenditures, which is three percent lower than the average level of three councils and four percent lower than of the average level of four councils.

TABLE 8. FULL TIME EQUIVALENTS

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
Employee Costs ($000)	$46,936	$30,581	$47,966	**$125,483**	$22,871	**$148,354**
FTE @ EOY	494	367	557	**1418**	347	**1765**
Avg $/FTE	$95	$83	$86	**$88**	$66	**$84**
% of Operating Expenditure	42%	45%	49%	**45%**	50%	**46%**
% of Operating Income	42%	43%	54%	**46%**	51%	**47%**
Pop'n per FTE	261	142	114	**173**	113	**161**
FTE per Area (sq km)	13	30	61	**24**	16	**22**

Source: compiled by Randwick City Council, 2012

Employee leave entitlement (ELE)

The following table compares the level of employee leave entitlement between three councils. The information for Botany Bay Council is not available. It shows that Randwick holds the highest level of cash reserve against its ELE liability. Bringing the average level across three councils to 40 percent would require an immediate boost in cash reserve of $6.5 million.

The second part of **TABLE 9** shows that currently Randwick holds 42 percent of its ELE liability in reserve, with 50 percent of the entitlements of staff aged 50-59 years held in reserve and 100 percent for those aged 60 years and above. As these people move close to their retirement, it is likely that their ELE value will be fully paid in cash. As such, a significant proportion of the ELE cash reserve should be held by councils to offset this short-term liability.

Assuming that the same proportion of ELE were held by other two councils for staff aged 55 or above, Woollahra and Waverley would need to have a minimum ELE cash reserve of $2.7 million and $6.5 million respectively.

However, comparing these minimum amounts with the current ELE cash reserve held by two councils, a total 'gap' of $2.6 million would need to be filled in.

TABLE 9. EMPLOYEE LEAVE ENTITLEMENT, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
ELE	$13,589	$8,833	$21,111	**$43,533**	Unavailable	**$43,533**
ELE Cash Reserve	$5,711	$897	$4,222	**$10,830**	Unavailable	**$10,830**
ELE %	42%	10%	20%	**25%**		**25%**
Age profile of staff						
55+	18%	Unavailable	21%		Unavailable	
ELE Value for 55+ staff	$4,219	Unavailable	Unavailable		Unavailable	
% of ELE held by 55+ staff	31%	Unavailable	Unavailable		Unavailable	
Est ELE Value for 55+ staff	$4,219	$2,742	$6,554	**$13,515**		**$13,515**
ELE Cash Reserve Variance	$1,492	-$1,845	-$2,332	**-$2,685**		**-$2,685**

Source: compiled by Randwick City Council, 2012

Outstanding rates

The following table compares the percentage of rates outstanding between four councils. It shows that on average around 3.7 percent of the rates receivables are still outstanding. This level is around 2.2 percent for Randwick.

TABLE 10. OUTSTANDING RATES, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
Rates	$78,954	$40,009	$38,673	**$157,636**	$27,417	**$185,053**
Rates Outstanding %	2.22%	5.01%	2.20%	**3.03%**	7.61%	**3.71%**
Rates Outstanding $	$1,801	$874	$2,107	**$4,782**	$2,086	**$6,868**

Source: compiled by Randwick City Council, 2012

Debt servicing costs

The following table compares the debt servicing cost between four councils. It shows that both Randwick and Botany Bay Council are currently debt-free, while Woollahra and Waverley Council use around 2 percent of their operating incomes to service its debt.

TABLE 11. DEBT SERVICING COSTS, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
Debt Service Cost	$0	$1,382	$1,662	**$3,044**	$0	**$3,044**
Income from Op Act	$107,521	$70,083	$85,176	**$262,780**	$44,669	**$307,449**
Debt costs/Operating incomes	0.00%	1.97%	1.95%	**1.16%**	0.00%	**0.99%**

Source: compiled by Randwick City Council, 2012

Financial Assistance Grant (FAG)

The following table compares the FAG incomes between four councils. In total, they receive $8 million in FAG per annum. Randwick City Council suggests that should the FAG income be removed, this would reduce the operating revenue of each council by 2.5 percent.

TABLE 12. FINANCIAL ASSISTANCE GRANT, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
FAG Allocation	$3,468	$1,504	$2,023	**$6,995**	$1,036	**$8,031**

Source: compiled by Randwick City Council, 2012

Capital expenditures

The following table compares the current annual expenditure on capital works between three councils. It suggests that Randwick spent the highest proportion (26%) of operating expenditures on capital works. In FY 2011-12, Randwick spent $29 million on their capital works, which is around twice as much spent by the other two councils.

However, to bring the infrastructure assets to a satisfactory level, Randwick reported in its 2011-12 Financial Reports it would need to spend an additional $51.6 million, which represents 3.8 percent of the total infrastructure asset cost.

TABLE 13. CAPITAL EXPENDITURES, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
Capital Additions	$29,231	$12,138	$15,879	**$57,248**	Unavailable	
% of Opex	26%	17%	16%	**20%**	Unavailable	
Total Cost of Infra Assets	$1,357,587	$430,604	$717,259	**$2,505,450**	Unavailable	
To bring to Satisfactory	$51,643	$11,410	$29,030	**$92,083**	Unavailable	
% of Infra Assets	3.80%	2.65%	4.05%	**3.68%**		

Source: compiled by Randwick City Council, 2012

Cash reserve

The following table compares the cash reserve levels held by Randwick, Woollahra and Waverley Council. It shows that these three councils hold $6.6 million unrestricted cash reserves. Randwick holds the lowest level of unrestricted cash reserve as 96 percent of its cash is held for specific external and internal purposes.

TABLE 14. CASH RESERVES, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
External Restricted Cash	$22,851	$8,229	$9,334	**$40,414**	Unavailable	
Internally Restricted Cash	$23,167	$24,107	$32,981	**$80,255**	Unavailable	
Unrestricted Cash	$1,528	$2,070	$3,041	**$6,639**	Unavailable	
Total CASH	$47,546	$34,406	$45,356	**$127,308**		

Source: compiled by Randwick City Council, 2012

Asset depreciation

The following table compares the assumed level of asset depreciation between four councils. As a percentage of the total operating expenditures, Randwick has allowed 19 percent for its asset depreciation, which is 2.67 percent higher than the average level across three councils. The additional depreciation to bring this average to Randwick's level would be around $7.4 million.

TABLE 15. ASSET DEPRECIATION, $000

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
Depreciation Expenses	$21,414	$9,080	$15,837	**$46,331**	$5,069	**$51,400**
Depreciation % of Total OpEx	19.35%	13.27%	16.06%	16.68%	11.09%	15.89%

Source: compiled by Randwick City Council, 2012

Mayors and councillors

The following table compares the number of mayors and councillors between four suburbs. It shows that Randwick, Woollahra and Waverley have three councillors per ward enrolment, while Botany Bay only has one councillor per ward. In total, there are 48 councillors for four LGAs. Based on the population count from 2011 Census, population per councillor in Randwick is 8599 persons. This is about 2600 persons more than the average level of three councils.

TABLE 16. MAYORS AND COUNCILLORS

	Randwick	Woollahra	Waverley	Total (3 Councils)	Botany Bay	Total (4 Councils)
Mayoral + Councillors Fees ($000)	$359	$273	$224	**$856**	Unavailable	
Number of Councillors	15	15	12	**42**	7	**49**
Number of Wards	5	5	4	**14**	6	**20**
Number of Councillors/Ward	3	3	3	**n/a**	1	**n/a**
Population - 2011 Census	128,989	52,158	63,487	**244,634**	39,356	**283,990**
Population per councillor	8,599	3,477	5,291	**5,825**	5,622	**5,796**
Area (sq mtr)	37.4	12.3	9.2	**58.9**	21.7	**80.6**

Source: compiled by Randwick City Council, 2012

5 OPTIONS FOR STRUCTURAL CHANGE

In addition to the base case (that is 'do nothing'), SGS has worked together with Randwick City Council to identify four amalgamation options that will be assessed and compared to the base case during the rest of the study. The four options that were tested for structural change were:

- Option 1 - the amalgamations of the LGAs of Randwick, Woollahra and Waverley into a new Local Government Authority
- Option 2 – As per option 1 and the addition of the Port Botany and associated industrial areas into one LGA
- Option 3 – As per option 2 and the addition of the rest of Botany Bay except the airport and associated industrial areas connected to South Sydney, and
- Option 4 – the amalgamations of the LGAs of Randwick, Woollahra, Waverley and Botany as well as the airport.

Each of these options is described in the table below.

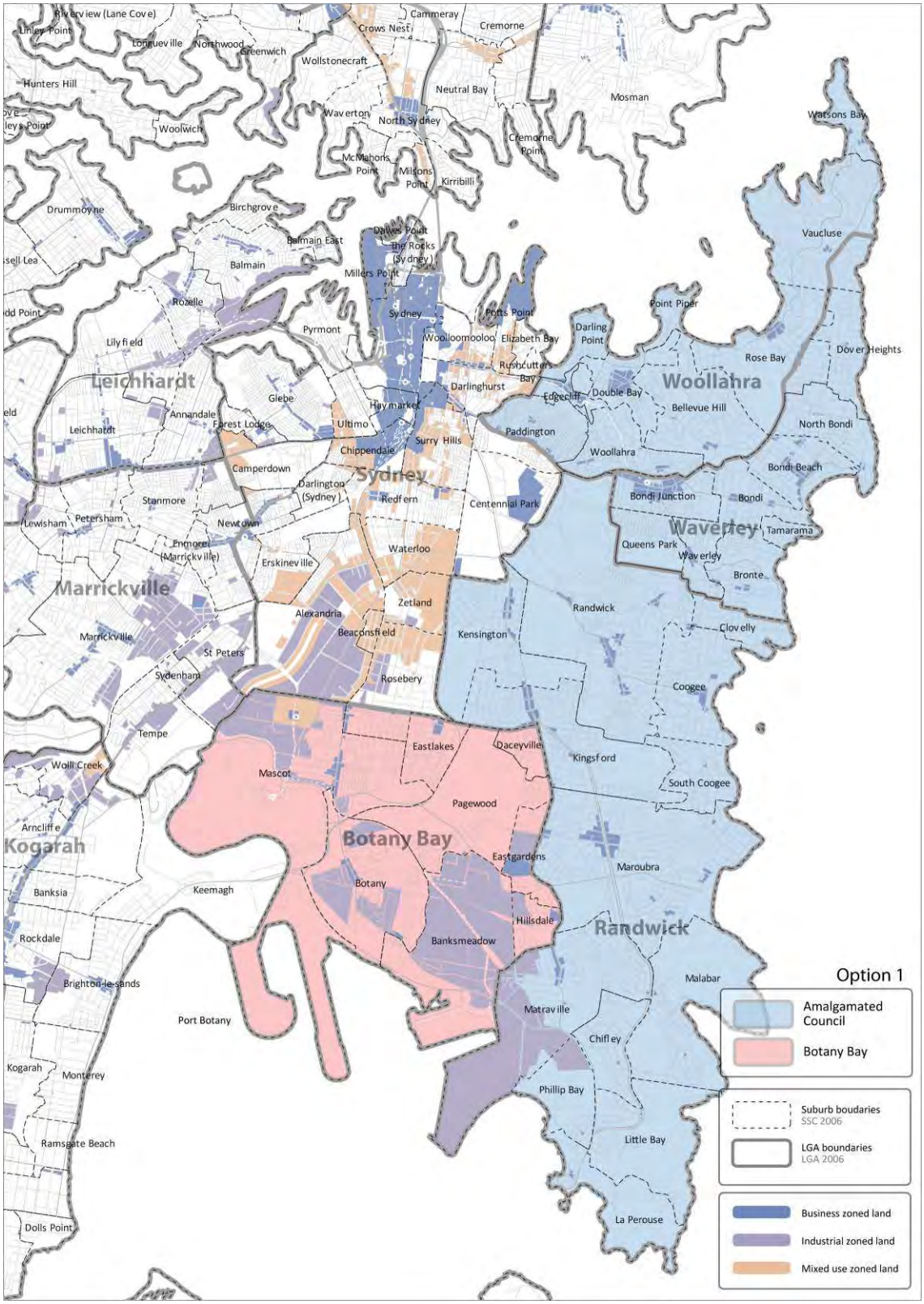
TABLE 17. BASE CASE AND AMALGAMATION OPTIONS

LGAs	Base Case	Option 1	Option 2	Option 3	Option 4
Randwick	1				
Woollahra	1	1			
Waverley	1		1		
Botany Bay	1	1		1	
- Port Botany and associated industrial areas					1
- Residential areas and the balance			1		
- Airport and associated industrial areas in Mascot					
Total number of councils	**4**	**2**	**2**	**1**	**1**

Source: SGS based on discussion with Randwick Council, 2012

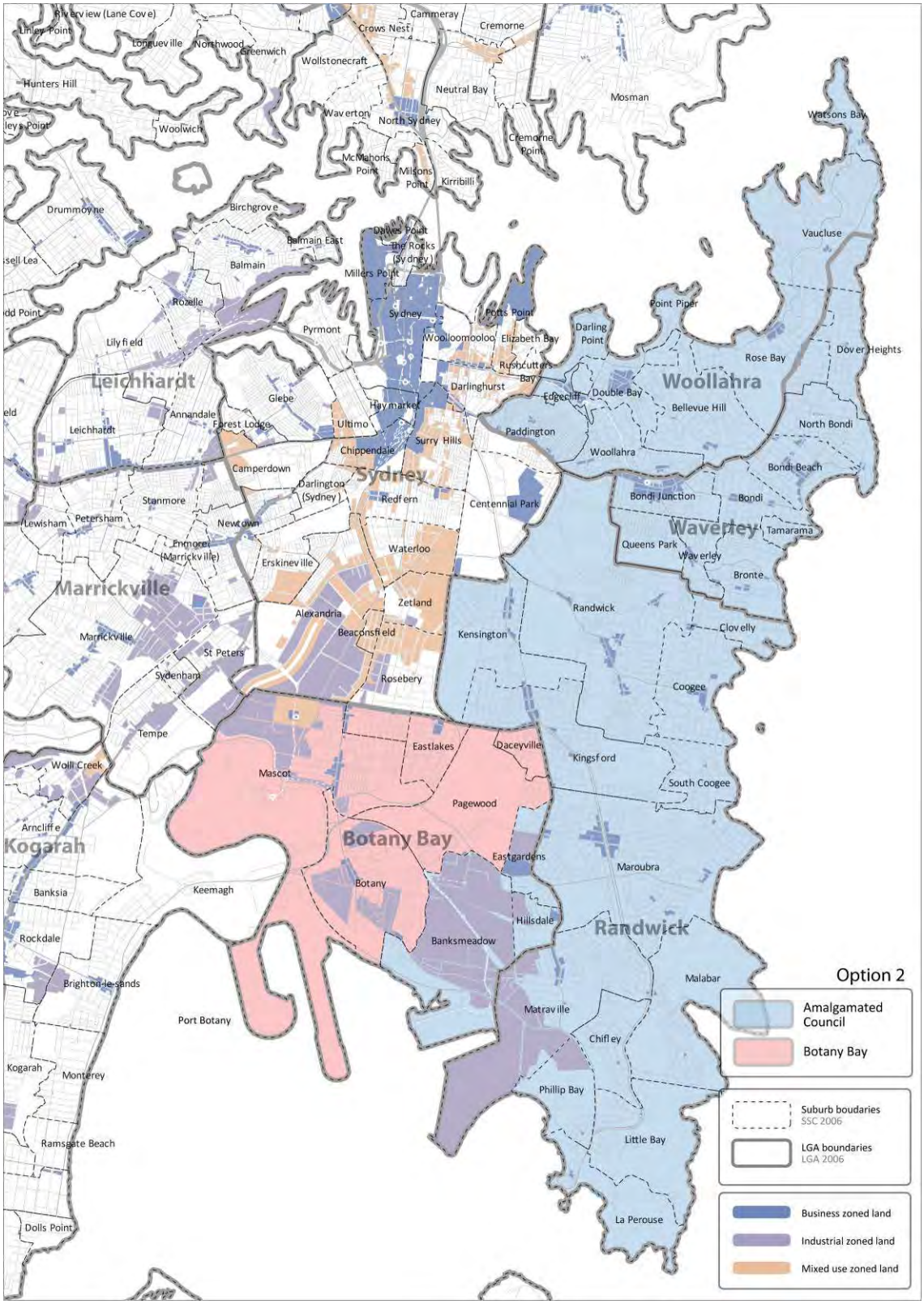
The boundaries of amalgamated councils under these options are shown on the maps overleaf. Note that solid dark grey lines represent the current LGA boundaries.

FIGURE 31. AMALGAMATED COUNCIL BOUNDARY UNDER OPTION 1



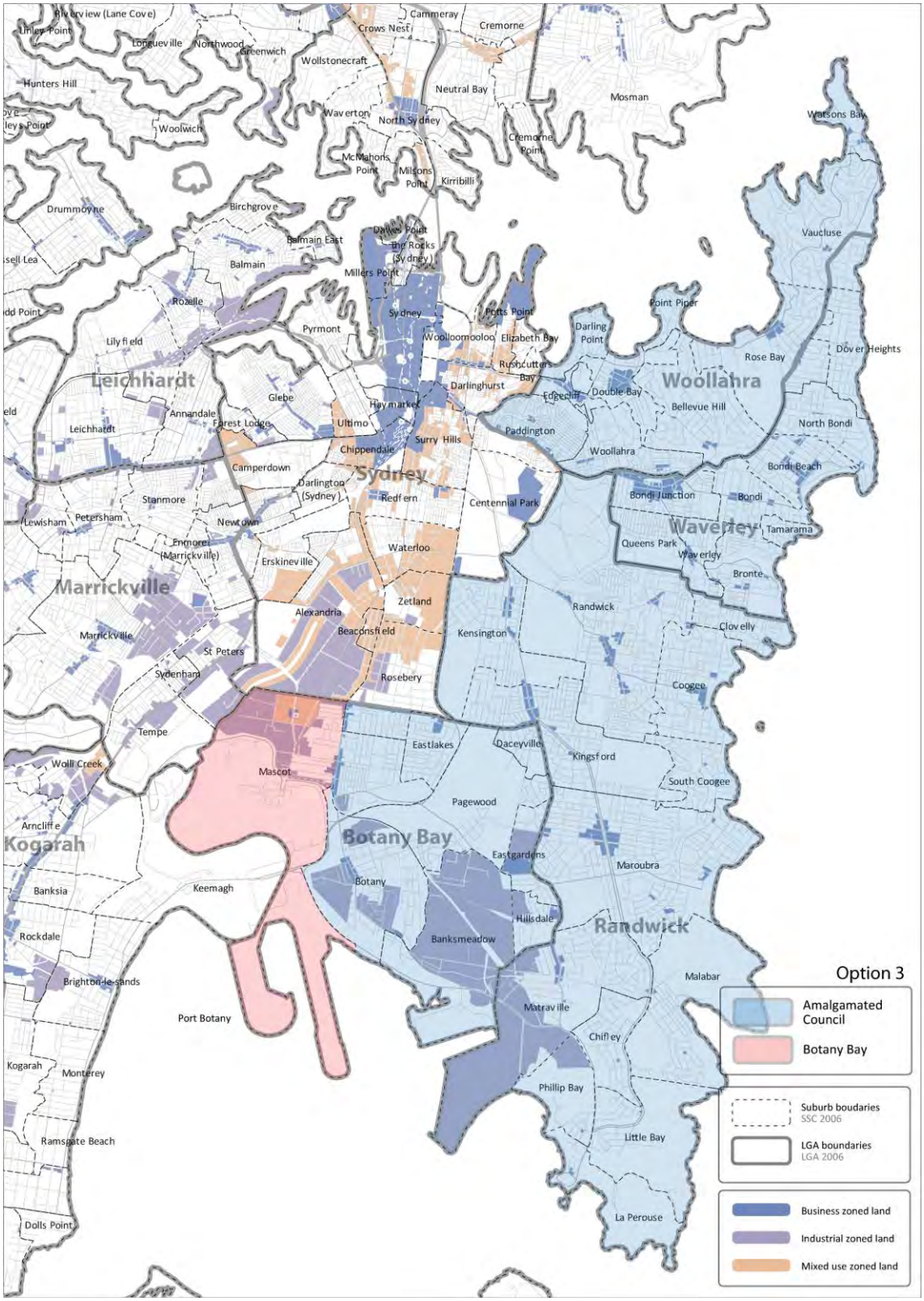
Source: SGS in discussion with Randwick City Council, 2012

FIGURE 32. AMALGAMATED COUNCIL BOUNDARY UNDER OPTION 2



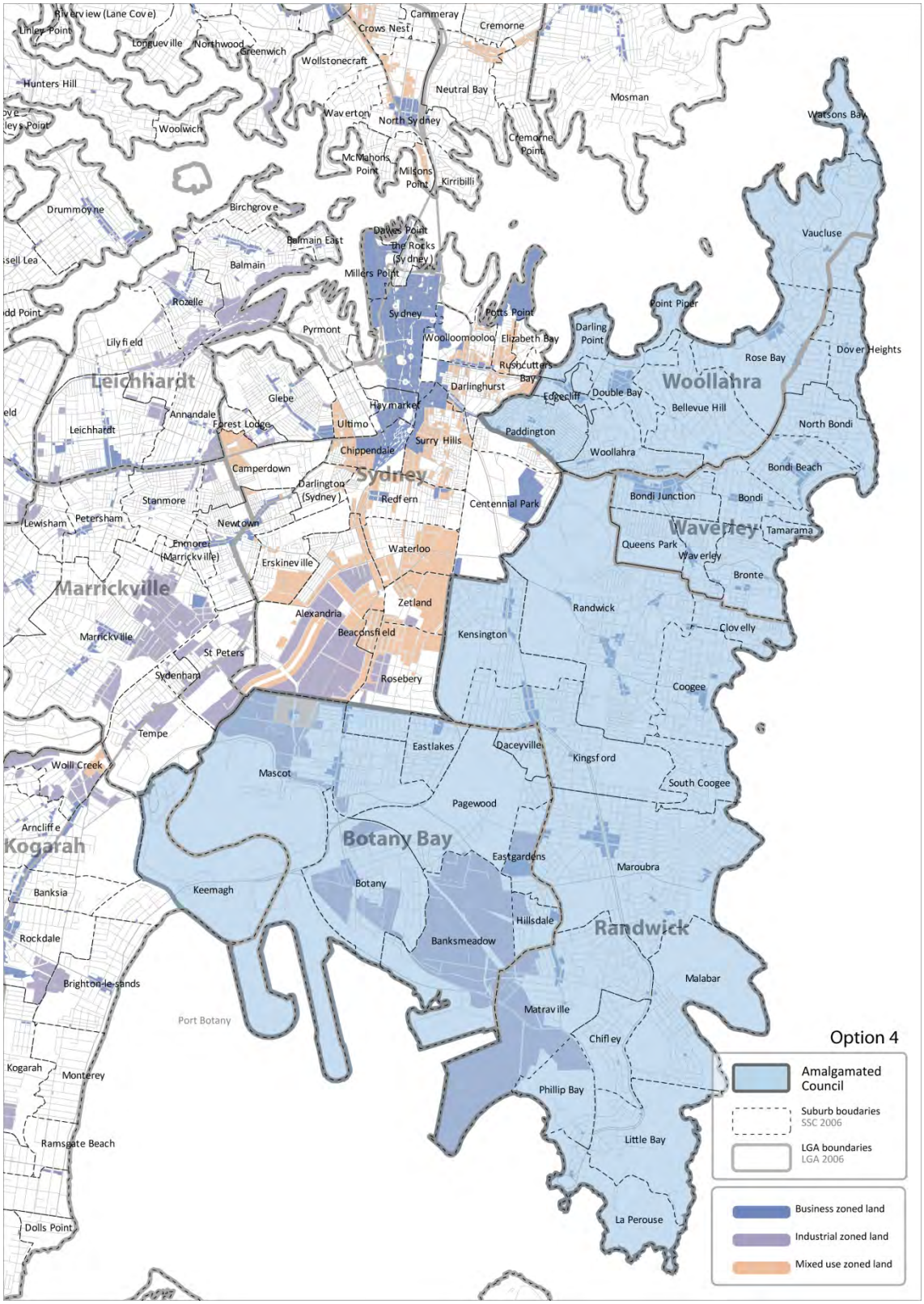
Source: SGS in discussion with Randwick City Council, 2012

FIGURE 33. AMALGAMATED COUNCIL BOUNDARY UNDER OPTION 3



Source: SGS in discussion with Randwick City Council, 2012

FIGURE 34. AMALGAMATED COUNCIL BOUNDARY UNDER OPTION 4



Source: SGS in discussion with Randwick City Council, 2012

Population and employment projections

The following tables show the employment and population/dwelling projections (prepared by Bureau of Transport Statistics) within the amalgamated council area by option. These forecasts are used to calculate the rate income and service cost in the financial analysis section.

TABLE 18. POPULATION PROJECTION (ESTIMATED RESIDENT POPULATION) BY OPTION

Amalgamated Council	2011	2016	2021	2026	2031	2036	2041	2046	Change 2011 - 2046	AAGR 2011 - 2046
Option 1	261,109	271,615	279,350	285,641	293,088	301,417	310,770	321,247	60,138	0.6%
Option 2	270,538	281,831	290,057	297,039	304,908	313,389	322,921	333,562	63,024	0.6%
Option 3	296,576	308,137	316,943	324,982	334,365	344,755	356,345	369,252	72,676	0.6%
Option 4	303,850	316,416	326,306	334,503	344,051	354,643	366,432	379,561	75,711	0.6%

Source: BTS, (2012), SGS calculation, AAGR (Average Annual Growth Rate).

TABLE 19. OCCUPIED PRIVATE DWELLING PROJECTION (HOUSEHOLDS) BY OPTION

Amalgamated Council	2011	2016	2021	2026	2031	2036	2041	2046	Change 2011 - 2046	AAGR 2011 - 2046
Option 1	110,817	116,097	119,982	123,257	126,925	130,911	135,229	140,025	29,208	0.7%
Option 2	114,415	120,050	124,154	127,739	131,611	135,692	140,110	144,997	30,583	0.7%
Option 3	124,351	130,233	134,654	138,774	143,359	148,316	153,673	159,590	35,239	0.7%
Option 4	127,262	133,586	138,491	142,716	147,405	152,474	157,942	163,976	36,714	0.7%

Source: BTS, (2012), SGS calculation, AAGR (Average Annual Growth Rate).

TABLE 20. EMPLOYMENT PROJECTION (PERSONS) BY OPTION

Amalgamated Council	2011	2016	2021	2026	2031	2036	2041	2046	Change 2011 - 2046	AAGR 2011 - 2046
Option 1	94,651	99,684	105,223	110,105	114,394	119,041	123,864	128,914	34,263	0.9%
Option 2	106,874	112,250	118,042	124,277	129,679	134,995	140,600	146,296	39,422	0.9%
Option 3	116,394	122,272	128,496	135,167	141,066	146,945	153,161	159,347	42,952	0.9%
Option 4	155,602	162,659	169,773	176,533	183,402	190,413	197,921	205,869	50,267	0.8%

Source: BTS, (2012), SGS calculation, AAGR (Average Annual Growth Rate).

6 OPTIONS ANALYSIS

6.1 Financial analysis

Assumptions

Following are some of the overarching assumptions adopted in the financial modelling:

- The period of the financial analysis is 2011 to 2020 (10 years).
- Rates and annual charges increase at the IPART approved[6] rate peg of 2.8 percent (this includes the productivity factor).
- Services costs exclude depreciation costs and are annually inflated using a CPI of 2.5 percent.
- It is assumed that the amalgamation process takes 3 years (with initially the amalgamated entities maintaining the current operational structure and that integration into a revised operational structure occurs progressively) and as a result there is no change in service costs for the first three years. Costs associated with amalgamation have been assumed to be offset by service cost savings in this initial period.
- In options 1 to 4, the sale of existing depots (since Waverley's Council's new depot site in Alexandria is deemed sufficient for the amalgamated Council) will generate one-off surplus funds (from the sale of land) of approximately $53 million envisaged in the fourth year after amalgamation. This in line with the timing of the transition to the lower cost structure (three years after amalgamation).
- In options 1 to 4, it is assumed that the cost of acquiring suitable office space will be offset by the proceeds from the sale of any surplus existing administration buildings (i.e. cost neutral**).**
- The Council advised SGS that its investment return target is 0.5% above the 90 day commercial bank bill rate. In line with the expected return on investment in Randwick's draft Long Term Financial Plan for 2013, we have used a nominal discount rate of 5 percent to calculate the Present Value (PV) of future cash flows for all cost and revenue items; except the asset uplift cost which is discounted at the rate at which it is escalated – 3.3 percent.
- For options 1 to 4, the modelling has used Randwick's current per dwelling service costs for all expenditures except parking areas, health, environment, and recreation and culture.
- Parking areas expenditure does not grow with population. It is assumed that there is no expansion of metered-zones in the next 10 years. However, it does grow in line with CPI.
- It is assumed that three years after amalgamation, governance costs would be changed to current Randwick Council per dwelling rates. Given the uncertainty associated with estimating governance expenditure of a much larger amalgamated council, Randwick per dwelling cost of governance is applied to the base case population in 2011 for all options after the first three years. However, governance costs do not grow with population. This accounts for additional expenses that may arise in the governance of a much larger council, without real growth over time.
- The nominal (CPI) and real growth assumptions for non-rate/annual charge operating revenues, capital income, and capital expenditure are unchanged as they are based on the Long Term Financial Plan data for each LGA, collated and provided by Randwick Council.
- The costs and revenues items from Botany Bay's financial projection (collated and provided by Randwick Council) are scaled by the share of its population transferred to the amalgamated council in Option 2 (22 percent), Option 3 (82 percent), and Option 4 (100 percent).
- Where values are not available (Botany Bay for instance) in the LTFP, existing values are adjusted by CPI to fill in the gaps.
- The additional cost of bringing assets to satisfactory condition (asset uplift cost) is spread of 10 years. The asset uplift cost is assumed to grow at 3.3 percent (including 2.8 percent as per the average Building Price Index and an assumed 0.5 percent per annum of asset depreciation that would need to be recovered) over that period.

[6] IPART, Local Government Cost Index, *Local Government – Information Paper*, December 2010.

Dwelling and job projections

BTS (2012) employment and dwelling projections are used to calculate the rate base and service cost required (see tables 20-21). As expected, Option 4 has the highest population and employment. The BTS projections are applied to per dwelling service costs (except parking areas) and per dwelling residential rates, and per job business rates. However, employment in the airport and port is not included in the projected employment of any option since business rates do not apply. Revenue from the airport (maintenance fee and ex gratia payment), and port are separately accounted for in the relevant options[7].

It should be noted that using the BTS projections results in incomes projections higher than those in the LTFP of the four councils. This is because the BTS projections imply a higher growth in the rate base (dwellings and jobs) than that assumed in the LTFPs. Using BTS projections results in common growth assumptions across options. In any event, the ranking of the options is not affected by this choice.

Operating revenues

Upon amalgamation in Option 1 to 4, it is assumed that households and businesses would be subject to the current rates and annual charges.

The analysis in this report models no change to rating structure. The projected operating income does not take into account the 3-year special rate variation that has been approved in Waverley. A sensitivity analysis regarding reduction in income from rates is completed in the later section.

It should be also noted that the difference between LTFP rate income and modelled rate income is primarily due to the usage of BTS dwelling and employment projections (BTS dwelling and employment growth rates are higher than those implied in the LTFP). In addition, the usage of *average* residential rates (per dwelling) and *average* business rates (per employee) is not likely to capture the variation in business and residential rates in the study areas.

It should also be noted that majority of the job growth in Randwick is expected to occur in the health and education sectors, part of which may be exempt from the business rates. Applying the average per job business rate to jobs in all industries may therefore overestimate the increase in business rates in Randwick LGA. However, the approach is considered more adequate for other LGAs such as Botany Bay, where most of the job growth is forecast to occur in industries which attract business rates.

Overall, this approach is to capture the likely increase in rates resulting from employment and dwelling growth and is considered appropriate for the purpose of this high-level analysis.

While not modelled, it is proposed that any amalgamated Council could retain the existing rating structures of the former councils for a period of four years, with the new rating structure phased in over this period. This is similar to the transitioning arrangement that took place in Queensland.

In regards to rating, potential amendments to the Local Government Act have been identified by Randwick Council, to ensure an equitable system of rating across a larger LGA. This could include changes such as:

- Increase the permitted maximum percentage of yield from the base rate (currently 50%)
- Increase the principle maximum number of assessments charged the minimum rate (currently 50% based on Sutton-v-Blue Mountains 1977), and
- Amend the statement that “rating is intended to be primarily and predominantly determined on an ad valorem system.”

[7] Also note that port and airport revenues are not part of the per job business rate used in the model.

Discussion

These changes would permit the Council to increase the minimum rate, resulting in higher rate charges for those living in strata apartments and a small number of houses. At present 381 houses in Randwick City, located mainly in the southern suburbs, are charged minimum rates. These properties are predominantly semi-detached dwellings and single dwellings on very small blocks of land and/or located on main roads. Should modelling indicate that there may be some hardship caused due to changes in the rating system, especially in the disadvantaged south of the City, a subsidy would be considered to ease the impact of proposed increases.

According to the 2011 Census 50% of dwellings in the eastern suburbs region are apartments, housing 45% of the population. As the region grows this number is expected to increase in line with NSW planning targets. The minimum rate needs to increase to ensure all residents are contributing equitably towards the services provided by the Council. Issues with the current system include:

- *a primarily and predominantly ad valorem rating structure does not fairly rate apartments because the land value apportioned to the property is so low with no relevance to the actual market value of the property or the owner's capacity to pay. For example, the rateable land value of a 285m2 four bedroom penthouse apartment in Coogee with ocean views is $271,150. The property attracts the minimum rate, despite a market value of almost $2m. A 240m2 four bedroom semi in Clovelly also valued at $2m is charged double the minimum rate due to its $743,000 land value.*
- *the land value apportioned to apartments in high rise buildings is very low resulting in very low rates under an ad valorem system. Two bedroom apartments in a new high rise building located in Maroubra Junction have only been apportioned a rateable land value of $41,790, despite their market values being in excess of $630,000 each.*
- *residents of apartments tend to generate a higher demand on Council services than residents of houses, particularly recreation and leisure facilities, parking management schemes, stormwater system capacity and illegal dumping (approximately 85% of illegal dumping in Randwick City occurs near apartment blocks).*
- *The current rating system needs to change to reflect the growing number of apartments in the inner city, the lack of correlation between the rateable value of these properties and their market values and the benefits received by these residents.*

A maximum residential rate would be considered as a safety net for single dwelling properties, where the highest rate for a single dwelling property on an average residential size parcel of land would not be greater than three or four times the minimum rate. For example, at a minimum rate of $650 per year, the highest residential rate for a single dwelling would be $2,600. The financial impact of the maximum rate would be offset by the higher minimum rate.

Source: Randwick City Council 2013

The following non-rate-based revenues are sourced from Long Term Financial (LTFP) plan data collated and provided by Randwick Council:

- Statutory and Regulatory Charges
- Other User Charges & Fees
- Operating Grants
- Investment Income
- Commercial Activity Revenue, and
- Other Revenues.

Since Option 4 includes the airport, the maintenance fee payment of $4 million and ex gratia payment of $2 million is included for this option only. These are CPI indexed from 2011 onwards. For the base case, and Options 1 – 3 (which do not include the airport), these revenue items are removed from non-rate based revenues (user charges and fees, and grants and contributions)in Botany Bay's LTFP.

In addition, based on 2011 rate income data provided by Randwick Council, Randwick generates $2.21 million per annum, while Botany Bay generates $960,000 per annum from Port Botany. Botany Bay's share of port income is included for all options except Option 1 since it does not include any part of Botany Bay.

Operating expenditure – first three years

As noted earlier, it is assumed within the modelling that there is no change to service costs in the first three years of amalgamation. Any savings in this period are assumed to be allocated to costs associated with amalgamation (i.e. cost neutral). In this case it is assumed that average service costs in Botany Bay, Randwick, Waverley, and Woollahra continue for the first three years. Following this three year period the Randwick LGA's average service costs are generally applied.

The following table shows average service costs (weighted by each LGAs current population under each option) per dwelling in the first three years.

TABLE 21. WEIGHTED AVERAGE SERVICE COSTS PER DWELLING -FIRST THREE YEARS

Service costs	Base case	Option 1	Option 2	Option 3	Option 4
Governance	$61	$52	$55	$61	$63
Administration	$371	$353	$358	$371	$374
Public order and services	$140	$157	$152	$140	$137
Health	$17	$20	$19	$17	$17
Environment	$420	$459	$448	$420	$412
Community services and education	$161	$155	$157	$161	$162
Housing and community amenities	$290	$226	$245	$290	$301
Recreation and culture	$411	$399	$403	$411	$414
Construction	$38	$43	$42	$38	$37
Transport and communication (excluding parking areas)	$129	$90	$101	$129	$136
Economic affairs	$17	$19	$18	$17	$16
Total service costs per capita (excluding parking areas)	**$2,055**	**$1,974**	**$1,998**	**$2,055**	**$2,071**

Source: SGS, (2012) calculation, data provided by Randwick Council. Depreciation has been removed by SGS.

Since Waverley Council has substantial expenditure in generating substantial parking related income, we remove Parking Area expenditure (which excludes depreciation) from the Transport and Communication service category. It is assumed that parking area expenditure does not grow with population. It is separately accounted for in the model in addition to the above service cost. Based on data collated and provided by Randwick Council, following are the parking area expenditures (in $'000) used in the model:

- Botany Bay $9
- Randwick $3,239
- Waverley $9,564
- Woollahra $739

The above figures are aggregated for various options to include the cost for relevant LGAs. Botany Bay's parking area expenses are scaled by the share of its population transferred to the amalgamated council in Option 2 (22 percent), Option 3 (82 percent), and Option 4 (100 percent).

Operating expenditure – after the first three years

The modelling assumes that all services - **except health, environment, recreation and culture and parking areas** (originally in the transport and communication service area) **-** adopt Randwick LGA's average service costs per dwelling. Health costs remain unchanged since Randwick Council does not spend a comparable amount on health services to the other Councils. However, the service areas of environment, recreation and culture remain unchanged because they do not appear to exhibit economies of scale (i.e. expenditure may be related to historical provision of open space within an LGA or policy decisions relating to expenditure on the environment). For these services, amongst the four councils considered, councils with higher population do not appear to have a lower average cost for these two services.

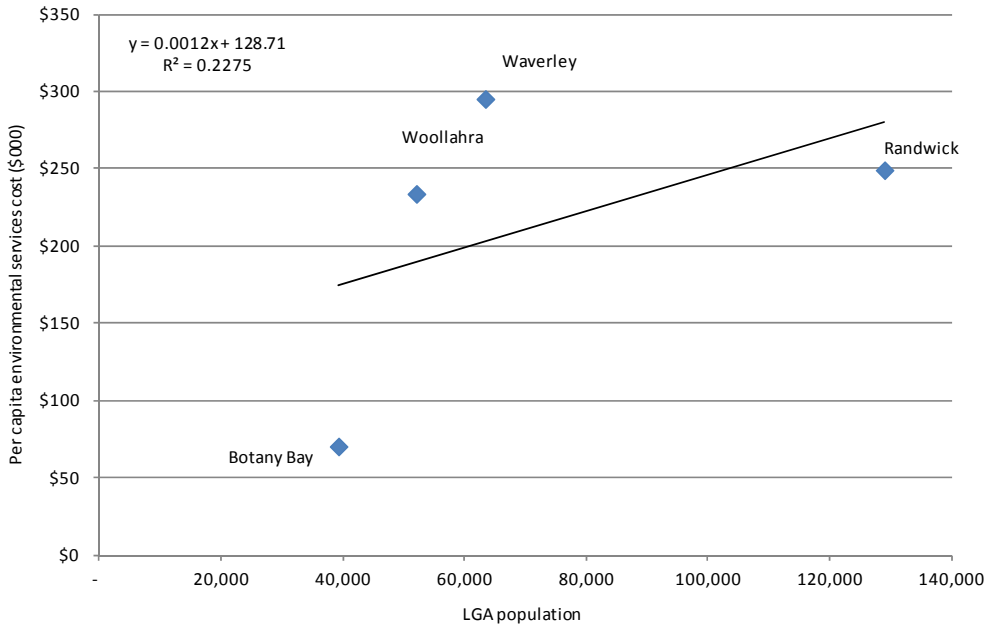
The remaining services are expected to experience economies of scale, scope and specialisation. These efficiencies - generated from the larger size of the amalgamated council - are expected to result in lower average costs per capita as experienced in the larger Council of Randwick. This conservation approach has been adopted for this high level analysis. Greater detailed analysis of the potential for change in service costs could be undertaken at a later date in consultation with councils subject to this analysis.

Economies can relate to the following:

- **Economies of scale** - Conditions under which an increase in output (the quantity of goods and services produced) results in a reduction in per unit costs. These conditions arise where the production of goods or services includes large fixed costs, so that as output increases, the unit costs decline, as the fixed costs of production are spread over a larger base.
- **Economies of scope** - This is achieved where the delivery of more than one type of good or service by a single organisation delivers a lower average cost of production than if those services were provided by separate organisations. This generally results where complementary production processes are combined into a single entity.
- **Economies of specialisation** - As the size of organisations grows, so does their capacity to employ specialised resources and utilise them in undertaking specialised activities.

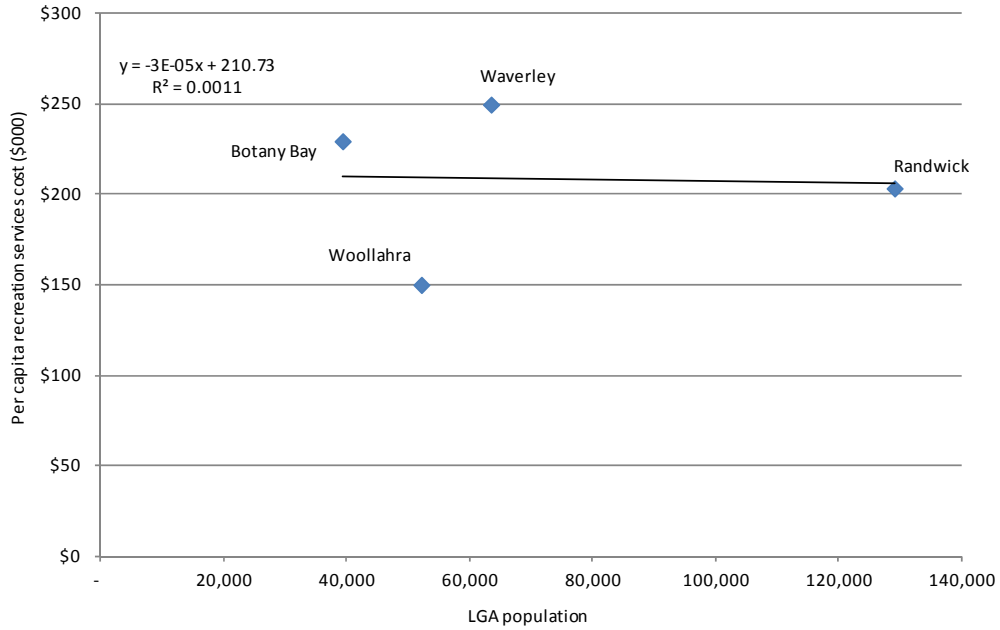
For the purposes of this analysis, the change in population service costs have been modelled on the potential of achieving the per population service costs that Randwick currently achieves (due to management systems and expertise as the basis for the analysis of change in service costs.

FIGURE 35. RELATIONSHIP BETWEEN POPULATION AND PER CAPITA ENVIRONMENTAL SERVICES COST



Source: SGS (2012), data compiled and provided by Randwick Council

FIGURE 36. RELATIONSHIP BETWEEN POPULATION AND PER CAPITA RECREATION AND CULTURAL SERVICES COST



Source: SGS (2012), data compiled and provided by Randwick Council

The following table shows average service costs under each option after the first three years. Administration cost under the base case is the highest service cost compared to the options. Real governance cost is held constant at 2011 levels and does not rise with population. Given the uncertainty associated with estimating governance expenditure of a much larger amalgamated council, Randwick per dwelling cost of governance is applied to the base case population in 2011 for all options after the first three years. Note that the governance cost under the base case appears to be lower than the costs under other options, because Waverley attributes no cost to governance and base case uses the weighted average of per-dwelling governance costs in all four councils. On the other hand, the amalgamation options use the Randwick cost from year 3 onwards. These per dwelling average service costs are applied to the BTS dwelling projections to derive total operating expenditure by service function.

TABLE 22. AVERAGE SERVICE COST PER DWELLING - AFTER THE FIRST THREE YEARS

Service costs	Base case	Option 1	Option 2	Option 3	Option 4
Governance (does not increase with population)	$61	$63	$63	$63	$63
Administration	$371	$64	$64	$64	$64
Public order and services	$140	$125	$125	$125	$125
Health	$17	$20	$19	$17	$17
Environment	$420	$459	$448	$420	$412
Community services and education	$161	$95	$95	$95	$95
Housing and community amenities	$290	$221	$221	$221	$221
Recreation and culture	$411	$399	$403	$411	$414
Construction	$38	$46	$46	$46	$46
Transport and communication (excluding parking areas)	$129	$73	$73	$73	$73
Economic affairs	$17	$7	$7	$7	$7
Total service costs per capita (excluding parking areas)	**$2,055**	**$1,572**	**$1,563**	**$1,542**	**$1,536**

Source: SGS, (2012) calculation, data provided by Randwick Council. Depreciation has been removed by SGS.

Give that Option 4 includes the airport, based on advice from Randwick Council, we include an additional $400,000 per annum (growing at CPI from 2011 onwards) for airport related maintenance after the first three years. This is because this additional maintenance expenditure is unlikely to be captured in Randwick's per dwelling service costs. However, since 100 percent of Botany Bay's per dwelling costs are applied for the first three years under Option 4, airport maintenance expenditure is fully captured in the first three years.

Parking area expenditure (which remains unchanged in real terms after the first three year) is added on top of the service costs identified in the table above.

Capital income and expenditure

All capital income items (capital income, proceeds on asset disposal) and capital expenditure items are sourced from each Council's long term financial plan data (or projections for Botany) collated and provided by Randwick City Council. The inflation (nominal) and real growth assumptions inherent in these figure, have not been altered and are different to those adopted by BTS projections. Where projections are not available in the LTFP (Botany Bay), existing values are appropriately adjusted using the CPI rate of 2.5 percent per annum to derive missing projected values.

Under the current plans for Councils there is significant expenditure for a 'backlog' of infrastructure upgrades that would be required to bring the current assets to satisfactory level (asset uplift value). Following is the projected expenditure required for each LGAs infrastructure to bring up to a satisfactory level (as reported in each council's 2010-11 Financial Reports):

- Botany Bay $36,905,000.
- Randwick $ 0 (Asset upliftment costs already included in LTFP capital expenditures)
- Waverley $29,030,000, and
- Woollahra $11,410,000

This is implies a total asset uplift cost of $77,345,000 across all four LGAs in addition to the renewal expenditures identified under the LTFPs. This amount is spread over 10 years and expected to appreciate at 3.3 percent per annum. This implies a present value of $77.35 million when discounted back to present value using a discount rate of 3.3 percent. That is, a one-off cost of $77.35 million would be incurred, should the asset uplift be undertaken in year one. The asset upliftment cost for Botany Bay is only included in the Base case and Options 2 to 4, and apportioned by the share of its 2011 population in each option.

6.2 Financial analysis results

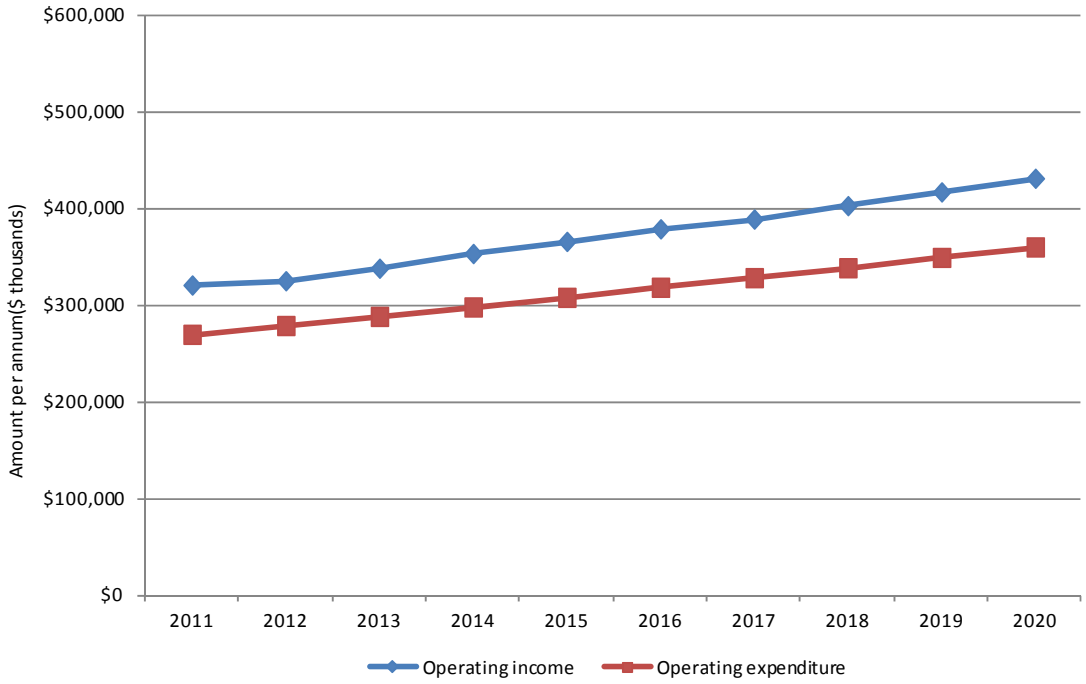
Base case

As noted earlier, the base case is the combination of all financial flows from Randwick, Waverley, Woollahra, and 82 percent of Botany Bays (based on the current population in Option 3). As such, the base case is *only* directly comparable to Option 3 and not directly comparable to Options 1, 2, and 4. Nevertheless, the base case accounts for the current structure (four independently operating Councils) and financial flows of the eastern suburb Councils. The financial results reported below are simply the aggregation of the projected financial flows from each independent Council.

It is important to note that the results reported below are based on BTS dwelling and employment projections. This implies a higher growth in the rate base (dwellings and jobs) than implied in the projected rate incomes in the LTFP of the each Council.

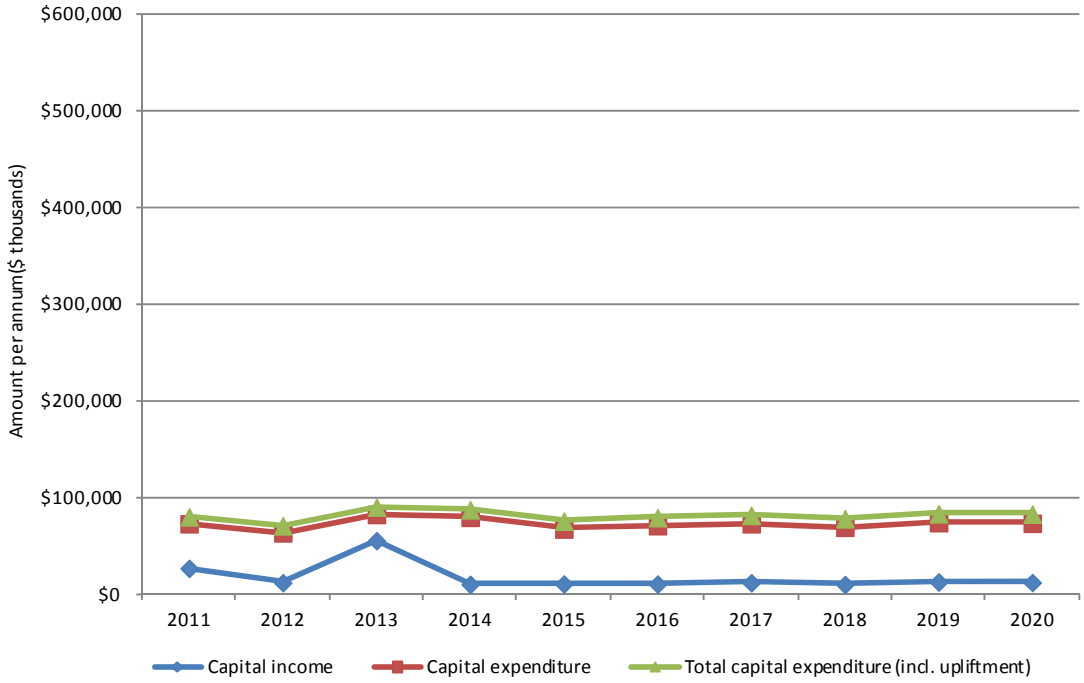
The following figures show the projected income and expenditure from 2011 to 2020. The aggregated operating financial income for the four councils is consistently higher than the expenditure, while it is the opposite for the capital flows.

FIGURE 37. OPERATING INCOME AND EXPENDITURE – BASE CASE



Source: SGS, (2012).

FIGURE 38. CAPITAL INCOME AND EXPENDITURE – BASE CASE

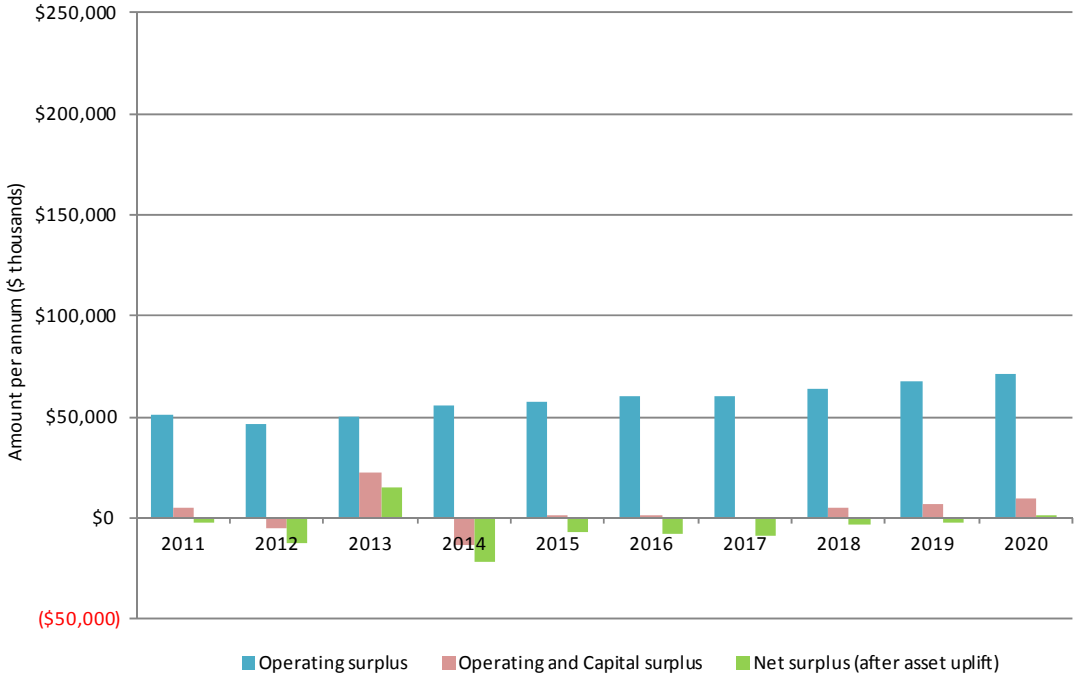


Source: SGS, (2012).

The differences between the green and red lines are the amount of asset backlog that would be reduced over time. It is assumed that the identified asset uplift would be fulfilled by the end of 10 years under the base case and other four amalgamation options.

The following figure shows the operating, operating and capital, and net surplus (after asset uplift) for the base case. Given that the BTS projections indicate a higher rate base, the implied operating income (and surplus) under the base case is higher than the LTFPs. This results in a minor surplus (before the asset uplift) in most years under the base case of three separate councils. This result is mainly due to Randwick's surplus. However, there is a consistent deficit after the additional cost of bringing assets to satisfactory condition.

FIGURE 39. SURPLUS/DEFICIT – BASE CASE



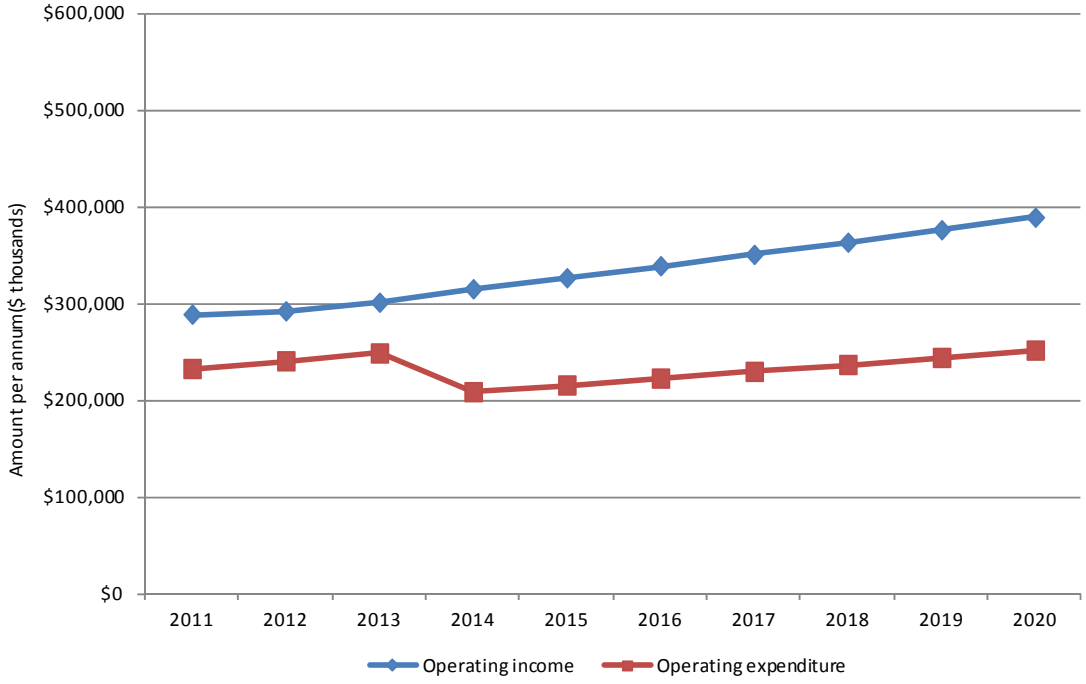
Source: SGS, (2012).

Option 1

As noted earlier, this option models the combination of Randwick, Woollahra, and Waverley LGAs. The main difference compared to the base case is that under this option the service costs utilise Randwick LGA's lower average service costs in an attempt to simulate efficiencies gained from economies of scale, and this option does not include any part of Botany Bay.

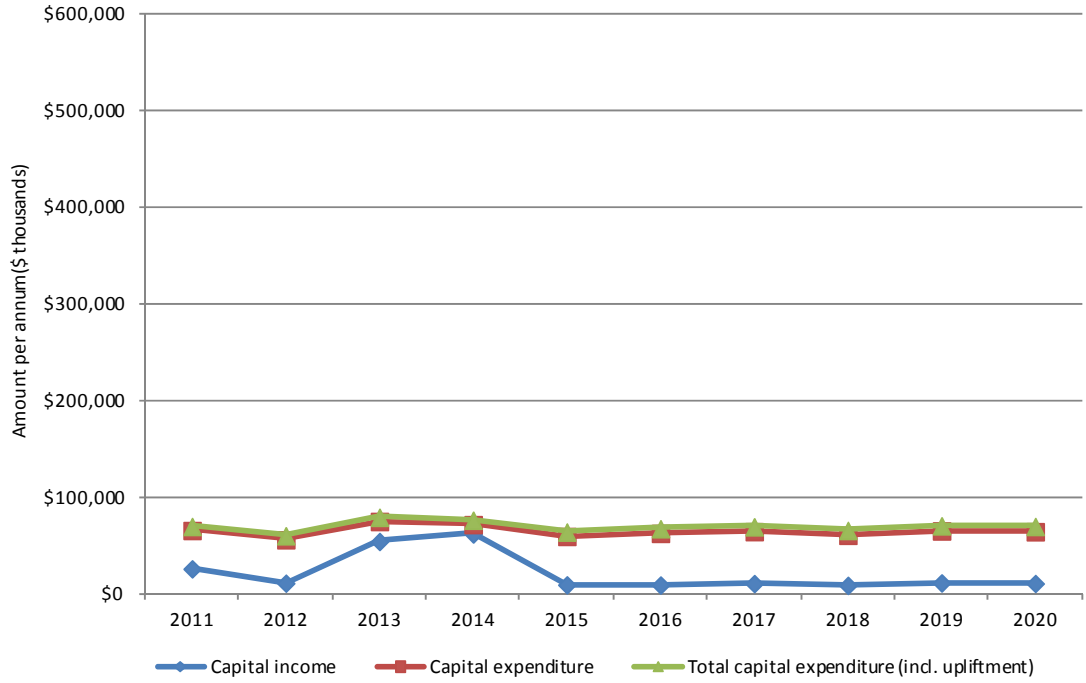
The following figures show the projected income and expenditure from 2011 to 2020. The operating financial income for this option is consistently higher than the expenditure, while it is the opposite for the capital flows. Notably, operating expenditure falls after the first three years. This is in line with the assumption that it takes three years for the amalgamation reforms to have a material impact on the average cost of service provision.

FIGURE 40. OPERATING INCOME AND EXPENDITURE – OPTION 1



Source: SGS, (2012).

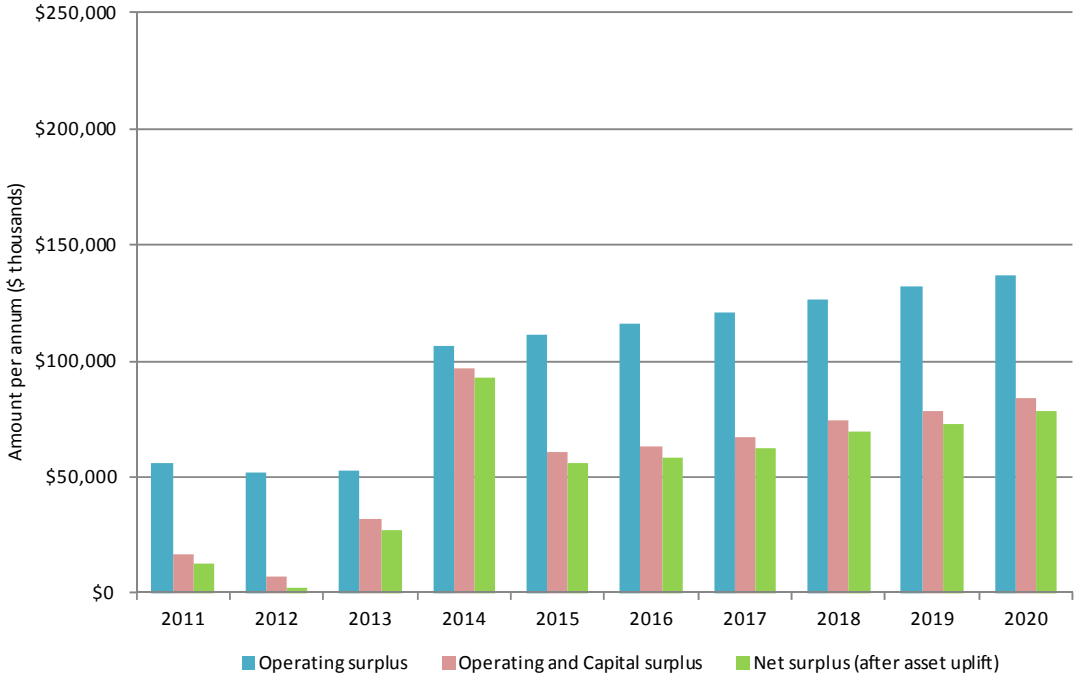
FIGURE 41. CAPITAL INCOME AND EXPENDITURE – OPTION 1



Source: SGS, (2012).

The following figure shows the operating, operating and capital, and net surplus (after asset uplift) for Option 1. Given the larger rate base and lower cost structure, there is an average net surplus (operating and capital) present value of around $45 million per annum under this option. Even with the annual cost of bring the assets to satisfactory condition (around $4 million per annum), there is still a solid surplus projected.

FIGURE 42. SURPLUS/DEFICIT – OPTION 1



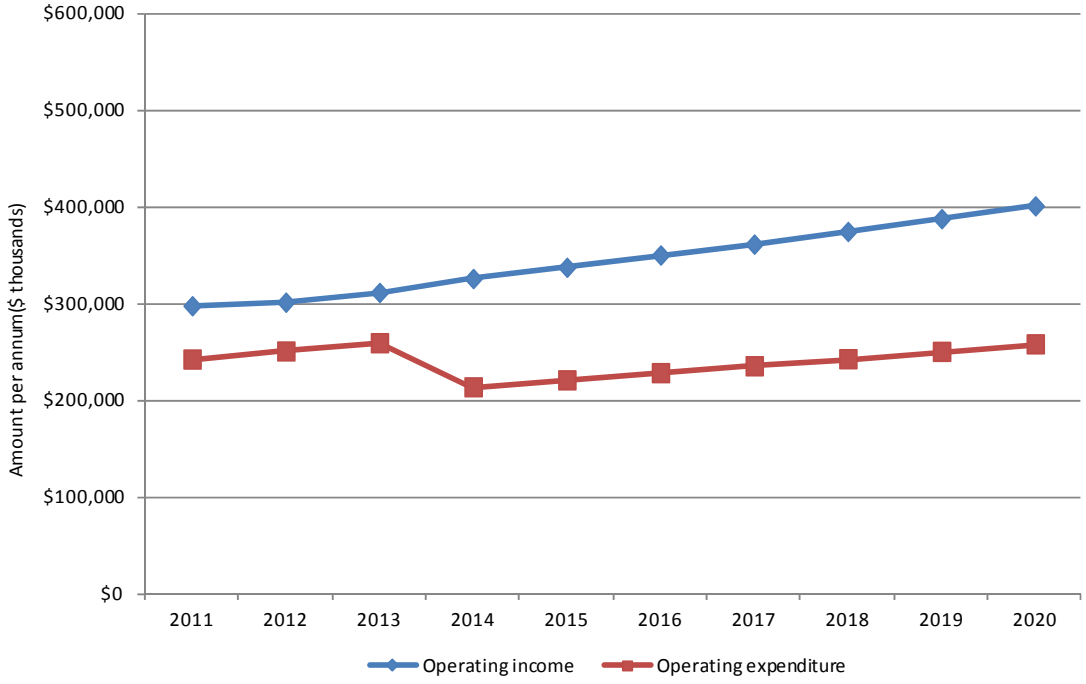
Source: SGS, (2012).

Option 2

As noted earlier, this option models the combination of Randwick, Woollahra, and Waverley LGAs and a portion of Botany Bay (around 22 percent of its current population). As before, the main difference compared to the base case is that under this option the service costs utilise lower Randwick LGA's average service costs in an attempt to simulate efficiencies gained from economies of scale.

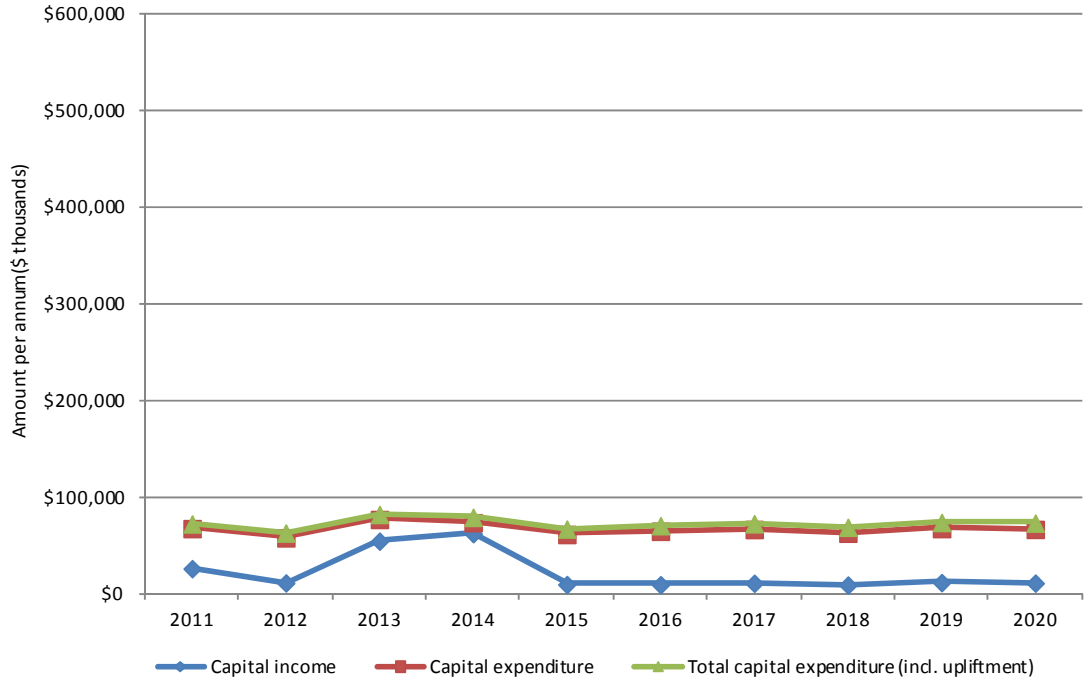
The following figures show the projected income and expenditure from 2011 to 2020. The operating financial income for this option is consistently higher than the expenditure, while it is the opposite for the capital flows. As before, operating expenditure falls after the first three years once Randwick average service costs are applied. Operating revenue under this option is higher that Option 1 given the larger rate base.

FIGURE 43. OPERATING INCOME AND EXPENDITURE – OPTION 2



Source: SGS, (2012).

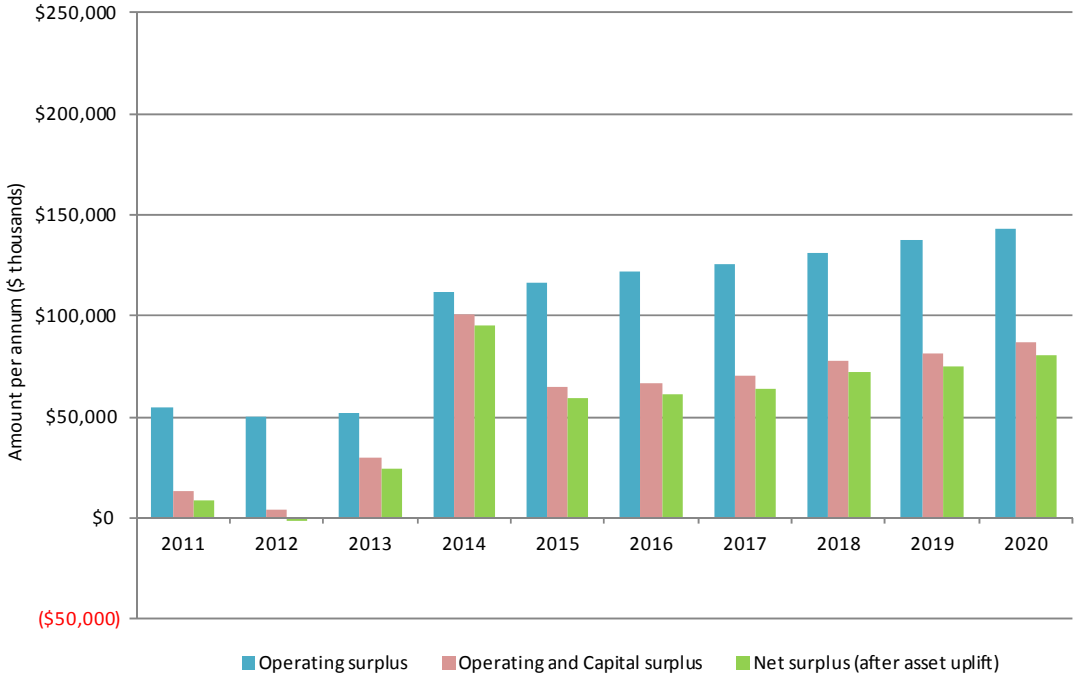
FIGURE 44. CAPITAL INCOME AND EXPENDITURE – OPTION 2



Source: SGS, (2012).

The following figure shows the operating, operating and capital, and net surplus (after asset uplift) for Option 2. Given the larger rate base (and the growth in the rate base implied by BTS projections) there is an average net surplus (operating and capital) present value of around $46 million per annum under this option. The surplus after the annual asset upliftment cost is still substantial. This suggests that amalgamation may provide the larger council with surplus funds to improve asset quality sooner than otherwise possible.

FIGURE 45. SURPLUS/DEFICIT – OPTION 2



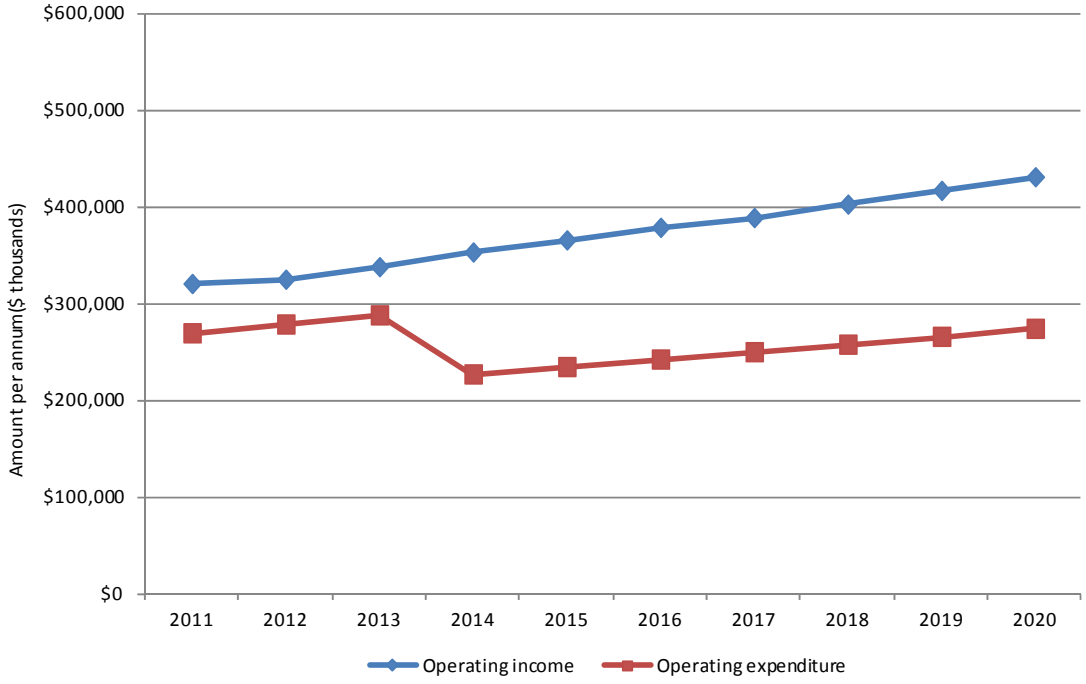
Source: SGS, (2012).

Option 3

Option 3 comprises of Randwick, Woollahra, and Waverley LGAs and a portion of Botany Bay (around 82 percent of its current population). As before, the main difference compared to the base case is that under this option the service costs utilise Randwick LGA's lower average service costs in an attempt to simulate efficiencies gained from economies of scale, scope and/or specialisation.

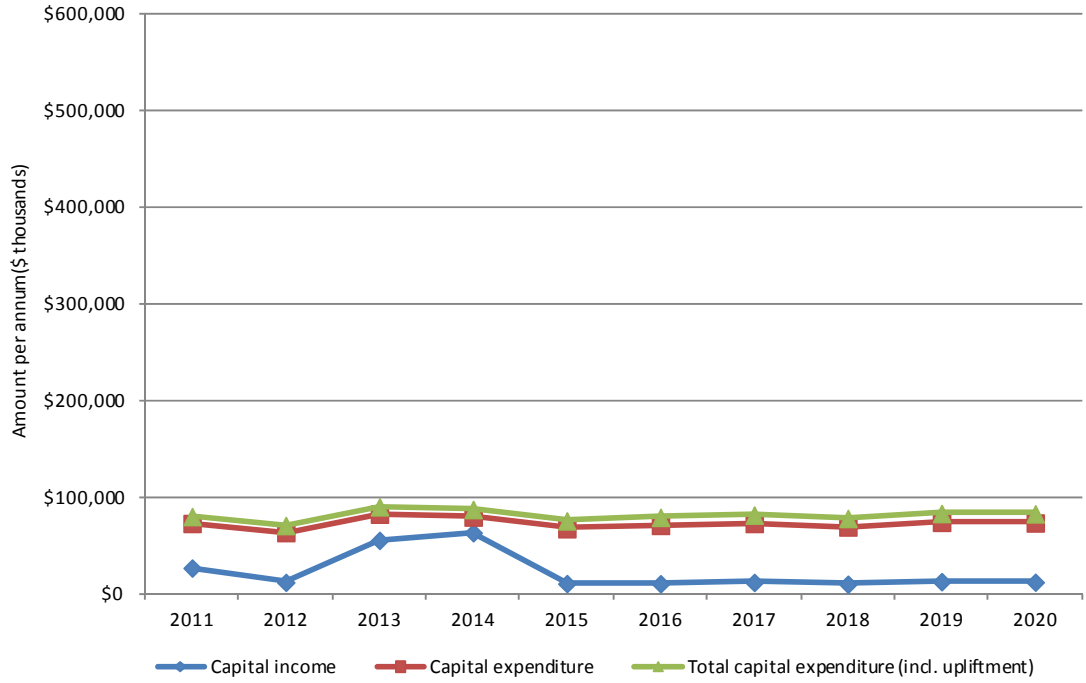
The following figures show the projected income and expenditure from 2011 to 2020. The operating financial income for this option is higher than the expenditure, while it is the opposite for the capital flows. Operating revenue under this option is higher than all options and the base case due to the larger rate base. As a result there is a larger operating surplus than the previous options.

FIGURE 46. OPERATING INCOME AND EXPENDITURE – OPTION 3



Source: SGS, (2012).

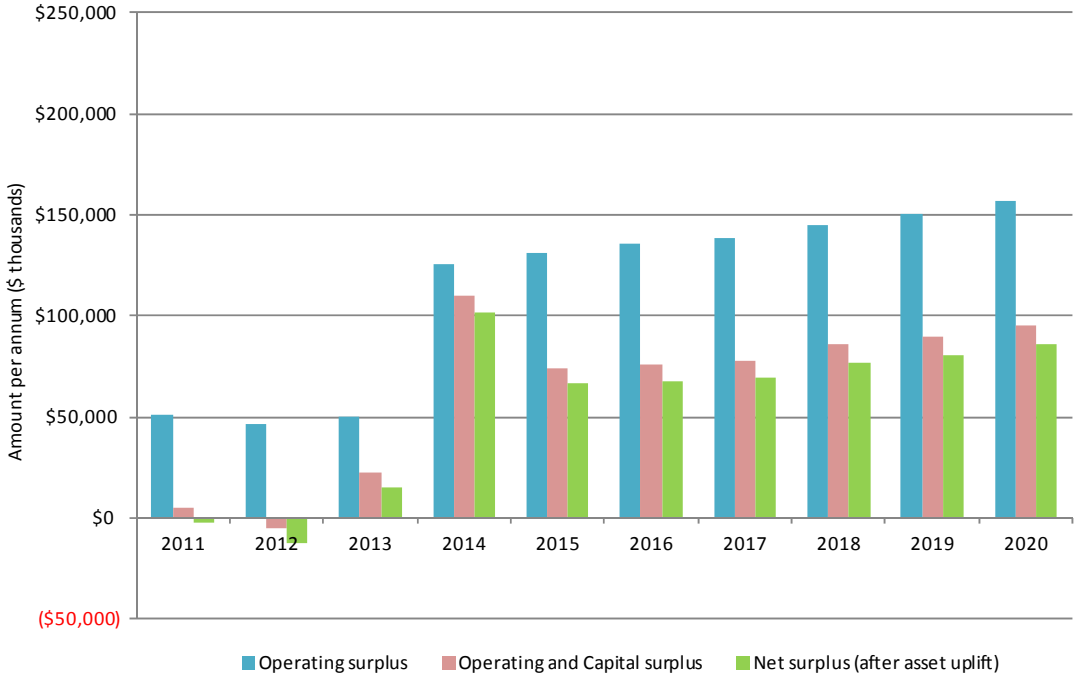
FIGURE 47. CAPITAL INCOME AND EXPENDITURE – OPTION 3



Source: SGS, (2012).

The following figure shows the operating, operating and capital, net surplus (after asset uplift) for Option 3. Similar to the other options, the extra cost of bringing current assets up to satisfactory condition can be easily accommodated when spread over 10 years. Given the larger rate base there is an average net surplus (operating and capital) present value of around $48 million per annum under this option.

FIGURE 48. SURPLUS/DEFICIT – OPTION 3



Source: SGS, (2012).

Option 4

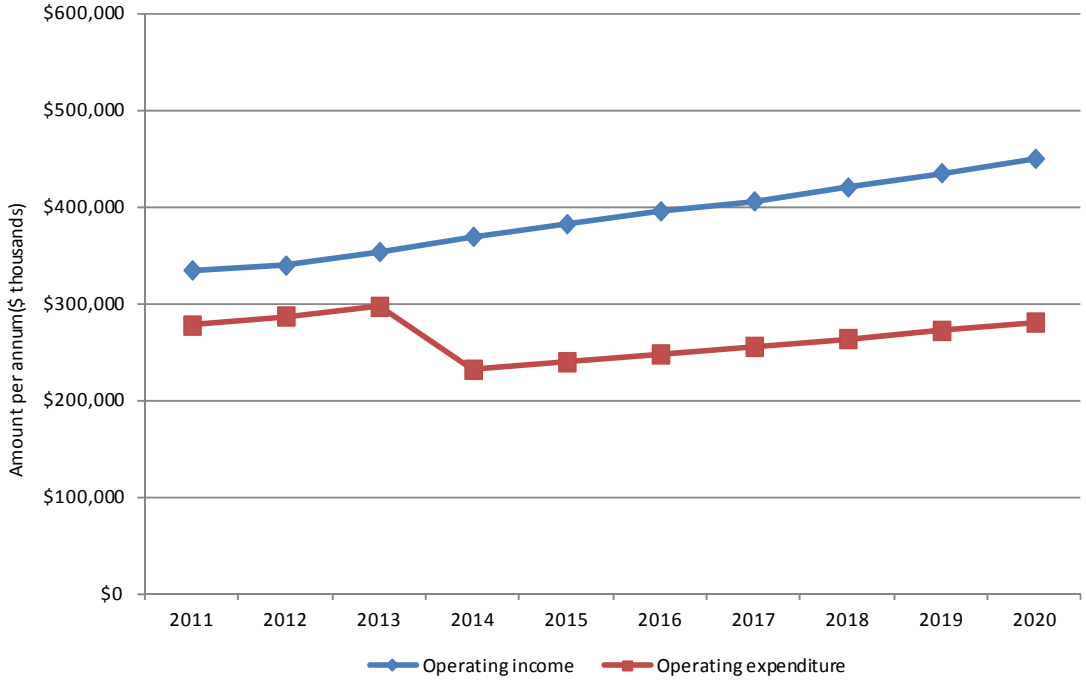
Option four comprises of Randwick, Woollahra, Waverley, and Botany Bay LGAs. As before, the main difference compared to the base case is that under this option the service costs utilise Randwick LGA's lower average service costs in an attempt to simulate efficiencies gained from economies of scale, scope and/or specialisation. Note that, businesses located in the airport are not subject to business rates. As such, BTS job projections for the airport are not applied to the average business rates for this option[8].

Instead, Botany receives annual maintenance fees (of $4 million) and ex gratia rates (of $2 million) from the airport. These revenues; which were excluded from Options 1 to 3, are separately accounted for under this option.

The following figures show the projected income and expenditure from 2011 to 2020. The operating financial income for this option is higher than the expenditure, while it is the opposite for the capital flows. Operating revenue under this option is higher than all options and the base case due to the larger rate base. As a result there is a larger operating surplus than all other options.

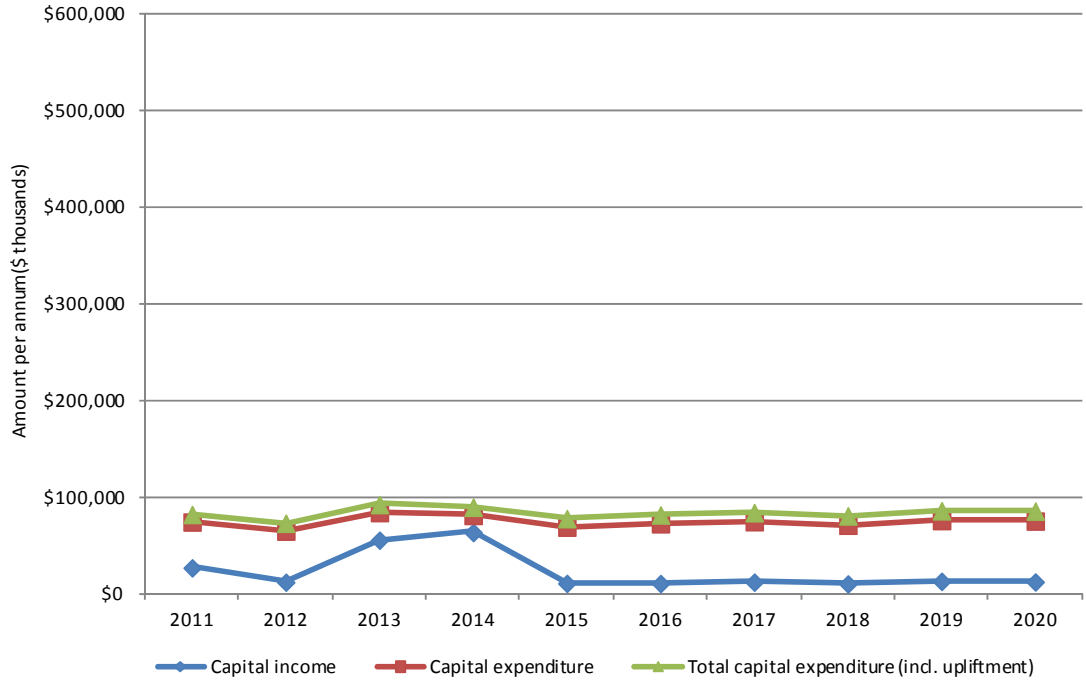
[8] Also note that port and airport revenues are not part of the per job business rate used in the model.

FIGURE 49. OPERATING INCOME AND EXPENDITURE – OPTION 4



Source: SGS, (2012).

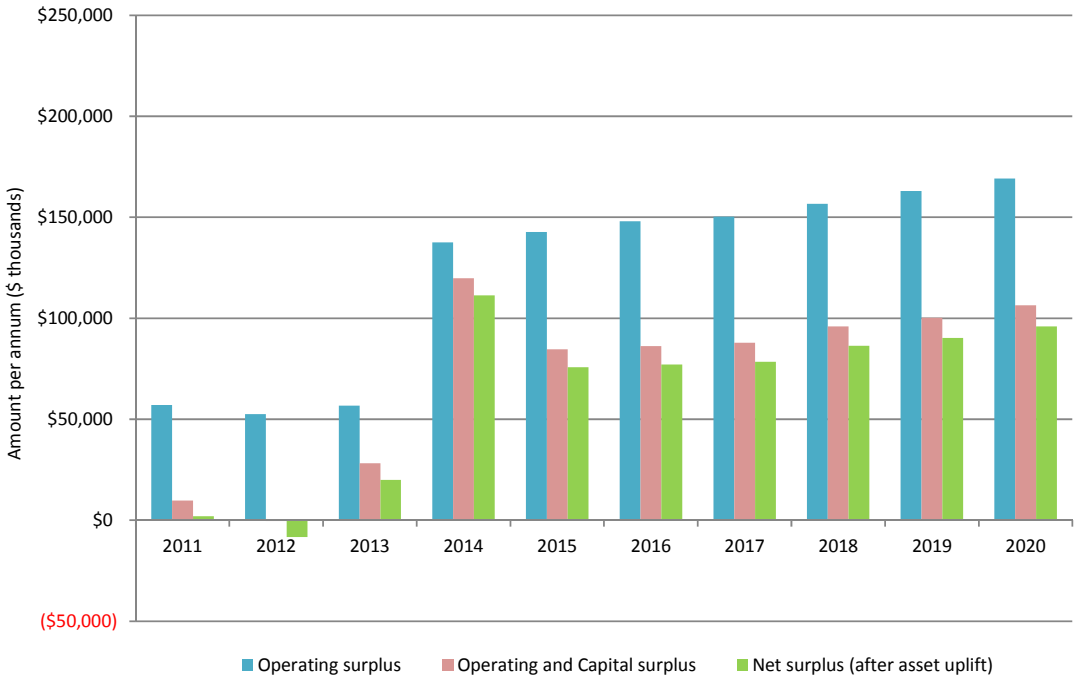
FIGURE 50. CAPITAL INCOME AND EXPENDITURE – OPTION 4



Source: SGS, (2012).

The following figure shows the operating, operating and capital, net surplus (after asset uplift) for Option 4. Similar to the other options, the extra cost of bringing current assets up to satisfactory condition can be easily accommodated when spread over 10 years. Given the larger rate base there is an average net surplus (operating and capital) present value of around $55 million per annum under this option.

FIGURE 51. SURPLUS/DEFICIT – OPTION 4



Source: SGS, (2012).

Present value comparison of options

The in-depth options analysis in the preceding section shows the projected annual cash flows under each option. It is however difficult to directly compare the results from each option. For that reason, the financial flows are converted to their present values using a nominal (based on Council's return on investment) discount rate of 5 percent for all items except the asset uplift cost which is discounted at 3.3 percent. The present value conversion provides a comparison of future financial flows in terms of their worth in 2011. This enables comparison.

In addition to the financial flows shown in the preceding section, the table below shows the net surplus after the debt repayments for Woollahra and Waverley Councils. This comparison shows that Option 4 clearly makes the most financial surplus of the four options. This is due to the larger rate base under this option. At its core, this result is driven by the fact that the average service cost is lower than the average revenue from both residents and businesses. As a result, the broadening rate base increases the operating surplus.

TABLE 23. PRESENT VALUES COMPARISON OF OPTIONS - (2011-20)

	All figures are Present Value (thousands)				
	Base Case	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure					
Total rates and charges	$1,880,787	$1,703,967	$1,754,628	$1,880,787	$1,933,155
Other operating income	$1,090,962	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,971,749	$2,668,683	$2,752,910	$2,971,749	$3,105,230
Total operating expenditure (excl. depreciation)	$2,506,659	$1,883,571	$1,942,832	$2,098,898	$2,151,424
Net surplus/deficit - operating only	$465,091	$785,112	$810,078	$872,851	$953,806
Capital income and expenditure					
Total capital income	$154,219	$190,767	$193,223	$200,003	$201,989
Total capital expenditure	$595,994	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($441,774)	($340,191)	($355,027)	($395,991)	($407,991)
Net surplus/deficit - operating and capital	$23,316	$444,921	$455,051	$476,860	$545,815
Others		+			
Asset quality upliftment cost	$70,813	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	($42,554)	$407,303	$409,922	$410,989	$473,868
Net surplus/deficit - after debt repayment	($51,720)	$398,137	$400,756	$401,823	$464,702

Source: SGS, (2012).

The following table shows the undiscounted net surplus for each option over 10 years. The ranking of the options remains the same as the discounted present value results. The undiscounted benefit of amalgamations (before asset uplift and debt repayment) ranges from $579 million to $719 million for Options 1 to 4.

TABLE 24. UNDISCOUNTED COMPARISON OF OPTIONS - (2011-20)

	All figures are nominal value (thousands)				
	Base Case	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure					
Total rates and charges	$2,353,372	$2,132,170	$2,195,671	$2,353,372	$2,419,166
Other operating income	$1,362,327	$1,205,721	$1,247,359	$1,362,327	$1,463,226
Total operating income	$3,715,700	$3,337,891	$3,443,031	$3,715,700	$3,882,392
Total operating expenditure (excl. depreciation)	$3,131,930	$2,327,427	$2,398,513	$2,584,670	$2,648,398
Net surplus/deficit - operating only	$583,770	$1,010,464	$1,044,518	$1,131,030	$1,233,994
Capital income and expenditure					
Total capital income	$181,596	$223,012	$226,092	$234,596	$237,087
Total capital expenditure	$735,003	$653,990	$675,529	$735,003	$752,425
Net surplus/deficit - capital only	($553,407)	($430,977)	($449,437)	($500,407)	($515,338)
Net surplus/deficit - operating and capital	$30,363	$579,487	$595,081	$630,623	$718,656
Others		0	0	0	0
Asset quality upliftment cost	$70,813	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	($51,947)	$532,481	$538,688	$548,313	$628,754
Net surplus/deficit - after debt repayment	($61,113)	$523,315	$529,522	$539,147	$619,588

Source: SGS, (2012).

6.3 Sensitivity testing

In order to test the robustness of the modelling results, three separate (mutually exclusive) scenarios have been constructed. Each scenario is outlined below:

- Lower rates and annual charges: 10 percent and 20 percent reduction
- Higher service costs: 10 percent and 20 percent increase, and
- Shorter period for the amalgamation process: one year (instead of three).

Lower rate and annual charges

The base line modelling applies the current rate structure to each option. This scenario tests a 10 percent and 20 percent reduction in rates and annual charges. The table below shows the modelling results if rates and annual charges were reduced by 10 percent. Given the growth in the rate base, this simulation shows that Options 1 to 4 can maintain a strong surplus in the event of a 10 percent decline in rates.

TABLE 25. 10 PERCENT LOWER RATES AND ANNUAL CHARGES INCOME - (2011-20)

	All figures are Present Value (thousands)			
	Option 1	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure				
Total rates and charges	$1,535,587	$1,582,056	$1,695,599	$1,742,731
Other operating income	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,500,303	$2,580,338	$2,786,562	$2,914,805
Total operating expenditure (excl. depreciation)	$1,883,571	$1,942,832	$2,098,898	$2,151,424
Net surplus/deficit - operating only	$616,732	$637,506	$687,663	$763,381
Capital income and expenditure				
Total capital income	$190,767	$193,223	$200,003	$201,989
Total capital expenditure	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($340,191)	($355,027)	($395,991)	($407,991)
Net surplus/deficit - operating and capital	$276,541	$282,479	$291,672	$355,390
Others				
Asset quality upliftment cost	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	$238,923	$237,350	$225,802	$283,444
Net surplus/deficit - after debt repayment	$229,757	$228,184	$216,636	$274,278

Source: SGS, (2012).

When rates income is reduced by 20 percent, the growth in the rate base still appears to be sufficient to compensate the reduction in the average rates in all options. However, the surplus is a lot smaller than with a 10 percent reduction in rates income.

TABLE 26. 20 PERCENT LOWER RATES AND ANNUAL CHARGES INCOME - (2011-20)

	All figures are Present Value (thousands)			
	Option 1	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure				
Total rates and charges	$1,367,207	$1,409,484	$1,510,412	$1,552,306
Other operating income	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,331,923	$2,407,767	$2,601,374	$2,724,381
Total operating expenditure (excl. depreciation)	$1,883,571	$1,942,832	$2,098,898	$2,151,424
Net surplus/deficit - operating only	$448,352	$464,934	$502,476	$572,957
Capital income and expenditure				
Total capital income	$190,767	$193,223	$200,003	$201,989
Total capital expenditure	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($340,191)	($355,027)	($395,991)	($407,991)
Net surplus/deficit - operating and capital	$108,161	$109,907	$106,484	$164,966
Others				
Asset quality upliftment cost	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	$70,543	$64,778	$40,614	$93,019
Net surplus/deficit - after debt repayment	$61,377	$55,612	$31,448	$83,853

Source: SGS, (2012).

Higher average service costs

The baseline modelling applies Randwick LGAs lower average service costs to 8 (as well as parking areas) of the 11 service costs to simulate the realisation of efficiencies due to amalgamation. The potential cost-efficiencies from amalgamation can be eroded if there are unforeseen large fixed costs. Such large fixed-costs could push the average service cost above Randwick LGA's current cost structure.

This scenario simulates 10 and 20 percent increases in average service costs for 8 out of 11 services costs in an attempt to assess the robustness of each option to unforeseen increases in average costs (due to higher fixed costs). Note that these increases do not apply to the operating costs in the first three years, which are kept at the same level as the current service costs. Given that the majority of the financial savings accrue through the application of lower service costs (in addition to one-off savings), this scenario is important to understanding the robustness of the results.

The table below shows the modelling results if 8 out of 10 service costs identified above were increased by 10 percent. Given the growth in the rate base, this simulation shows that Options 1 to 4 can maintain a strong surplus in the event of a 10 percent increase in service costs.

TABLE 27. 10 PERCENT HIGHER AVERAGE SERVICE COSTS - (2011-20)

	All figures are Present Value (thousands)			
	Option 1	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure	0	0	0	0
Total rates and charges	$1,703,967	$1,754,628	$1,880,787	$1,933,155
Other operating income	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,668,683	$2,752,910	$2,971,749	$3,105,230
Total operating expenditure (excl. depreciation)	$1,932,939	$1,993,721	$2,153,703	$2,207,545
Net surplus/deficit - operating only	$735,744	$759,190	$818,046	$897,685
Capital income and expenditure	0	0	0	0
Total capital income	$190,767	$193,223	$200,003	$201,989
Total capital expenditure	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($340,191)	($355,027)	($395,991)	($407,991)
Net surplus/deficit - operating and capital	$395,553	$404,162	$422,055	$489,694
Others	0	0	0	0
Asset quality upliftment cost	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	$357,936	$359,033	$356,185	$417,748
Net surplus/deficit - after debt repayment	$348,770	$349,867	$347,019	$408,582

Source: SGS, (2012).

The results appear robust to a 20 percent increase in service costs as well. As shown by the table below the growth in the rate base can compensate the higher operating costs resulting in a strong surplus amidst higher costs. Moreover, a comparison of this scenario to the previous one (reduction in rate income) shows that that the results are more sensitive to reductions in rate revenues, than increases in service costs.

TABLE 28. 20 PERCENT HIGHER AVERAGE SERVICE COSTS - (2011-20)

	All figures are Present Value (thousands)			
	Option 1	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure	0	0	0	0
Total rates and charges	$1,703,967	$1,754,628	$1,880,787	$1,933,155
Other operating income	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,668,683	$2,752,910	$2,971,749	$3,105,230
Total operating expenditure (excl. depreciation)	$1,982,306	$2,044,609	$2,208,507	$2,263,665
Net surplus/deficit - operating only	$686,377	$708,301	$763,242	$841,565
Capital income and expenditure	0	0	0	0
Total capital income	$190,767	$193,223	$200,003	$201,989
Total capital expenditure	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($340,191)	($355,027)	($395,991)	($407,991)
Net surplus/deficit - operating and capital	$346,186	$353,274	$367,251	$433,574
Others	0	0	0	0
Asset quality upliftment cost	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	$308,568	$308,145	$301,380	$361,627
Net surplus/deficit - after debt repayment	$299,402	$298,979	$292,214	$352,461

Source: SGS, (2012).

Shorter period for the amalgamation process (transition arrangements)

The baseline modelling assumes that the amalgamation process takes 3 years (with initially the amalgamated entities maintaining the current operational structure and that integration into a revised operational structure occurs progressively) and as a result there is no change in service costs for the first three years. It is plausible that the amalgamation process may take a shorter period (if planning prior to amalgamation was undertaken over a longer period), resulting in transitioning to a lower service cost structure within a shorter time frame.

This scenario simulates a two year reduction in the time taken for the amalgamation process. That is, this scenario models the financial outcomes from completing the amalgamation process in one year, and transitioning to a lower per-capita service cost structure in the second year from amalgamation.

The table below shows the modelling results of a shorter period for amalgamation. Given the quicker transition (1 year) to a lower service cost structure, the present value net-surplus (operating and capital) is 20, 22, 27 and 25 percent higher than in the baseline modelling for each respective option. This shows that in the event that the transition period is shorter than predicted, financial benefits from amalgamation may increase by between 20 to 27 percent for Options 1 to 4.

TABLE 29. DURATION OF AMALGAMATION PROCESS –ONE YEAR WITH TRANSITION ARRANGEMENTS - (2011-20)

	All figures are Present Value (thousands)			
	Option 1	**Option 2**	**Option 3**	**Option 4**
Operating income and expenditure	0	0	0	0
Total rates and charges	$1,703,967	$1,754,628	$1,880,787	$1,933,155
Other operating income	$964,716	$998,282	$1,090,962	$1,172,075
Total operating income	$2,668,683	$2,752,910	$2,971,749	$3,105,230
Total operating expenditure (excl. depreciation)	$1,797,978	$1,846,727	$1,973,958	$2,018,698
Net surplus/deficit - operating only	$870,705	$906,183	$997,792	$1,086,532
Capital income and expenditure	0	0	0	0
Total capital income	$195,460	$197,915	$204,696	$206,682
Total capital expenditure	$530,958	$548,250	$595,994	$609,980
Net surplus/deficit - capital only	($335,498)	($350,334)	($391,298)	($403,298)
Net surplus/deficit - operating and capital	$535,207	$555,849	$606,493	$683,234
Others	0	0	0	0
Asset quality upliftment cost	$40,440	$48,516	$70,813	$77,345
Net surplus/deficit - after upliftment	$497,589	$510,719	$540,623	$611,288
Net surplus/deficit - after debt repayment	$488,423	$501,553	$531,457	$602,122

Source: SGS, (2012).

6.4 Establishment of MCA assessment criteria

In addition to the financial analysis of the options for structural change, a broader consideration of criteria to be considered in identification of a preferred option has been undertaken.

Based on the previous and current reviews undertaken SGS has developed a number of criteria to assess the various options. They are as follows:

- Strategic capacity - planning, process, governance
- Services provision – level and range of services
- Asset planning and renewal
- Communities of interest – engagement, identification and functions
- Local representation and participation
- Financial sustainability, and
- Metropolitan Planning.

Environmental sustainability was added by Council, in the project control group workshop, as criteria to consider.

The above criterion addresses the elements of an effective system of local government identified by the Local Government Independent Review Panel in their paper "Better, Stronger Local Government" released in November 2012. The next section "Multi criteria assessment" demonstrates the link between each of these elements and the criterion.

Strategic capacity

Strategic capacity incorporates a range of factors from planning and reporting which includes the ability to meet state planning, economies of specialisation that is ability to provide and attract the required skills and professions, corporate governance that is the framework, rules, systems and processes exercised with the organisation, effective leadership and management which stems from a values based organisation to an attractive place to work. This criterion is underpinned by an expectation of continuous improvement.

All of these facilitate the ability to will offer an increased capacity to provide better services and improved infrastructure, reduce governance costs, improve council efficiencies, increase council financial independence and reduce cost imposts on ratepayers.

Service provision

The current and future needs of the community must play a central role when considering how services are delivered to communities. Service delivery and associated asset provision has the ongoing challenge of ensuring services meet changing community needs while operating in a tighter fiscal environment and that the assets supporting the services are at their optimal level.

As we know Councils provide a range of services and assets that may benefit both a local community and the broader region.

Larger councils are perceived as having greater financial capacity and able to provide not only a broader range of services but a higher level of services be they for sporting, cultural, recreational or community.

The potential of each option enables Council to increase economies of scale and economies of scope, identify opportunities for rationalisation in asset planning, and address the funding renewal gap

Asset planning and renewal

It is generally understood that NSW local councils face a substantial backlog of infrastructure maintenance and renewal and the recent asset management planning required under the Integrated Planning and Reporting legislation is bringing a greater clarity to the actual situation. Local government needs to continue to refine its asset planning in order to develop a program of assets to be rationalized or change of use to meet service needs and asset management to manage assets in a way that maximises asset service delivery, manages related risks and accounts for whole-of-life costs.

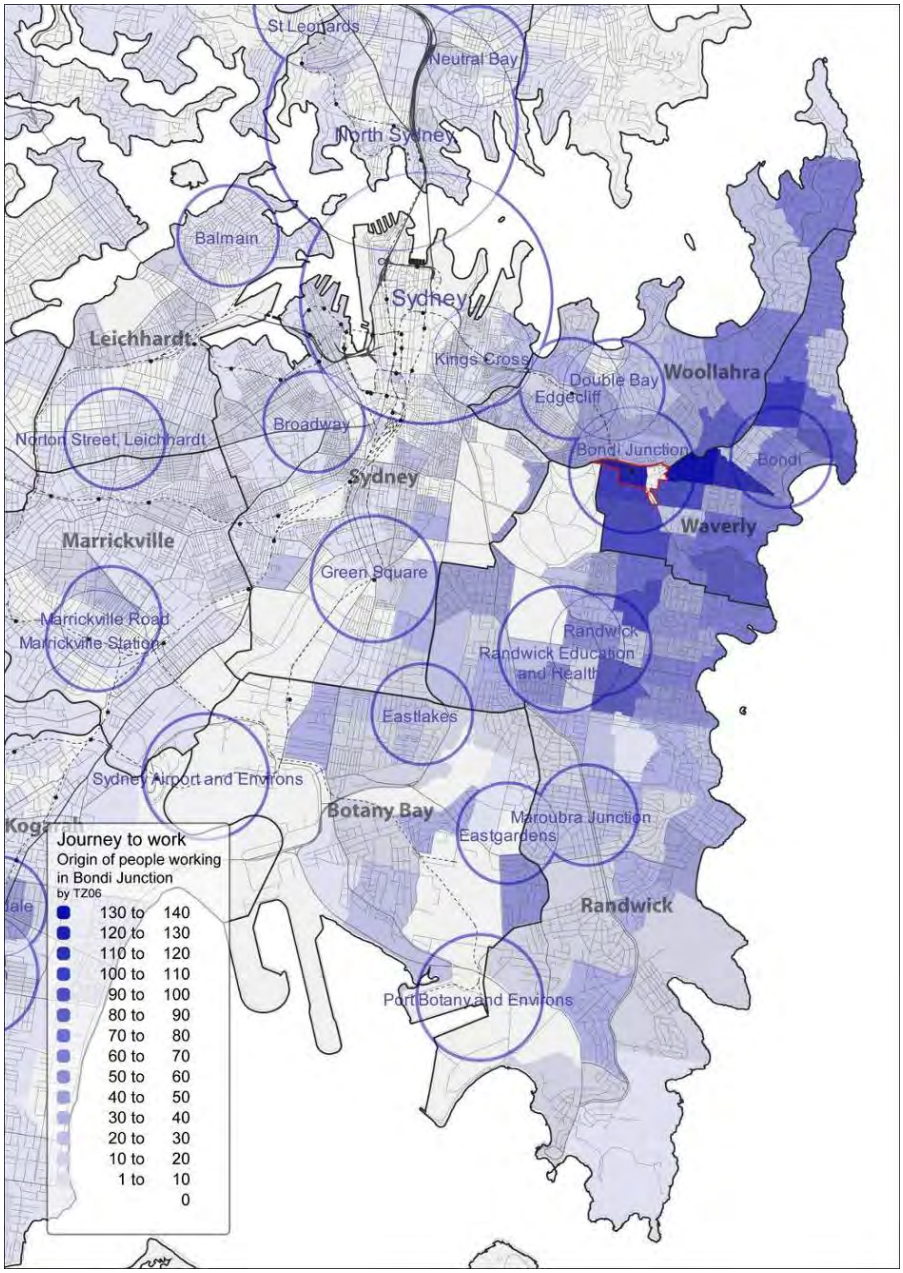
Communities of interest

There are various ways that the term communities of interest has been used when assessing local government. We have taken the view that local government is "community" government and as such is responsible for engaging with the community and developing a shared vision and plan, understanding the diversity of its community and ensuring equitable distribution of services across the area.

People's perception of belonging to an area ranges from being virtually non-existent to having a strong connection. Therefore the perception of belonging is not a good determinant of a preferred size of an area. However we can look at communities from a functional perspective that is access or use of key functions such as education, employment, trade, services and facilities.

Figure 52 shows the communities of interest within the Eastern Suburbs, through the example of JTW to the major centre of Bondi Junction.

FIGURE 52 JOURNEY TO WORK, ORIGIN OF WORKERS IN BONDI JUNCTION



Source: SGS, 2012

Local representation and participation

One of the concerns of local government reform is the loss of local representation and the political layer being able to represent the diverse community. It is important that in each option Councillors are provided effective information for decision making, that there are appropriate community engagement methodologies to understand community needs, and that they are able to continue to advocate for local issues effectively.

Financial sustainability

Financial sustainability is the demonstration of an effective long term financial plan that meets current and future community needs in service delivery and infrastructure management. This is underpinned by the view of intergenerational equality which should guide financial decisions and overall approach.

Metropolitan planning
Councils will be able to create greater alignment of service delivery and planning and enable more effective implementation of metropolitan planning and a reallocation of state and federal government funding.

Environmental sustainability

It is generally agreed there is a need to plan for and facilitate environmental sustainability which is in simplest terms is the maintenance of 'natural capital / environment'. That council needs to plan for ensuring the provision of clean air, clean water, protecting and enhancing bushland, protecting ecological diversity and increasing resource recovery.

6.5 Multi criteria assessment

To assess the four options to determine the preferred option, a weighted matrix has been used as an evaluation tool. The ratings have been provided in the tables below for each option, with a link to the Independent Local Government Review Panel's "Elements of an Effective System of Local Government". The evaluation criteria have been given weightings by a Council project group, regarding their relative importance. The weightings are from one to three, with a rating of three equating to a high weighting, two equating to an average rating, and one equating to a low rating.

TABLE 30. WEIGHTED SCORES

EVALUATION CRITERIA	Essential Elements Code	Council Weighting (1-3)	OPTION 1		OPTION 2		OPTION 3		OPTION 4	
			Rating (1-3)	Weighted score (1-9)	Rating (1-3)	Weighted score (1-9)	Rating (1-3)	Weighted score (1-9)	Rating (1-3)	Weighted score (1-9)
Financial sustainability	1, 13	**3**	2	6	2	6	2.5	7.5	3	9
Strategic capacity - planning, process, governance	2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17	**3**	2	6	3	9	3	9	2	6
Metropolitan planning	4, 14, 15	**2.5**	2	5	3	6	2.5	6.25	2	5
Asset planning and renewal	2, 3, 13	**2.5**	2	5	3	7.5	3	7.5	3	7.5
Services provision – level and range of services	2, 17	**2**	2.5	5	2.5	5	2	4	2	4
Local representation and participation	4, 6, 7, 8, 9, 10, 11, 14	**2**	2	4	2	4	2	4	2	4
Communities of interest – engagement, identification and functions	4, 8, 9, 12, 14	**2**	2.5	5	2.5	5	2	4	2	4
Environmental sustainability	2	**2**	2	4	2	4	2	4	2	4
TOTAL (out of 72)				**40**		**46.5**		**46.3**		**43.5**

Source: SGS, (2012)

Essential Elements Key - Independent Local Government Review Panel - Elements of an Effective System of Local Government

1	Councils with an adequate revenue base (own source or grants), healthy balance sheets, and sound financial management including reasonable and justifiable rate increases and proper use of borrowing.	10	Professional development for new councillors and mayors, including access to accredited courses and coaching of a high quality, similar to that of company directors.
2	Councils renowned for their efficiency and focus on outcomes, based on the Integrated Planning and Reporting framework.	11	Mayors and councillors who are adequately remunerated in return for high-level performance.
3	Universal use of modern information and communications technologies for service delivery, council meetings and community engagement.	12	A Local Government Act that minimises prescription and provides a range of options for the way councils and regional organisations are structured and operate, tailored to the differing characteristics and needs of communities.
4	Regional organisations of councils that share resources on a large scale and jointly plan and advocate for their regions (but not a 'fourth tier' of government).	13	A reduction in State regulation and compliance regimes, replaced by improved auditing and a focus on capacity building and continuous improvement.
5	Councils that are managed like multi-million dollar companies; have highly skilled mayors, councillors and executive teams; and are respected by the State government and community alike.	14	A range of effective mechanisms for State local consultation, policy development and operational partnerships, linked to the State Plan and regional coordination framework.
6	Mayors who are recognised leaders both within the council and throughout the local community, and enjoy a positive reputation for that leadership.	15	Integrated strategic planning involving State and local governments as partners at all levels.
7	Clear definition in the Local Government Act of the respective roles of mayors, councillors and senior managers.	16	A local government association that is focused on strategy; a well-informed, dynamic advocate; a leader in reform; and a trouble shooter for dysfunctional councils or councillors.
8	An electoral system designed to ensure that as far as possible councils are representative of the make-up and varied interests of their communities.	17	A constructive relationship between employers, employees and employee organisations, focused on improving productivity, performance and rewards.
9	Council elections characterised by high quality candidates standing on soundly-based policy platforms, and fully aware of their potential responsibilities as a councillor.		

Source: Better, Stronger Local Government, 2012.

The differences in the rating for the four options relates to the following:

- Strategic capacity – there is the potential for a larger council to provide increased specialisation, scope and refined processes in service delivery
- Service provision – the slight variation is attributed to the demographic of Botany Council and the potential need for different or broader range of services
- Asset planning and renewal – the potential for a larger council to cater for the asset maintenance and renewal requirements
- Financial sustainability – potential for a larger council to improve its overall financial sustainability and continue to address current and future service and asset provision
- Metropolitan planning – clarity of alignment with sub-regional planning by State Government, and
- Environmental sustainability – the potential impact of the port and industrial areas.

6.6 Preferred option

Based on the multi-criteria assessment both options 2 and 3 are identified as best meeting the range of criteria. Whilst option 3 and 4 identify a better financial performance, based on present value comparisons, there is concern that there is an under-estimation of the infrastructure and asset costs for Botany Council in the data that was available. If these options were to be further pursued, improved information regarding Botany Council should be reviewed.

As a result, the preferred option from this high level analysis would be options 2 or 3 in terms of the essential elements of local government identified by the Local Government Review Panel. However, as identified in the strategic planning discussion earlier in this paper, a variation to the option 2 boundary to reflect the functional relationships associated with the Port should be considered, if this option was further developed.

The Independent Local Government Review Panel also identified a number of key factors to consider when reviewing local government boundaries (refer to Box 6 in the report "Better, Stronger Local Government - The Case for Sustainable Change" Nov 2012). In terms of local government boundaries, the establishment of a boundary broadly based on Southern Cross Drive would allow for the port and associated industrial areas to be located in one LGA. This would allow for a major road to define the local government boundary. This is broadly consistent with option 3.

The Independent Local Government Review Panel identifies where possible amalgamation should combine the whole of two or more existing LGAs to avoid additional cost and disruption. Option 4 would best meet this criterion.

7 CONCLUSION

In conclusion, a high level analysis has been completed based on information publically available regarding the four councils, and this analysis could be refined with more detailed information and discussion with the subject Councils.

At this stage, this analysis has been primarily based on an assessment of the financial implications of different amalgamation and boundary change options. In addition, broader criteria for based on potential drivers of local government reform have been considered and discussed, as part of comparison of the merits of different options.

The assumptions regarding potential service cost and one off savings have been identified in the report, and sensitivity testing regarding changes in revenue, changes in service costs and potential timing for achievement of financial benefits have been included in the report to assist in understanding the robustness of the results.

The strategic analysis identifies that these options would allow for the establishment of a local government authority that would largely coincide with the NSW Planning Department sub-regional planning area for Eastern Sydney, and could also be the vehicle to address the current fragmentation at a local level of planning and management of the strategic economic zone of Port Botany and associated industrial areas.

From this analysis, option 2 and 3 were identified as the preferred options if structural change was to be considered, with variation to the proposed boundary to incorporate the Port and associated industrial zones.

The Independent Local Government Review Panel also identified a number of key factors to consider when reviewing local government boundaries (refer to Box 6 in the report "Better, Stronger Local Government - The Case for Sustainable Change" Nov 2012). In terms of local government boundaries, the establishment of a boundary broadly based on Southern Cross Drive would allow for the port and associated industrial areas to be located in one LGA. This would allow for a major road to define the local government boundary. This is broadly consistent with option 3.

The Independent Local Government Review Panel identifies where possible amalgamation should combine the whole of two or more existing LGAs to avoid additional cost and disruption. Option 4 would best meet this criterion.

APPENDIX 1 – BASE CASE OPERATING AND CAPITAL SURPLUS/DEFICIT, ACTUALS AND FORECASTS

TABLE 31. OPERATING AND CAPITAL SURPLUS/DEFICIT, ACTUALS AND FORECASTS ($000), RANDWICK

Randwick	**Actuals**					**Forecasts from 2012**									
Financial years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income *	90,162	96,618	101,013	105,445	112,444	110,515	116,232	122,506	126,895	131,825	136,324	140,960	145,798	150,924	156,042
Net Gain/(Loss) on Sale of Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Expenditure - excl dep'n	-72,963	-78,708	-80,502	-85,579	-88,786	-86,911	-90,755	-94,887	-99,063	-103,237	-108,052	-111,472	-114,663	-117,976	-122,728
Net Surplus / (Deficit) - Operating	**17,199**	**17,910**	**20,511**	**19,866**	**23,658**	23,605	25,477	27,618	27,832	28,588	28,272	29,488	31,135	32,949	33,314
Capital Income	3,372	4,000	16,285	3,792	15,593	3,269	3,610	3,485	3,674	3,890	3,896	4,014	4,129	4,251	4,348
Proceeds on Asset Disposal	1,232	1,475	2,485	1,123	1,426	2,485	1,122	2,361	2,346	1,660	2,559	1,212	2,866	2,867	2,414
Capital Expenditure	-25,757	-24,095	-33,598	-21,989	-37,718	-28,221	-30,308	-33,718	-31,547	-33,198	-33,710	-33,181	-35,096	-37,431	-40,871
Net Surplus / (Deficit) - Operating and Capital	**-3,954**	**-710**	**5,683**	**2,792**	**2,959**	1,138	-99	-254	2,304	940	1,017	1,533	3,034	2,635	-794

Source: compiled by Randwick City Council, 2012
Operating income excludes unrealised gains/losses on investment and fair value changes in investment properties.
This analysis does not take into account the use of reserves to fund works.

TABLE 32. OPERATING AND CAPITAL SURPLUS/DEFICIT, ACTUALS AND FORECASTS ($000), WOOLLAHRA

WOOLLAHRA	Actuals					Forecasts from 2012									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income - excl unrealised gains/losses on inv and fair value change in investment properties	58,643	66,600	62,557	69,036	71,467	67,333	69,213	70,545	72,631	74,370	76,622	78,832	81,857	84,455	87,294
Net Gain/(Loss) on Sale of Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Expenditure - excl dep'n	-38,403	-48,752	-55,415	-55,982	-58,103	-57,536	-58,933	-60,957	-62,715	-64,626	-66,485	-69,670	-70,707	-72,977	-74,994
Net Surplus / (Deficit) - Operating	**20,240**	**17,848**	**7,142**	**13,054**	**13,364**	**9,797**	**10,280**	**9,588**	**9,916**	**9,744**	**10,137**	**9,162**	**11,150**	**11,478**	**12,300**
Capital Income	0	4,206	3,396	3,287	3,731	4,350	2,013	2,137	2,362	2,375	2,356	2,367	2,378	2,389	2,401
Proceeds on Asset Disposal	0	1,240	1,178	1,180	840	27	391	151	-54	199	159	112	234	-88	197
Capital Expenditure	0	0	-15,488	-16,120	-13,890	-14,127	-11,620	-17,242	-11,905	-12,851	-13,207	-13,261	-14,133	-15,015	-16,601
Net Surplus / (Deficit) - Operating and Capital	**20,240**	**23,294**	**-3,772**	**1,401**	**4,045**	**47**	**1,064**	**-5,366**	**319**	**-533**	**-555**	**-1,620**	**-371**	**-1,236**	**-1,703**

Source: compiled by Randwick City Council, 2012
Operating income excludes unrealised gains/losses on investment and fair value changes in investment properties.
This analysis does not take into account the use of reserves to fund works.

TABLE 33. OPERATING AND CAPITAL SURPLUS/DEFICIT, ACTUALS AND FORECASTS ($000), WAVERLEY

WAVERLEY	Actuals					Forecasts from 2012									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income - excl unrealised gains/losses on inv and fair value change in investment properties	80,649	80,947	83,222	85,151	88,696	93,796	99,671	108,104	111,577	116,060	119,531	124,123	127,879	131,627	135,449
Net Gain/(Loss) on Sale of Financial Assets	0	0	-46	44	249	0	0	0	0	0	0	0	0	0	0
Operating Expenditure - excl dep'n	-67,813	-71,495	-75,833	-80,579	-82,794	-86,804	-91,188	-95,430	-101,059	-105,441	-110,717	-115,900	-120,487	-125,726	-130,642
Net Surplus / (Deficit) - Operating	**12,836**	**9,452**	**7,343**	**4,616**	**6,151**	**6,992**	**8,483**	**12,674**	**10,518**	**10,619**	**8,814**	**8,223**	**7,392**	**5,901**	**4,807**
Capital Income	2,296	4,194	4,272	3,996	4,923	1,215	1,700	1,745	1,789	1,828	1,871	1,916	1,961	2,007	2,055
Proceeds on Asset Disposal	10,625	807	-20	1,827	343	713	46,306	108	125	210	755	146	785	139	183
Capital Expenditure	-15,921	-12,458	-11,433	-10,086	-14,931	-14,567	-33,920	-21,626	-16,874	-17,527	-18,442	-15,048	-16,867	-12,809	-18,642
Net Surplus / (Deficit) - Operating and Capital	**9,836**	**1,995**	**162**	**353**	**-3,514**	**-5,647**	**22,569**	**-7,099**	**-4,442**	**-4,870**	**-7,002**	**-4,763**	**-6,729**	**-4,762**	**-11,597**

Source: compiled by Randwick City Council, 2012
Operating income excludes unrealised gains/losses on investment and fair value changes in investment properties.
This analysis does not take into account the use of reserves to fund works.

TABLE 34. OPERATING AND CAPITAL SURPLUS/DEFICIT, ACTUALS AND FORECASTS ($000), BOTANY BAY

BOTANY	Actuals					Forecasts from 2012									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income - excl unrealised gains/losses on inv and fair value change in investment properties	40,130	41,419	45,540	44,312	46,223	46,223	51,626	53,190	54,804	56,467					
Net Gain/(Loss) on Sale of Financial Assets	0	0	0	0	0		0	0	0	0					
Operating Expenditure - excl dep'n	-32,929	-35,343	-37,921	-40,954	-43,769	-43,769	-46,658	-47,977	-49,433	-50,933					
Net Surplus / (Deficit) - Operating	**7,201**	**6,076**	**7,619**	**3,358**	**2,454**	**2,454**	**4,968**	**5,213**	**5,371**	**5,534**	**5,534**	**5,534**	**5,534**	**5,534**	**5,534**
Capital Income	0	0	0	4,008	2,970	3,044	3,390	3,492	3,596	3,704	**3,797**	**3,892**	**3,989**	**4,089**	**4,191**
Proceeds on Asset Disposal	0	0	0	357	102		100	103	106	109	**0**	**0**	**0**	**0**	**0**
Capital Expenditure	0	0	0	0	0	-9,006	-9,231	-9,462	-9,698	-9,941	-10,189	-10,444	-10,705	-10,973	-11,247
Net Surplus / (Deficit) - Operating and Capital	**7,201**	**6,076**	**7,619**	**7,723**	**5,526**	**-3,508**	**-773**	**-654**	**-625**	**-594**	**-859**	**-1,019**	**-1,182**	**-1,350**	**-1,522**

Source: compiled by Randwick City Council, 2012
Operating income excludes unrealised gains/losses on investment and fair value changes in investment properties.
This analysis does not take into account the use of reserves to fund works.

Not available

Indexed by CPI (2.5%) from 2013 figures

As per previous year

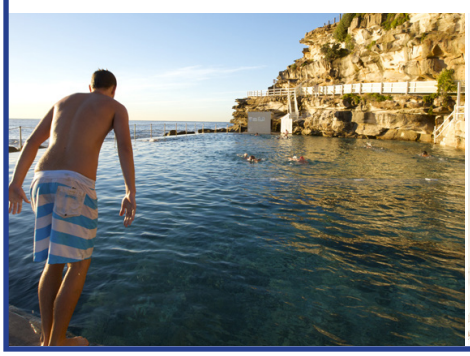
Randwick City Council
a sense of community

WAVERLEY COUNCIL

Attachment 2.2

A Review of Rating Residential Land in Randwick Local Government Area

Mangioni, V, University of Technology, The Research and Innovation Office, 2013



University of Technology, Sydney

A Review of Rating Residential Land in Randwick Local Government Area 2013

Prepared for:

Randwick City Council

Prepared by:

The Research and Innovation Office

University of Technology, Sydney

About the author

Vince Mangioni is an academic at the University of Technology, Sydney in the School of Built Environment and specialises in the research of recurrent land taxation and the compulsory acquisition of land. His PhD is in taxation, undertaken at the Australian School of Taxation and Business Law, University of New South Wales. Vince was an advisor and presenter to Australia's Future Tax System (2009) also known as the Henry Review, on State land tax and local government rating and was involved with the review of rating and taxing of land in Queensland during 2009. He is a statutory valuer and undertook his training at the NSW Valuer-General's Office. Vince is an associate researcher at the Centre for Local Government at UTS and is involved in the 'Destination 2036' review of local government in NSW.

Vince is author of the text 'Land Tax in Australia' and has published widely on land and property taxation. During 2010 he was a visiting fellow at the Australian School of Taxation (Atax) UNSW and a visiting researcher at the School of Real Estate and Surveying, Aalto University, Helsinki. He has reviewed rating and taxing systems internationally including those in Denmark, Finland, Sweden and Estonia. During 2012 he met with leading tax economists and local government experts at OECD World Headquarters Paris, in reviewing the re-emerging importance of recurrent land taxation for sub-national government in Europe, following the Global Financial Crisis.

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Associate of the Centre for Local Government UTS
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March 2013

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Acronyms

AFTS	Australia's Future Tax System 2009 (Henry Review)
GDP	Gross Domestic Product
CIV	Capital Improved Value
LGA	Local Government Area
LV	Land Value
OECD	Organisation for Economic Co-operation and Development
RCC	Randwick City Council
SV	Site Value

Definitions

Ad-valorem:	Rate revenue derived from the Land Value component of a rating structure as determined by the NSW Valuer-General.
Base amount:	The amount (being the same amount) that may be levied per property in addition to the land value component.
High density housing:	High density housing includes flats and apartments in 3 storey and larger blocks.
Minimum rate:	A minimum amount which can be levied on each property within a rating category rather than paying the lower ad valorem rate.
Separate housing:	All free-standing dwellings separated from neighbouring dwellings by a gap of at least half a metre.
Medium density housing:	Medium density (includes all semi-detached, row, terrace, townhouses and villa units, plus flats and apartments in blocks of 1 or 2 storeys, and flats attached to houses)
Rates / rating:	Is a local government tax imposed on property (land value).

Report Structure

This report commences with a brief overview of recurrent land taxation in Australia and its emerging direction resulting from the recommendations of the 2009 review of Australia's Future Tax System. The report provides an overview of Randwick City Council (RCC) and sets out the emerging housing trend and disparity in the source of rate revenue identified by RCC across its diverse housing types.

RCC's existing rating structure is reviewed followed by a number of models that are being considered in the restructure of its residential rating. These models are reviewed under a précis of the overriding principles of taxation. In conclusion, the report comments on the proposed changes and makes recommendations under the existing basis of Land Value used to assess the ad valorem component of rates, as well as a number of further reforms which may be considered subject to further research and modelling.

Introduction and Objectives

Randwick City Council (RCC) has engaged the Research and Innovation Office, University of Technology, Sydney to provide preliminary advice as to the adequacy of rating options and provisions within the NSW Local Government Act 1993, in assessing its existing revenue raising capacity and mix of residential property within their local government area (LGA).

Randwick City Council advises that 49 per cent of dwellings within its local government area comprise apartment housing. In turn, apartment housing accommodates 44 per cent of residents within its LGA. It is observed by RCC that an increase in disparity is emerging in the relativity between land value and improved value of standalone single dwelling houses in contrast to apartment housing within its LGA.

It is highlighted that the land value component of apartments on which rates are assessed, is disproportionately lower to the total value of property compared with standalone housing and lower density unit housing in the Randwick LGA. The disparity in this relativity is impacting on the imposition of the rating structure and is predicted to increase as further unit development of different scale and size continues across the LGA.

Within the context of capacity-to-pay and benefits-received, RCC have sought advice as to how existing rating revenue may be more evenly imposed across property within its LGA. In summary RCC have sought:

1. An outline of the issues; and
2. Possible recommendations that may be considered for reform including:
    a. Introduction of base rating with an ad-valorem component;
    b. The introduction of a maximum rate; and
    c. Options and alternatives for reforming local government rating.

Recurrent Land Taxation in Australia

Recurrent land taxation commenced in South Australia in 1884. At the time of Federation, this tax was imposed by all three levels of government in some States. New South Wales vacated taxing land in 1906, strengthening local government's opportunity to collect this tax in conjunction with the Commonwealth, now known as council rates.[1] In 1942 the Commonwealth removed the States powers to collect income taxes and ceased imposing land tax in 1952, allowing the States to resume collection of land tax in conjunction with local government.[2] A dual State and local government structure of recurrent land tax exists today across the six States. Northern Territory imposes council rates but does not impose a Territory land tax.

In contrast to many OECD countries, where recurrent land taxation predominantly operates as a local government tax, in Australia it operates at the local and state government level on a variety of different bases. The dual imposition of this tax by state and local government in Australia has advantages over its sole imposition by local government in other countries, where the evolving rationale has become a perceived quid pro quo tax for services provided. While a taxpayer rationale exists for rates and services at the local level, no such rationale exists for state land tax in Australia, which is more aptly viewed as a consolidated revenue tax.

In contrast to state land tax, which expends revenue through exemptions to the principle place of residence, primary production land and provides a threshold in each State, council rates are imposed on all property with very few exceptions. At present in NSW, the imposition of rate pegging impacts the rate revenue collected by local government. This restriction must be reviewed prior to the expansion of recurrent property tax revenue in order for local government to meet its full tax effort potential. This is an important factor in the development of the current fiscal position of local government, particularly in New South Wales. While warranting mention, rate pegging is beyond the scope of this research.

Despite the imposition of dual recurrent land tax in Australia, the tax revenue collected from both state and local government is low in contrast to other OECD countries including New Zealand, United States, Canada and United Kingdom,[3] as per Table 1.The fiscal benchmarks of tax revenue as a percentage of GDP and revenue as a percentage of total tax collected, highlights that recurrent land tax is low in Australia. The recommendation by Australia's Future Tax System (AFTS 2010) also known as the Henry Review, suggests that recurrent property taxes are an important tax for sub-national government with scope for further expansion in revenue collection.

Prior to adopting the recommendations of AFTS (2010) to expand revenue from land tax, a structure is needed in managing any proposed changes. This includes defining which level of government (state, local or both) should be the beneficiaries of additional revenue

[1] Simpson & Figgis, 1998, Land Tax in New South Wales.
[2] Smith, S. 2005, Land Tax: An Update
[3] OECD 2010, Recurrent land tax and property tax statistics.

collected, how it should be raised, including the base on which it assessed and most importantly an articulated framework for defining and determining the taxpayer's capacity-to-pay.

Table 1: Recurrent property tax as a percentage of total tax and of GDP

	Percentage of total tax				Percentage of GDP			
	1965	**2010**	**% change**		**1965**	**2010**	**% change**	**Rank in OECD countries**
Denmark	4.9	2.9	-41%		1.5	1.4	-6.2%	10
Australia	**6.8**	**5.5**	**-18.5%**		**1.4**	**1.42**	**1.1%**	**9**
Iceland	1.7	5.2	212%		0.4	1.9	320%	8
New Zealand	8.3	6.6	-20.9%		2.0	2.1	4.4%	7
Japan	5.2	7.7	49.3		0.9	2.1	131.6%	6
Israel	-	7.2	…		-	2.3	…	5
France	1.9	5.7	200%		0.7	2.5	268%	4
United States	13.7	12.2	-11%		3.4	3.0	-10.4%	3
Canada	11.9	10.1	-15.5%		3.0	3.1	2.1%	2
United Kingdom	11.2	9.8	-13%		3.4	3.4	-0.4%	1
Unweighted average								
OECD-Total	**3.8**	**3.25**	**-15.4%**		**0.95**	**1.05**	**9.9%**	**Ranking**

N.B. Australia's figures are combined State land tax and local government rates

Council rating and principles of 'Good Tax Design'

The two principles identified under this review are benefits received and capacity-to-pay, and have been provided as the rationale for the potential transition from the existing to the proposed rating structure for Randwick's residential property. A number of broader principles co-exist with these in the design of recurrent property taxes, in which the key points of each principle follows.

Efficiency

Economic efficiency is an important and overriding principle in the levying of recurrent land taxation. This may be more specifically broken down into three factors, the first being the inelasticity factor, the second is the neutrality factor and the third is the immovability factor.

Neutrality: The primary strength of land over other bases of value is that it cannot be distorted by improvements of varying scale, types, age or structures that exist across locations of similarly zoned land, which are not highest and best use or maximally productive. To this end, the primary strength of land over other bases of value is its neutrality.

Immovability: The immovability of land makes it impossible to hide and removes any potential inconsistencies of taxpayer self-assessment, as the assessment of value is undertaken by independent and qualified property valuers. Once ownership is established, the valuation and assessment process is undertaken in a simple and transparent manner.

Inelasticity: Land is the preferable base for the assessment of this tax as it has traditionally been viewed as inelastic in supply. The inelasticity factor of land was particularly relevant where it was used for primary production and lower density single, two or three story developments. To this end, inelasticity of land uses worked well while the focus of its use was primarily horizontal. The progressive increase in high rise re-development has challenged the strict inelasticity paradigm, particularly as more land is redeveloped for higher density development, thus increasing the vertical utility of land.

Simplicity and Transparency

Simplicity may be applied from either a taxpayer or government perspective, or both. Council rates are simple for taxpayers to comply with and difficult to avoid.[4] Accurate property ownership details and land descriptions result in land being a simple base on which to assess rates. In contrast, valuations which underpin the ad valorem component of rates impact on the transparency of this tax, particularly from a ratepayer perspective.[5] The Valuer-General values each parcel of land in NSW annually and issues these to Office of State Revenue for the assessment of land tax where applicable.

The annual land values undertaken by the Valuer-General are issued to local governments every 3-4 years in NSW. Council uses these values in determining an ad valorem for each rating category for each financial year within the valuation cycle. This part of assessing council rates is not always simple and the determination of land values used to assess the ad valorem component of rates is not always clear or transparent to the rate and land tax payers[6]. Reforms and improvements in transparency have been made since 2005 in the assessment of land values.[7]

Benefits received

The benefits received principle is respected in most tax systems however, it is tended with difficulty as it attempts to rationalise a relationship between rates paid and services provided by local government. It is even more tenuous when attempting to draw a relationship with rates against services actually used by ratepayers, of which there is little research to support a proportional connection. It is more commonly aligned and better correlated with user pay charges in which a more direct link can be made between the two.[8] It is further highlighted that unimproved site value (UVS) also known as land value, is a better indicator of benefits received, which is more closely aligned with the location of the property to services and benefits received.[9] However, in the case of apartment blocks, this correlation is diluted by the proportional allocation of land value to each lot and increases significantly in the case of high rise apartment blocks. While benefits received, is within the

[4] Comrie, Smiri & Sody, Rating Policies – an ad hoc or principled balancing act? Unpublished paper, 10.
[5] Mangioni, V. 2011, Transparency in the valuation of land for land tax purposes in NSW. eJournal of tax research, UNSW.
[6] Walton, J. 1999 Inquiry into operation of the Valuation of Land Act, NSW.
[7] Ibid.
[8] Ibid.
[9] Ibid. 20

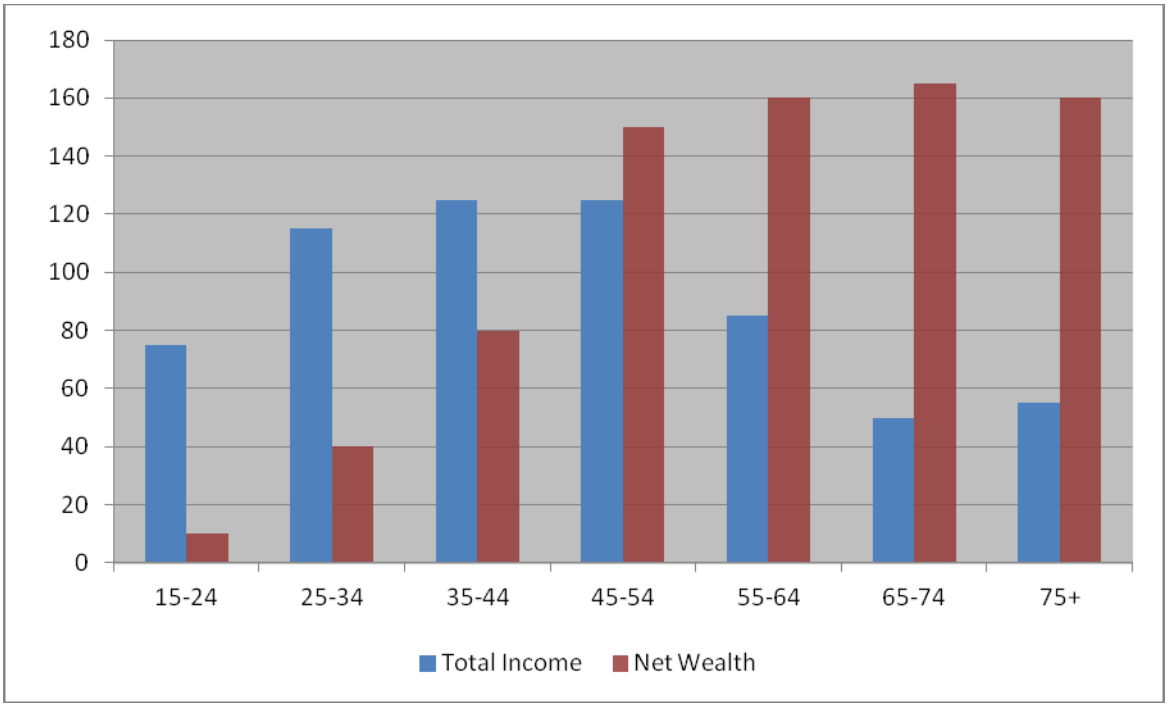
rationale for this review, it is less relevant to and sometimes at odds with the principle of capacity-to-pay.

Capacity to pay

Capacity to pay principle stands in contrast to the benefits received principle. Its measurability may be either determined on wealth or income. In the case of rating, it is determined on the value of property which reflects wealth, rather than the actual income of the ratepayer. It is highlighted that over the lifetime of a taxpayer, the relativity between income and wealth may vary significantly.[10] As highlighted in Figure 1, in the age bracket of 15-24 income is high relative to wealth, which changes in the mid-life bracket of 45-54 where net wealth exceeds income for the first time. In contrast, in the later age brackets of 65-74 and 75+, income is low relative to net wealth where mortgage debt on property has reduced or has been paid off and income reduces in retirement.

Local Government have statutory provisions for discounting rates to address the high net wealth versus low income issue in the later years of the lifecycle for approved applicants on government pensions. While some correlation exists between income of ratepayers and the value of property, the determination of rates on either value or income alone may be better addressed using a combination of these two measures. In progressing local government rating into the future and improving local government tax effort from property, formulation of a capacity to pay determined on a combination of value and income of the owner warrants further research.

Figure 1: Changing relativity between income and net wealth over taxpayer's lifecycle



Source: Kelly 2003 (cited by South Australian Centre for Economic Studies, 8)

[10] The South Australian Centre for Economic Studies, 2004. The correlation between income and home values, 2-3

Sutton Principle

This principle is applicable to council rating and evolved from the premise that council rating comprises an ad valorem component in New South Wales.[11]

A review of the minimum rates paid by the applicant show that each of their General Rate, Water Rate, Local Sewerage Rate and Library Rate in the 1976 & 77 year comprised a minimum rate with no application of an ad valorem component. The percentage of ratepayers in Sutton paying the minimum rates ranged from 76.2% to 97.1%. The Court did not give any specific indication of what would be an acceptable "cut-off" point.

In upholding the objection of the ratepayer, Holland, J. stated:

> "The problem in the point of view that I have expressed is not in saying that the minimum rating power is limited but in postulating where the limit lies. I think that the answer to this problem is that it is a matter of degree in which some cases will be considered to be clearly below and some clearly above the line and that there would be an area of boarder line cases which would be difficult to decide and on which minds might differ" 66.

Of importance in the application of this principle in determining council rates, is that rates comprise an ad valorem component and that the relativity of the ad valorem component to either the minimum rate or base amount has a context and is supported by a sound rationale.

Randwick Local Government Area: The Emerging Disparity

A review of the rate revenue by local government is an important part of its ongoing fiscal alignment in monitoring its tax effort. In reviewing its revenue, RCC has examined its existing rate revenue structure against its emerging housing profile. This section commences with an overview of RCC which provides context for the observed emerging disparity in its rating structure.

Randwick City is located in the eastern suburbs of the Sydney metropolitan area bounded by Centennial Park in the north, to the East by the Pacific Ocean, and to the south by Botany Bay. It has an area of 37.42 square kilometres and contains thirteen different suburbs with housing density highest in Randwick, Coogee and Kingsford.

[11] Sutton v. Blue Mountains City Council (1977) 40 LGRA 51, It was argued in the relevant case that "council set their minimum rates so high and their ad valorem rate in the dollar so low, that all ratepayers paid the minimum and the ad valorem applied to no one."51.

Randwick City has extensive parkland and open space areas including Centennial Park, Heffron Park and Botany Bay National Park; 29 kilometres of coastline; education and medical facilities including the University of NSW, four major hospitals and associated research and related services; a strong artistic and cultural focus; regionally significant recreational facilities and proximity to the Sydney Central Business District, Sydney Airport and Port Botany.

At the 2011 census, Randwick City had a resident population of 128,989 which represents an increase from 2006 of 9,137 people (7.6 per cent) with an average household size of 2.4 people. 42.5 per cent of the population rent their homes. The population, especially in the northern suburbs, tends to be transient in nature, with 44 per cent of the population residing in their home for less than 5 years. The population is ageing and household occupancy is decreasing (i.e. there are fewer people per household). These factors are expected to influence the types of dwellings that are constructed in the future.

As cities evolve and continue to urbanise, local government rating and its structure must also evolve in meeting the needs of government and its community. As identified in the introduction, 49 per cent of housing within Randwick City Council's LGA comprises unit dwellings which accommodate 44 per cent of its residents. Meetings with rating managers at RCC, have indicated that further demand exists for medium and high rise residential housing within the Randwick LGA.

Randwick City Council has identified an emerging disparity in the rate revenue raised across residential housing within its local Government area. This has emerged from two primary factors, the first being the transformation of housing type with increased high density housing in the Randwick LGA. The second factor is the increasing differential between LV used to assess council rates of separate housing compared with higher density housing. The two factors are now each addressed in turn.

In reviewing the transformation of dwelling types, Table 2 highlights that between the last two census dates of 2006 and 2011, high density housing increased by 3,374 dwellings, or approximately 16 per cent in Randwick LGA. Further, as at the 2011 census date, Randwick hosted more than double the high density housing compared with the Greater Sydney Metropolitan Area. In contrast to increases in the number of high density housing, a decrease is noted between 2006 and 2011 in medium density and in particular separate dwelling housing.

Randwick is progressively transitioning from a low to higher residential density LGA, in which transitioning is occurring faster than the rest of the Greater Sydney Metropolitan Area. The demand for housing in Randwick LGA is further supported in Table 2, in which the net increase in private dwelling stock has increased by 2,387 dwellings or approximately 4.5 per cent. It is further highlighted that Randwick is targeted to accommodate 8,400 new dwellings between 2004 and 2013 under the Draft Sydney Subregional Strategy (2007).

Table 2: Randwick City dwelling structure change between 2006 & 2011

Randwick City	2011			2006			Change
Dwelling type	**Number**	**%**	**Greater Sydney**	**Number**	**%**	**Greater Sydney**	**2006 to 2011**
Separate house	16,180	29.2	58.9	16,769	31.6	60.9	-589
Medium density	14,278	25.8	19.7	14,556	27.4	19.1	-278
High density	24,635	44.5	20.7	21,261	40.1	19.2	+3,374
Caravans, cabin, houseboat	7	0.0	0.2	16	0.0	0.3	-9
Other	247	0.4	0.4	362	0.7	0.4	-115
Not stated	74	0.1	0.1	70	0.1	0.1	+4
Total Private Dwellings	**55,421**	**100**	**100**	**53,034**	**100**	**100**	**+2,387**

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011.

The second factor resulting in increasing differentials in rate revenue derived from residential property across Randwick LGA is set out in Table 3a. Residential property comprises 96 per cent of all property in Randwick and generates 79.5 per cent of the rate revenue. Within the residential category alone, 25,464 residential properties, representing 53 per cent are paying the minimum rate of $653.27 p.a. accounting for 27.4 per cent of total rate revenue. This is further articulated in Table 3b in which residential property rate revenue is considered in isolation. Table 3b shows the disparity in which 34.4 per cent of residential rate revenue is derived from 53.1 per cent of property, while 65.6 per cent of residential rates are derived from 46.9 per cent of residential properties across the LGA.

Table 3a: Total Rate Revenue Distribution by Property Category 2012-13

Ordinary rate description	Rate	No. of properties	% of properties	Rate revenue	Rate revenue %
Residential ad valorem	$0.00193290 x land value	22,509	45	$31,705,484	52.1%
Residential minimum	$653.27	25,464	51	$16,635,037	27.4%
Business ad valorem	$0.00637410 x land value	1,401	2.8	$11,809,419	19.4%
Business minimum	$1,052.72	624	1.2	$657,434	1.1%
TOTAL		49,998	100	$60,807,374	100

N.B. Differences in dwelling numbers in this table and the 2011 census are due to Department of Housing dwellings and differing periods.

Table 3b: Residential Rate Revenue Distribution

Ordinary rate description	Rate 2012-13	No. of properties	% of properties	Rate revenue	Rate revenue %
Residential ad valorem	$0.00193290 x land value	22,509	46.9	$31,705,484	65.6%
Residential minimum	$653.27	25,464	53.1	$16,635,037	34.4%
TOTAL		47,973	100	$48,340,521	100

RCC have provided examples of the disparity that exists primarily between detached, low density and high density housing across the LGA,[12] which is set out in Table 4.[13] As the density of the housing structure increases, so does the relativity between the CIV and LV increase.

Table 4 highlights the changing relativity between the CIV and LV followed by the corresponding difference in rates paid on all three properties. The renovated semi house and modern penthouse have the same CIV, with the LV of the penthouse being 36.5 per cent of the semi house, resulting in the rates of the penthouse being approximately 51 per cent (minimum rate) of the semi house.

In the case of the relativity between the penthouse and high density unit, the LV of the high density unit is 15.4 per cent of the penthouse apartment with each attracting the same minimum rate. From a valuation perspective, as land is developed more intensely, the LV is likely to be lower as a proportion of the CIV per dwelling, where both are highest and best use. However from a rating perspective, where the land use and relativity between LV and CIV becomes so disparate, the question as to which is the more relevant rating base must be asked.

The example provided in Table 4, further casts the question as to whether the provisions of the statutory ratio[14] and relativity between base amount and ad valorem component were designed to account for such disparity.

Table 4: Relativity of rates between houses, low and high density unit housing 2012-13

Housing Category	Location	CIV	LV	LV % of CIV	Council Rates
Semi detached house 4 B/R	Clovelly	$2,000,000*	$743,000	37.15	$1,280
Apartment 4 B/R Penthouse unit	Coogee	$2,000,000*	$271,150	13.55	$653.27 (min rate)
High density unit	Maroubra Junction	$630,000	$41,790	6.63	$653.27 (min rate)

Source: Randwick City Council *denotes approximate CIV, with rates provided by council.

[12] Commentary provided by RCC. 'a primarily and predominantly ad valorem rating structure does not fairly rate strata apartments because the land value apportioned to the property is so low with no relevance to the actual market value of the property or the owner's capacity to pay. For example, the rateable land value of a 285m2 four bedroom penthouse apartment in Coogee with ocean views is $271,150. The property attracts the minimum rate, despite a market value of almost $2m. A 240m2 four bedroom semi in Clovelly also valued at $2m is charged double the minimum rate due to its $743,000 land value.' The land value apportioned to apartments in high rise buildings is very low resulting in very low rates under an ad valorem system. Two bedroom apartments in a new high rise building located in Maroubra Junction have only been apportioned a rateable land value of $41,790, despite their market values being in excess of $630,000 each.

[13] It is recognised that Table 4 is not a statistically representative sample of Randwick LGA however provides an important starting point for further analysis.

[14] ss499 and 500 Local Government Act 1993

Précis of options and rating reforms for Randwick City Council

As set out in the introduction, a number of rating options are being considered by RCC in a review of their residential rating structure. The previous section highlighted the disparity emerging in rate revenue collected across the Randwick LGA, resulting from increasing high rise density housing under the current method of assessing the ad-valorem component of rates based on land value and limitations on the number of assessments permitted on the minimum rate.

RCC currently determine their residential rates using an ad-valorem amount subject to a minimum rate.[15] They apply a minimum rate of $653.27 for the 2013 financial year, as set out in Table 3b. RCC are now exploring the option of determining residential rates on a base amount in addition to an ad valorem amount.[16] The current basis on which the ad-valorem component of council rates is assessed in New South Wales is Land Value.[17]

Two of the three options being considered by RCC are outside the existing statutory limits of the Act, to which a submission may be made to lobby for changes.

In a review of the relativity of rate revenue collected across all residential property in the Randwick LGA, using base amount and ad valorem component, three models are considered which comprise:

1. 50 per cent base rate / 50 per cent ad valorem with no maximum rate cap;
2. 70 per cent base rate / 30 per cent ad valorem with a six times cap on the upper limit relative to the base rate; and
3. 70 per cent base rate / 30 per cent ad valorem with no maximum / upper limit cap

Précis of options

Option 1

50 per cent base rate with no maximum cap is within the existing rating provisions of the Local Government Act 1993.[18] Under this option the Council would raise 50 per cent of its residential rate revenue off the same base rate per residential property across its LGA. The remaining 50 per cent would be raised from the ad valorem component which comprises a rate in the dollar as determined by RCC and applied to all residential property across the LGA.

Option 2

This option raises 70 per cent of its residential rate revenue from a base amount with 30 per cent of the rate revenue derived from the ad valorem component. An additional provision

[15] s497(a) Local Government Act 1993.
[16] s497(b) Local Government Act 1993.
[17] s6A Valuation of Land Act NSW 1916.
[18] s497 Local Government Act 1993.

exists which applies an upper cap limit on rates relative to the base rate in the LGA. This option adopts a higher base amount than is permitted under the Act,[19] which is coupled with a proposed cap that limits the amount of rates paid by rate payers at the upper end of the land value range.

Option 3

This option is the same as option 2, and raises 70 per cent from a base amount with no maximum / upper limit cap and hence adopts a higher base amount than is permitted under the Act.[20] This option is the most appropriate for Randwick LGA based on its fast emerging multi-housing profile, particularly with its increasing high density housing in Maroubra Junction and the precinct along the Anzac Parade housing corridor.

Summary of options

Option 1: It is highlighted by RCC that under this model that 8,880 properties which have a land value below $144,758 will pay rates below the current minimum rate. This would increase disparity across the current diverse value ranges compared with the minimum rate structure and ad valorem approach currently used by RCC.

Options 2 and 3: As set out above, options 2 and 3 are similar with option 2 applying an upper cap limit on rates relative to the base rate in the LGA. These models apply a consistent, simple and transparent approach to the rating of residential property across Randwick LGA. These options better addresses the increasing hiatus between LV and CIV across the diversity of housing types.

Option 2, based on initial modelling, at this stage is the option preferred by Randwick Council. Randwick Council states that a rating system that would allow a greater base rate and the option to set a maximum rate would enable a Council to establish its rating structure based on the LGA's residential mix. Option 3 maintains a more consistent ad valorem component, which under both options 2 and 3 comprises 30 per cent across the range of residential property of the LGA.

At this point none of the above options articulates capacity-to-pay by reference to ratepayer's income, as was highlighted in Figure 1 and the preceding commentary. This principle is one requiring further consideration in the current review of local government in NSW[21] and would assist Councils similar to Randwick that have few properties with land values higher than the majority of properties in their LGA. A method of testing capacity to pay beyond the value of the property itself and by reference to income (owner / household) warrants further analysis and consideration.

[19] s499 & 500 Local Government Act 1993.
[20] Ibid.
[21] Better, Stronger Local Government – The case for Sustainable Change.

Sutton Principle and the rationale for change

A review of the Sutton Principle and comments resulting from the case underpinning the principle was set out earlier under the Principles of 'Good Tax Design.' It is stated that there is no specific weighting for determination of the ad valorem component in the rating of property however it was clear in the Sutton case, that the objective was to remove as far as possible any reference to the use of an ad valorem component by Blue Mountains City Council. In contrast, it is not the rationale of RCC to introduce a base amount of 70 per cent to remove or minimize the use of the ad valorem component to its residential rating structure.

The rationale for RCC's change has been articulated under the previous section and again addressed in the précis of the options in this section. In summary, the primary objective for adopting a base amount higher than the statutory limit is to address the emerging disparity in its rating structure resulting from the increasing diversity of residential housing within Randwick's LGA. Table 1 further set's out the key factors which differentiate RCC's proposed changes to their rating structure against the provisions of the Local Government Act and the circumstances that existed in the Sutton Case.

Designing change and recommendations

In addressing the needs of local government and their communities across New South Wales, greater diversity and flexibility is needed in the structure of rating options and the revenue raising powers of local government.

In NSW council rates and indeed land tax are both determined on land value[22], hence New South Wales and Queensland have the narrowest single base option for assessing it's recurrent property taxes of all six States, see Table 2. In order for local government rating to develop in NSW, it is important that options, including other bases of value, are available for the assessment of local government rates. The diversity of urban form across and within the 152 local government areas of NSW require a diversity of rating options as well as diversity of bases of value on which the ad valorem component of the tax is assessed.

The tools for setting local general rates across Australia vary from State to State, as set out in Table 3. While not the specific focus of this report, these tools provide insight for local government in its reform in NSW and warrant further research for the reform of government local rating in NSW.

One issue of particular relevance to Randwick Council is the rating of the few properties that have land values that are considerably higher than the majority of properties in the LGA. While the Council acknowledges capacity to pay is an important principle of a rating structure, the situation where rates paid far outweighs the benefits and services received needs to be addressed. South Australia has addressed this issue through s158 of the Local Government Act 1999 which states:

[22] s6A of the Valuation of Land Act 1916 NSW.

"…Councils may also alter the amount payable for properties that fall within a defined range of valuations. In practice this option is used by councils where:

- A small number of highly valued properties lie within an area otherwise characterised by lesser valued properties, and
- Council fixes a relatively high rate in the dollar that produces an average rate from the majority of low-valued properties, but an exceptionally high amount from the few high-value properties. In these circumstances, an adjustment for specified values would operate in effect, like a cap or limit on the maximum that would otherwise be payable."

Greater flexibility is needed in rating structures in NSW so that councils can design a system that best fits their LGA. The current limits on minimum rates and base rates, in addition to ad valorem rates based on land values, are too restrictive. This is a rising issue in inner city LGA's where there are a growing number of high rise dwellings and vast disparity in land values.

Further, it was highlighted in the introduction that rate pegging imposed restrictions on increases in local government revenue raised from rating. In line with the current review of Local Government in NSW and the recommendations of AFTS (2010) for increases in revenue recurrent land taxes, rate pegging provisions should be reviewed and provide local government opportunity in improving its tax effort from rates.

In strengthening rating revenue, greater emphasis should be placed on rates as a general purpose local government tax rather than just a fee for service charge in line with the perceived benefits and services received. This is perhaps the greatest challenge confronting the reform of local government rate revenue across Australia. While Randwick Council acknowledges rates are a tax, as discussed above, a solution is needed to address situations where a small number of highly valued properties are attracting exceptionally high rates. A gradual but significant paradigm shift will be required in refocusing local government rating as a tax and in particular the way this tax is assessed.

Conclusion

This report has stressed the re-emerging importance of recurrent property taxation for state and local government in Australia, a point also identified by AFTS (2010). It has highlighted the importance that the ongoing operation and any reforms to this tax continue to accord with the principles of 'good tax design.'

The emerging disparity in the imposition of this tax in Randwick LGA resulting from the emerging diversity in residential housing types, epitomises the complexities confronting local governments in the operation of this tax. A number of options have been modelled by RCC which this report has critiqued, relevant to the circumstances of its LGA.

An option to the existing rating structure currently used by RCC has been recommended and the case for its use argued in exceeding the fixed statutory limits for base rates under the Local Government Act 1993. The report further identifies that in maintaining a consistent ad valorem component to a rating structure by capping rates, does not allow local government the opportunity to further develop rates into a capacity to pay tax.

The precipitating rationale for increasing the base amount in Randwick LGA in light of its changing housing structure brings to light the importance of expanding rating options for local government in NSW. It was identified that NSW in conjunction with Qld has a single rating option and hence no diversity or flexibility in the imposition of rates across a diverse LGA.

Greater flexibility is needed in rating structures in NSW so that councils can design a system that best fits their LGAs. The current limits on maximum rates and base rates, in addition to ad valorem rates based only on land values, are too restrictive. This is a rising issue in inner city LGA's, such as Randwick City, where there are a growing number of high rise dwellings and vast disparity in land values. A choice of rating structure tools without statutory limits and the ability to choose the most appropriate valuation method are essential to ensuring a sound Council rating system.

Qualification

This report is provided to RCC and the recommendations are based on their specific circumstances, although a number of general recommendations made in this research report may be relevant to other local governments. Further, a distinction is made in the rationale between state land tax and local government rating, in which LV or SV remains the most efficient and neutral base for assessing state land tax, as is currently used across all six States of Australia.

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Cases and legislation

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Local Government Act 1993 (NSW)

Valuation of Land Act 1916 (NSW)

Annexure

1. Sutton / Randwick City Council summary
2. National comparison of bases for assessing rates
3. Summary of rate setting tools

Table 1: Comparative analysis and rationale in distinguishing Randwick City Council's proposed rating re-structure relative to the Sutton Principle

	Sutton Case	Local Govt Act NSW	Randwick City Council
Rating structure	76.2 & 97.1 per cent of rate revenue was derived from minimum rates	Sections 499 & 500 allow up to 50 per cent base amount. S548 allows for minimum rates.	Application for 70 per cent base amount and 30 per cent ad valorem
Relevant Date	1976 & 1977	1993	2013
Residential profile	Primarily single dwelling housing	N/a	29.2 per cent separate housing v. 70.3 per cent medium & high density
Taxing rationale	To ensure minimum rates became the rule with ad valorem being the exception.	Create a balance between base and ad valorem rating. N.B. A base and minimum rate cannot exist together (s548(7)).	To even the rate relativity between residential housing types resulting from the diminishing relativity of LV to CIV in Randwick LGA.
Commentary	In challenging the rates over two years 76 & 77, it was determined that the rationale for the rate structure was to remove the ad valorem component for rating property within Blue Mountains City LGA.	The Local Government Act was reviewed in 1993 in which provisions were made to restrict rate revenue derived from a base amount to no more than 50 per cent, with the balance derived from an ad valorem component of no less than 50 per cent.	RCC is seeking to establish a more even imposition of rating across its increasingly diverse housing type. In doing so it seeks to ensure the consistent application of the ad valorem component of its rating at 30 per cent of all property.

Source: Sutton v. Blue Mountains City Council (1977) 40 LGRA 51, & Local Government Act 1993 NSW.

Table 2: National comparison of bases for assessing rates

Property Valuation methods permitted to be applied

Group[a]	*Method*	*NSW*	*Vic*	*Qld*	*WA*[b]	*SA*	*Tas*	*NT*
A	Assessed Annual Value (AAV)						√	
	Annual value (AV)					√[c]		√
	Capital improved value		√					
B	Capital value					√	√	
	Improved capital value							√
	Gross rental value (GRV)				√			
C	Net annual value (NAV)		√					
	Site Value (SV)		√	√		√[c]		
D	Land value (LV)	√					√	
	Unimproved capital value (UCV)							√
E	Unimproved value (UV)				√			

[a] Various terms used across jurisdictions to describe methods that are essentially the same and these are grouped together.

[b] Two methods are used in Western Australia, but these are restricted by land type: UV for rural only and GRV for non-rural only.

[c] The AV and SV methods can be used in South Australia if the council declared rates for that land on that basis for the previous financial year, or if the council declares rates for that land on the basis of capital value for the previous three financial years.

N.B. Qld moved from UCV to SV in 2010

Source: Productivity Commission 2008

Table 3: Tools for setting general rates

State	Fixed charge	Minimum rates	Differential rates
NSW	A 'base amount' may differ according to land use category, but must not collect in excess of 50% of general rate revenue.[23]	A minimum (set by regulation) may be imposed only in respect of an ad valorem rate.[24]	• Four major categories of land use and multiple sub-categories of land use; • No provision for categories of land location.[25]
Vic	The 'municipal charge' is limited to 20% of general rate revenue.	No provision.	• Multiple categories of land use permitted;[26] • No categories of land location.
Qld	No provision.	A number of differential minimums may apply, according to land categories. There is no restriction on the % of properties that may be subject to the minimum.[27]	• Multiple land use categories permitted at Council's discretion. • It is unclear whether categories of location are permitted.[28]
Tas	A fixed charge must not exceed 50% of general rates.[29]	Minimum rates cannot be used in addition to a fixed charge.[30] No restriction on how high the minimum rate can be.	• Eight categories of land use; • No restriction on the categories of land location.[31]
SA	A fixed charge must not exceed 50% of general rates.[32]	Minimum rate may apply to no more than 35% of properties, and cannot be used in addition to a fixed charge.[33]	• Nine categories of land use; • A choice of specified location categories; or • Both land use & location
WA	No provision.	Different minimums may apply in different areas of one Council[34] but may not apply to more than 50% of premises, unless the minimum is no more than $200[35]	Multiple categories of land use/purpose permitted at Councils discretion.[36] Regulations may broaden or narrow the categories (but no regulations have been made.[37]

Source: Comrie, Smiri & Sody

[23] NSW LG Act ss499, 500

[24] NSW LG Act s548, and Local Govt (General) Regulation 2005 (NSW) r126. This minimum amount is adjusted annually. In 2011, it was set at $442.

[25] NSW LG Act s493 and s529

[26] Vic LG Act s161(2)(a)(ii)

[27] Local Govt (Finance, Plans and Reporting) Regulation 2010 (Qld) r11 (subsequently cited as Qld LG Regs)

[28] Qld Regs r15. The regulation cites as examples only land use categories. Categories based on location are not expressly prohibited, but do not seem to have been envisaged.

[29] Tas LG Act s91(2)(b)

[30] Tas LG Act s90(4)

[31] Tas LG Act s107

[32] SA LG Act s151(10)

[33] SA LG Act s158(2)

[34] WA LG Act s6.35

[35] Local Govt (Financial Management) Regulation 1996(WA) rr52,53-Subsequently cited as WA LG Regs.

[36] WA LG Act s6.33(1)

[37] WA LG Act s6.33(2); see WA Regs.

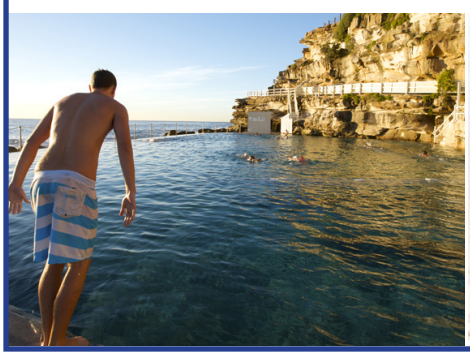
Randwick City Council
a sense of community

WAVERLEY COUNCIL

Attachment 2.3

Eastern Suburbs Economic Profile

SGS Economics and Planning, Dec 2013



Eastern Suburbs Economic Profile

Final Report

Prepared for:
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Waverley Municipal Council
Woollahra Municipal Council

December 2013

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1 INTRODUCTION

1.1 Background

This economic profile is a joint initiative of Randwick City Council, Waverley Municipal Council and Woollahra Municipal Council as local government authorities located in the Eastern Suburbs sub-region of the Sydney Metropolitan area. Information and analysis is provided in this study regarding economic activity at local precinct, local government and also at a sub-regional level. Presentation of this profile at a sub-regional level for the Eastern Suburbs allows for the analysis of the wider economic and public policy issues impacting on the area's economic activity.

This study is the first stage in developing an improved understanding of economic activity across the joint Randwick, Waverley and Woollahra local government areas. This profile will form the basis and framework for future joint discussion between these local government authorities on economic development opportunities within the Eastern Suburbs.

1.2 The study area

The Eastern Suburbs study area is a sub-region of the wider Sydney metropolitan area, located east and south-east of the Sydney Central Business District. The Australian Bureau of Statistics identifies the Eastern Suburbs as an SA3 statistical subdivision that includes the local government areas of Waverley, Woollahra and Randwick.

The Eastern Suburbs extends from the peninsula of South Head at Watsons Bay in the north to La Perouse on Botany Bay in the south. The northern part of the Eastern Suburbs comprises the affluent suburbs of Vaucluse, Rose Bay, Darling Point, Dover Heights, Double Bay, Point Piper, Watsons Bay, and Bellevue Hill. Centrally located to the Eastern Suburbs is Centennial Park, surrounded by the suburbs of Woollahra, Paddington, Bondi Junction, Queens Park, Randwick, Kensington, Clovelly and Coogee. To the south, the area includes suburbs such as Maroubra, Matraville, Malabar, Little Bay and La Perouse.

In total, the Eastern Suburbs covers an area of around 58 square kilometres, incorporating 34 suburbs. At the 2011 Census the study area's population was 262,648.

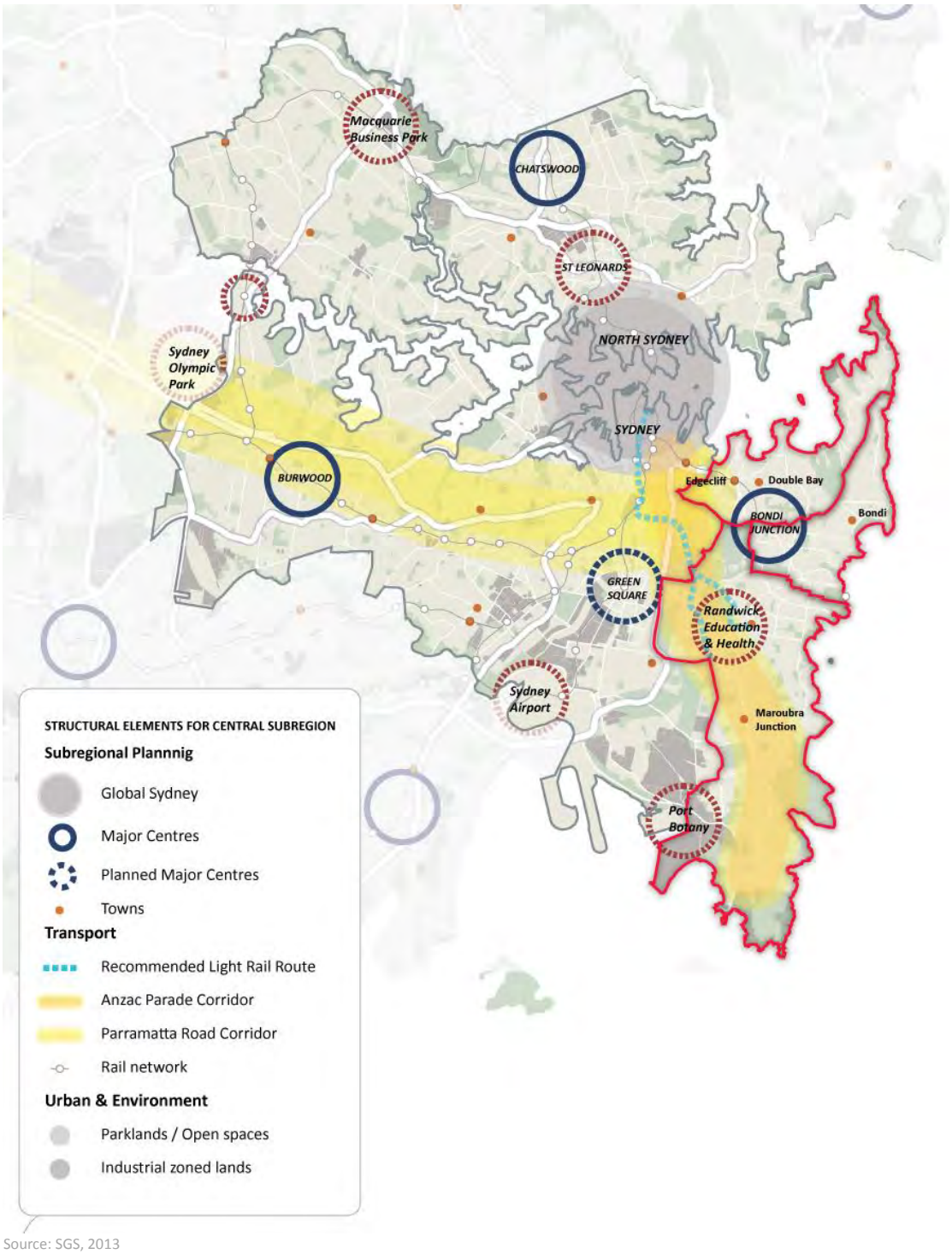
The Eastern Suburbs features an extensive coastline, including some of Sydney's most popular and best-known beaches such as Bondi, Tamarama, Bronte, Clovelly, Coogee, Maroubra, Malabar, Little Bay and La Perouse. The region also borders Sydney Harbour to the north and Botany Bay to the south.

The region's major strategic and economic assets include part of Port Botany, the Randwick Hospitals Complex, and the education facilities of the University of New South Wales and Randwick TAFE. The largest commercial and retail centres in the Eastern Suburbs include the major centre of Bondi Junction, as well as Double Bay, Randwick Junction/The Spot and Maroubra Junction town centres. The Royal Randwick Racecourse in also located in the region.

Edgecliff and Bondi Junction are serviced by rail connecting the Sydney CBD and the rest of the Eastern Suburbs is serviced by an extensive bus network as the main mode of public transport. The Eastern Suburbs light rail is currently in detailed planning phase and is proposed to link the south eastern parts of the area, including the Randwick Hospitals Complex and UNSW, to the Sydney CBD.

The Eastern Suburbs study area and key economic activity precincts are illustrated in Figure 1 below.

FIGURE 1. EASTERN SUBURBS STUDY AREA AND KEY ECONOMIC PRECINCTS



Source: SGS, 2013

1.3 Area and LGA profile

The following tables compare a number of key economic, demographic and social indicators between Randwick, Waverley, Woollahra and the Eastern Suburbs area as a whole. Table 1 presents information about population, age profile and growth. Randwick is the largest LGA of the three with almost 140,000 residents in 2011, more than half the total population of the Eastern Suburbs. Randwick's population is projected to grow at an average rate of 1.1% per year from 2011-31, a higher rate than the other two councils. The age profile was similar across all three LGAs, although in Woollahra there was a relatively

higher proportion of individuals aged 65 and older and a relatively lower proportion of working age people.

TABLE 1. POPULATION AND AGE

Indicator	Randwick	Waverley	Woollahra	Eastern Suburbs
Estimated resident population, 2011	137,757	68,567	56,324	262,648
Projected population growth, 2011-31	33,500	11,600	11,400	56,500
Average annual increase (%)	1.1	0.8	0.9	1.0
Average age, 2011 (yrs)	37.4	37.3	39.9	37.9
Age: < 15 (%)	14.6	14.8	14.9	14.7
15-64 (%)	72.4	73.3	69.1	71.9
65+ (%)	13.0	11.8	16.0	13.3

Source: Randwick City Council, 2013; Department of Planning and Infrastructure, 2013

Table 2 presents information about employment, labour force size and housing. Unemployment is highest in Randwick and lowest in Woollahra. Similarly, median weekly income in Woollahra is over 60% higher than in Randwick, while the median dwelling sale price is 54% higher, reflecting the relative affluence of the area. Median weekly rent for a two bedroom dwelling is slightly higher in Waverley than Woollahra, at $635 per week rather than $630, while rent in Randwick is about 13% cheaper.

TABLE 2. EMPLOYMENT, LABOUR FORCE AND HOUSING

Indicator	Period	Randwick	Waverley	Woollahra	Eastern Suburbs
Labour force (persons)	December Quarter 2012	78,799	39,733	32,925	151,457
Employed persons (estimated)	December Quarter 2012	75,764	38,506	32,213	146,483
Unemployment rate (%)	December Quarter 2012	3.9	3.1	2.2	3.3%
Participation rate (%)	December Quarter 2012	66.9	67.9	68.6	
Median weekly income ($, persons aged 15 and over)	2011	718	973	1149	869
Median dwelling sale price ($)	June Quarter 2013	775,000	850,000	1,196,000	
Median weekly rent for two bedroom dwellings ($)	September Quarter 2013	550	635	630	

Source: Randwick City Council, 2013; ABS Census, 2011; Department of Housing NSW, 2013

1.4 Scope of the study

The scope of this study involves the following:

- Review relevant state/federal strategy and policy frameworks that impact on development in economic activity areas
- Identify the broader trends and drivers for economic development and provide an overview of the macro-economic environment and Sydney's changing economic geography
- Establish a baseline economic profile for the Eastern Suburbs
- Prepare a more detailed profile for each major economic activity area and where applicable major industry sectors
- Use an input-output (IO) model to examine inter-industry relationships and connections
- Outline employment projections for the Eastern Suburbs and economic activity areas for the period till 2031, based on NSW Bureau of Transport (BTS) projections and SGS adjustments following considerations of drivers of economic activity
- Prepare a separate draft economic positioning statement as stage 2 of this project, setting out the broad future strategic directions for the economic development of the area
- Workshop with Council staff to resolve key economic development directions for key economic precincts, and
- Prepare a report including information, workshop discussions and framework for future position of economic development for the study area.

1.5 Report structure

The remainder of the report follows the following structure:

Section 2 outlines the macro level economic context for the study, highlighting broad and local trends in major industry sectors in the Eastern Suburbs, including education, health and retail industries.

Section 3 reviews the current policy framework relevant to the Eastern Suburbs.

Section 4 presents a baseline analysis of current economic activity in the Eastern Suburbs, with the employment profile and the socio-economic characteristics of local residents with respect to the Sydney GMA context.

Section 5 provides the results from the floorspace audit, detailing the floorspace mix and vacancy rate of each main retail centre.

Section 6 presents a detailed industry and land use profile for each economic activity precinct within the Eastern Suburbs, based on the BTS Journey to Work data and floorspace data from the audit.

Section 7 describes the key inputs to the Retail Gravity Model. The model was used to forecast retail floorspace demand by commodity type for selected centres in the Eastern Suburbs, based on the expenditure growth within their catchment.

Section 8 identifies the employment projections for the region, including discussion of the major projects that will assist the development of the area, the precincts where employment growth is projected and also the industry types where employment growth is expected.

Section 9 Outlines the key findings and framework for the consideration of future economic development strategy, including identification of the strategic directions for future economic development.

2 TRENDS AND DRIVERS

A range of trends and drivers influencing key industries in the region are explored in this section. These trends have implications for land-use and development profiles. An understanding of industry and land use trends as well as a broader understanding of local drivers of employment is essential to inform the development of an economic strategy and economic development actions.

2.1 Global and national trends

The CSIRO's *Our Future World* report identifies six megatrends that will change the way people live. The table below summarises these trends and their implications for the Eastern Suburbs.

TABLE 3. GLOBAL MEGATRENDS THAT WILL SHAPE THE EASTERN SUBURBS (CSIRO)

Trend	Explanation	Implications for the Eastern suburbs
More from less	– The earth has limited supplies of natural mineral, energy, water and food resources essential for human survival and maintaining current quality of life. Economic and population growth will place upward pressure on demand, while resources are being depleted at alarming, unsustainable rates.	– Companies, governments and communities in the Eastern Suburbs will need to find new ways of ensuring quality of life for current and future generations within the confines of the world's limited resources.
Going, going... gone?	– Many of the world's natural habitats, plant species and animal species are in decline or at risk of extinction, and the actions of the next few decades will influence biodiversity on earth for milennia. – Greenhouse gas emissions and climate change will destroy much of what we value in the natural world.	– As a coastal region, the eastern suburbs will need to prepare themselves for rising sea levels, and the effect extreme weather events and changed beach landscapes will have on both quality of life for residents and the current tourism offer.
The silk highway	– Coming decades will see the world economy shift from west to east and north to south, as billions of people in Asia (and to a lesser extent, South America and Africa) transition out of poverty and into the middle income classes. – The new powerhouses of the global economy are China and India.	– Economic shift to the east and south will build new export markets, trade relations, business models and cultural ties in the Eastern Suburbs and Australia. – Tourists, investment, innovation and human capital will increasingly flow our of Asian countries and into Australia's economy and society, therefore building strong relationships with Asia is important.
Forever young	– Australia and many other countries that make up the Organisation for Economic Cooperation and Development (OECD) have an ageing population. – Elderly citizens are an asset, providing skills, knowledge, wisdom and mentorship – Challenges associated with an ageing population include a widening retirement sacings gap and escalating healthcare costs.	– An ageing population will change people's lifestyles, the services they demand and the function and structure of the labour market. – As a major health precinct, the Eastern Suburbs is well-positioned to accomodate the healthcare needs of its ageing population. – Appropriate housing, transport and entertainment options will need to continue to be provided for odler people.
Virtually here	– This megatrend explores what might happen in a world of increased connectivity where individuals, communities, governments and businesses are immersed into the virtual world to a much greater extent than ever before.	– Government and business services will need to increasingly be delivered online. – Online retail and teleworking are forecast to grow rapidly and have an impact on the Eastern Suburbs' labour markets, retail models, urban design and transportation systems

Trend	Explanation	Implications for the Eastern suburbs
Great Expectations	– This is a consumer, societal, demographic and cultural megatrend.It explores the rising demand demand for experiences over products and the rising importance of social relationships. – Increasing expectation that personalised services will meet consumers' unique needs whilst being delivered en masse.	– Implications for retail sector and human service delivery systems of government and private sector organisations. – As incomes grow, both domestic and international tourists will seek higher-end experiences, due to the oversupply of mass consumables.

Source: CSIRO, *Our Future World*, 2012.

2.2 Retail industry trends

Broad trends

The retail landscape is changing. Fluctuating economic trends, accompanied by high levels of debt and low levels of spending, has influenced a change in the behaviour of the retail sector. Other trends in the retail sector over the past decade have included:

- the shift towards longer trading hours, especially weekend trading
- increasing pressure for out-of-centre developments including bulky goods centres located away from traditional centres
- the changing character and function of centres – ethnic themed precincts, 'eat-streets', cafe precincts, fresh food centres, etc, and
- an increasing move towards online retailing.

The trends in retail suggest that a continual real expansion in retail expenditure, on the back of rising living standards and a growing population, cannot be guaranteed. Consumers are currently devoting more of their discretionary expenditure to non-retail items (including services) and to paying off debt. Health expenditure is likely to increase (with an ageing population). Consumers are also 'getting more' for their money, with on-line retailing expanding options, so sales growth is slower.

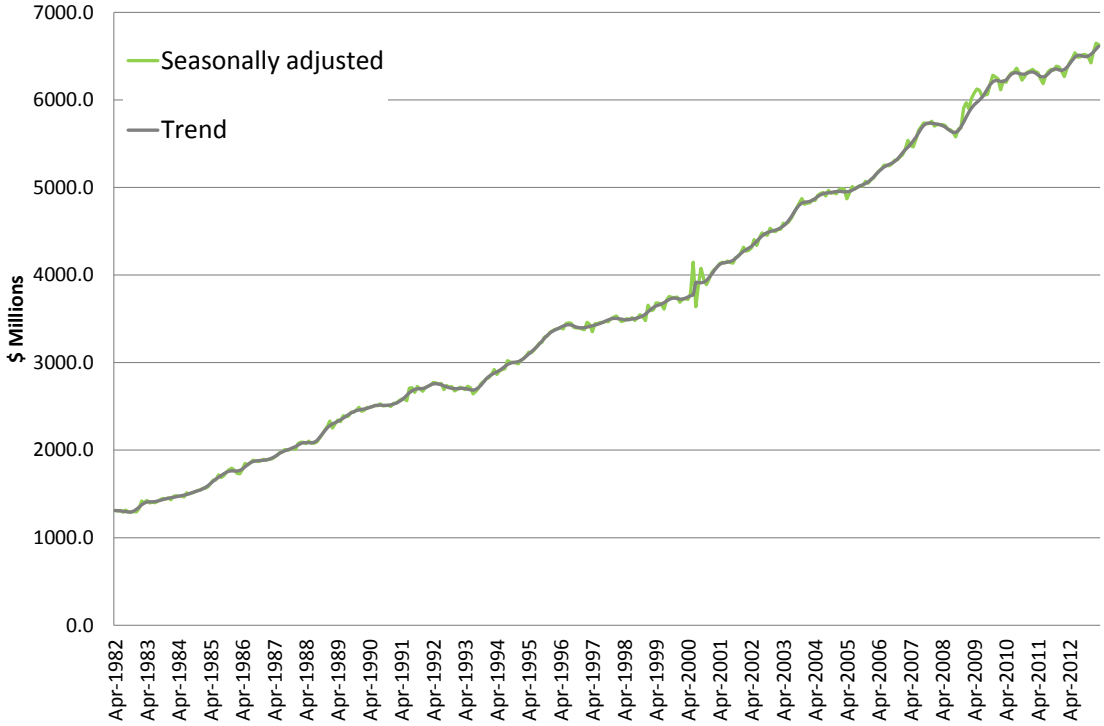
The retail industry still remains a significant contributor to the Australian economy, according to the Productivity Commission (PC) contributing 4.1 percent of gross domestic product (GDP) and 10.7 percent to employment.[1]

Overall retail turnover in NSW has continued to grow (illustrated in Figure 2), though the dip related to the GFC is clearly evident.

The PC, in its report on retailing, noted a weakening of the growth in sales since the GFC with consumers reducing the proportion of their income spent on retail goods, as they lift their savings rate and spend more on other items such as finance, health, rent and education. The PC noted that national nominal retail trade sales averaged 1.8 percent over the year through 2010 and the first and second quarters of 2011, which was just over one fifth of the average of the nominal growth rate of the economy (7.6 per cent) over the same period.[2]

[1] Productivity Commission 2011, Economic Structure and Performance of the Australian Retail Industry. Inquiry Report, December.
[2] Ibid

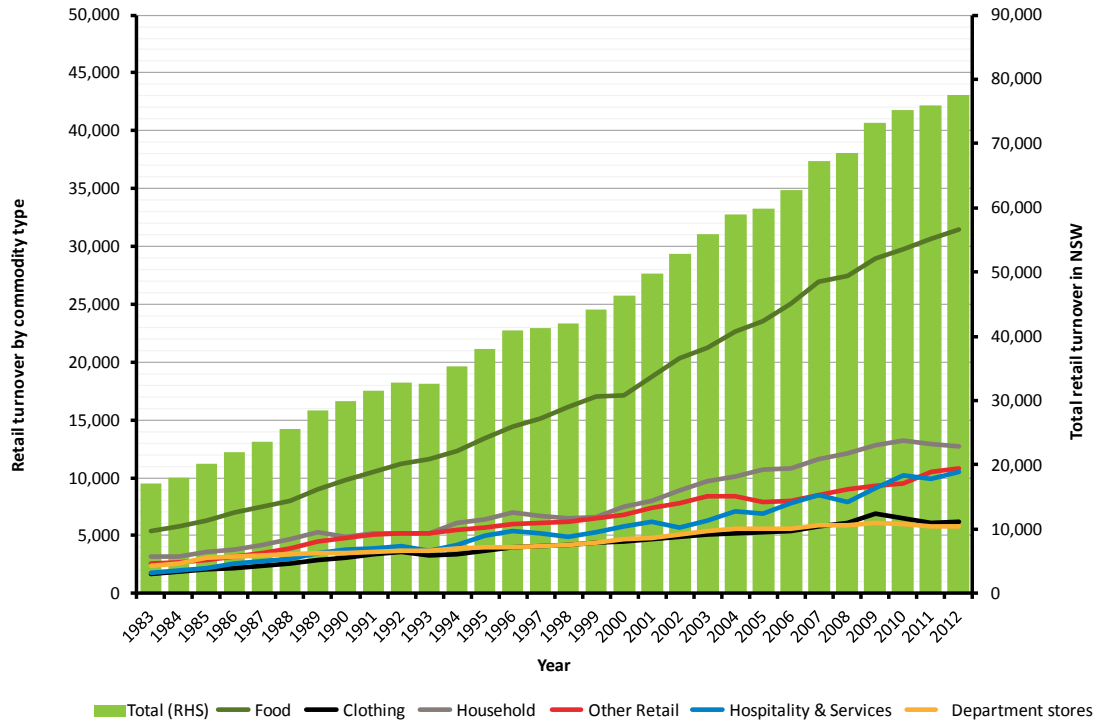
FIGURE 2. RETAIL TURNOVER NSW, 1982 TO 2012



Source: SGS Economics and Planning, 2013 using Australian Bureau of Statistics, 2013 (Catalogue 8501.0 Retail Trade)

Figure 3 illustrates the differing trends between the different retail submarkets, highlighting that food retailing has been following the overall retail expenditure trend with clothing, household and department store retailing experiencing much steadier growth in comparison.

FIGURE 3. RETAIL EXPENDITURE TRENDS BY SUBMARKET TYPE, $MILLION



Source: SGS Economics and Planning, 2013 using Australian Bureau of Statistics, 2013 (Catalogue 8501.0 Retail Trade)

Between 2006 and 2011, employment within the retail sector experienced a modest compound average growth rate of 0.5 percent per annum in both Australia and NSW. This is much lower than the total employment growth of 2.0 percent, after years of retail employment growing faster than total employment. Interestingly – and perhaps a sign of things to come given the ageing population – the sector of health care and social assistance overtook retail in 2011 (in both Australia and NSW) as the sector with the greatest share of total jobs.[3]

The PC summarises some of the trends and influences on retail trends as follows:

...annual growth in retail sales has broadly declined from 9.6 per cent per year during the early 1980s to 4.8 per cent per year over the 5 years to 2010. This long-term fall in growth has been largely due to the fall in retail sales as a share of Household Final Consumption Expenditure (HFCE), that is, of what they do spend, consumers are spending relatively less on goods provided by retailers.[4]

Growth of retail sales over the longer term has relied on the willingness of consumers to spend larger shares of their income, as well as increases in the disposable income of the population and population growth. Growth due to the above factors has counterbalanced the decreasing share of consumer spending directed towards the goods sold by retailers. The recent decline in the share of income that is consumed (or the increase in the savings ratio) has further exposed the influence of these broader macroeconomic factors.

The extent to which retail expenditure will pick up and return to its high growth trajectory depends on how these macroeconomic factors 'track'. While population growth is set to remain steady (according to projections), income growth may be subdued -in line with more uncertain economic conditions (in particular a distinct softening of the mining boom) – while the demands on disposable income will increase with an ageing population and no sign yet of a slowing in Australia's relatively high cost economy. On this basis there is unlikely to be a significant short to medium term acceleration in retail expenditure.

Pressure for out-of-centre developments

From a strategic land use planning perspective, bulky goods retail should be located in or adjacent to centres to support the existing retail hierarchy and minimise trip generation. The *NSW Government's Right Place for Business and Service Policy* document (Department of Urban Affairs and Planning, 2001) prescribes that when it is not realistic for bulky goods outlets to be in centres, they should be located in one or two regional clusters and existing clusters should be reinforced. This reduces trip generation, adds to customer choice and can improve the 'pulling power' of these businesses. As such, having defined bulky goods precincts benefits both businesses and customers.

The delivery of stock and the collection of bulky goods by customers require sites with good road access. Main road locations provide both access and exposure. Sites with exposure to high traffic volumes are desired by bulky goods retailers because they enable business promotion. Locations on major arterial roads are preferred.

In some locations across Sydney, bulky goods retailing is moving into industrial areas. This has significant implications. It allows bulky goods developers to achieve considerable competitive advantages associated with cheaper rents (Productivity Commission 2011). The significant difference between the net rental ranges for bulky goods centres compared to major retail centres is highlighted in Figure 4. Bulky goods retailing within industrial precincts can place upwards pressure on rents, potentially forcing industrial land uses to relocate to cheaper areas. Additionally, industrial land users often prefer to be located in an area which has an 'industrial image', and for some it is important to maintain a sense of

[3] Based on 2006 and 2011 Census data.
[4] Productivity Commission 2011, Economic Structure and Performance of the Australian Retail Industry. Inquiry Report, December.

'address' for existing businesses in industrial areas. Further, increased traffic volumes stemming from bulky goods retail customers might affect access to and from industrial operations in the same area. The location of retailers in out of centre locations has the potential to undermine nearby centres.

FIGURE 4. AUSTRALIAN RETAIL MARKET INDICATORS

Retail Indicator	CBD Retail	Regional Shopping Centres	Sub-Regional Shopping Centres	Neighbourhood Shopping Centres	Bulky Goods Centres
No. of Centres	123	125	249	919	112
Total Stock (sqm)	1,048,259	7,241,217	4,318,819	4,012,305	2,014,891
Average Size (sqm)	8,552	57,929	17,345	4,366	17,990
5-year Supply (sqm)	78,000	572,000	338,000	442,000	1,170,000
Net Rental Range (/sqm)	$2,750 - $9,000	$950 - $2,250	$550 - $1,150	$250 - $850	$125 - $450
Occupancy Cost Ratio	21.40%	17.90%	13.70%	11.50%	n/a
Average Vacancy Rate	2.30%	1.20%	2.90%	4.40%	7.50%
Prime Yields	5.25% - 8.50%	5.25% - 6.50%	7.00% - 7.75%	7.25% - 8.00%	8.50% - 9.50%
Secondary Yields	n/a	6.50% - 7.50%	7.75% - 10.00%	8.00% - 12.00%	9.50% - 12.00%

Source: Colliers, 2013

Online retailing

Advances in technology have also played a fundamental role in changing the nature of the retail sector:

'The phenomenal growth of online retailing, the rise of mobile retailing, the speed and sophistication of the major national and international retailers, the epic and immersive experiences offered by today's new breed of shopping mall, have all conspired to change today's retail landscape'.[5]

The Productivity Commission's report (2011, p. 73) suggested that domestic and overseas online sales accounted for six per cent of total retail spending in Australia in 2010. Comparatively, online sales in the United Kingdom account for between five and eight percent share of retail sales, while in the United States they account for between nine and 11 percent:

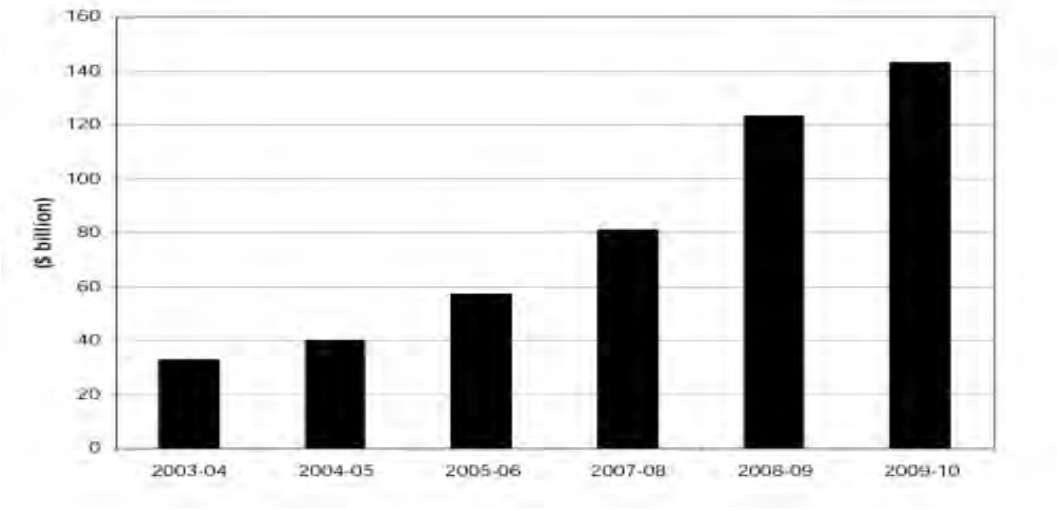
Online retailing is reportedly growing 26 times faster than the high street, as large numbers of consumers continue to switch to buying online (Court, Cushman and Wakefield, 2006).

Online shopping in Australia is becoming more prominent for three main reasons:
- lower prices
- convenience, and
- a wider range of goods to choose from compared to those available from bricks and mortar retailers.

Figure 5 shows the estimated growth in internet commerce.

[5] Portas, M. (2011). The Portas Review: An independent review into the future of our high streets. Department for Business, Innovation and Skills.

FIGURE 5. VALUE OF INTERNET COMMERCE IN AUSTRALIA 2003/04 TO 2009/10



Source: Productivity Commission, 2011

This competitive pressure is forcing 'bricks and mortar' retail stores to react and provide both online and physical stores (referred to as 'clicks and mortar' or 'click on brick') to maintain market share (Productivity Commission 2011). The British Council of Shopping Centres (BCSC) report also highlights that traditional bricks and mortar retailing will increasingly need to adapt and suggests a number of measures including:

- more car parking or free car parking
- easy public transport access
- improve the 'experience of shopping', and
- improved customer service.

An open and competitive – but more certain – planning environment will also assist bricks and mortar retailers to respond to the on-line challenge.

Influx of international retailers

A recent trend in relation to retail has been an influx of international fashion retailers such as Zara, Gap and Top Shop into major centres in Australia. 'Some of these new retailers are not only providing a great point of difference by they are trading at record levels – and at a time when home-grown retail is facing tough times'[6]. This trend is occuring due to weak markets in North America and Europe and a comparatively stable market and high level of disposable income in Australia.

According to Shopping Centre News, international retailers generally look to establish a large flagship store in either Sydney or Melbourne CBD and smaller stores in top performing regional shopping centres with good exposure, higer foot traffic and sales productivity.

The influx of international retailers is expected to continue throughout 2013 with demand for international brands high as a result of the Australian population being exposed to international brands through overseas travel, media andonline shopping.

[6] Shopping Centre News 2013, Volume 31, Number 1

Local trends

Online retailing will continue to place pressure on jobs within the retail industry...

Online retailing is most likely to have the greatest impact on clothing and accessories, CD/DVD and book retailing where online retailers are able to provide the same goods at much lower price points. Local operators are also at greater risk because their point of differentiation is often service and knowledge, rather than price. Consumers have been known to visit stores for product information then search for the product at a cheaper price (offered by large retailers) online.

Businesses least likely to be influenced include those in the service retail sector such as cafés restaurants and bars. Retailers who offer a genuinely unique product are also less likely to be impacted by online competition.

...however, international retailers are beginning to enter the 'bricks and mortar' retail industry in the Eastern Suburbs...

As highlighted earlier, international retailers look to establish smaller stores alongside flagship stores in the CBD of Sydney or Melbourne. Since opening its flagship store in Sydney CBD, Zara has opened a store in Bondi Junction, taking advantage of space made available by declining retailers. Williams Sonoma and its sub brands including Pottery Barn recently opened in a purpose built building opposite Westfield in Bondi Junction which is the first retail location outside of North America for Williams Sonoma[7]. As a top performing regional shopping centre, Bondi Junction is likely to experience further influx of international retailers with competitive advantages.

Westfield Bondi Junction has retained its position in the 'Big Gun' sector of the retail market despite declines in turnover.

Westfield Bondi Junction had a turnover of $961.3 million in 2013, down 1.2% from $972.8 million in 2012. The shopping centre also experienced a decline in its turnover rate per square metre (down 0.7 percent) and moved down to second spot (behind Broadway Shopping Centre) but still maintains a range over $10,000 per square metre. In terms of the rate of turnover per square metre for specialty stores, Westfield Bondi Junction was ranked fifth (up from sixth in the previous year)[8]. Large shopping centres continue to perform strongly compared to the wider retail sector, particularly Westfield Bondi Junction which has continued its strong performance which has assisted in attracting international retailers as discussed above.

But smaller local retail centres within the Eastern Suburbs may be affected by the competition from large retail centres in the proximity.

Smaller local retail centres may be affected by competition from large retail centres such as the Sydney CBD, Westfield Eastgardens and SupaCentre, located in close proximity to the region.

Retail will need to adapt to changing consumer preference.

As trends change and increasing pressure gets placed on the retail sector, the retail industry will need to adapt to changes, not only associated within online retailing but also changing consumer preferences to ensure that the industry does not decline or impact on employment. This is an area that will require further investigations.

[7] Shopping Centre News 2012, Volume 30, Number 4.
[8] Ibid

2.3 Demographic trends: an ageing population

Broad trends

Ageing is affected by physical and social environments, health, economic and life experiences as much as it is by chronological age. This is reflected in the range of terms used to describe ageing people, which tend to have different meanings to different people and communities.

An increasing trend in relation to the growing ageing population is a preference for towards ageing in place. Ageing in place recognises that people wish to maintain their independence as long as possible, not having to change their living arrangements in order to receive care and support when it is needed. It also supports the ageing population to stay connected with their community, family and lifestyle. For frail older people it is about providing appropriate in-home and community based care services that makes the most of connections to each person's home, community and way of life.

Many countries worldwide, including Australia, have national ageing strategies based on the ageing principles addressed by the World Health Organisation. These national strategies guide state and local responses to ageing. While each community is different, with specific needs that require addressing, there are some common challenges facing the ageing population and consequently need to be addressed by strategies and policies.

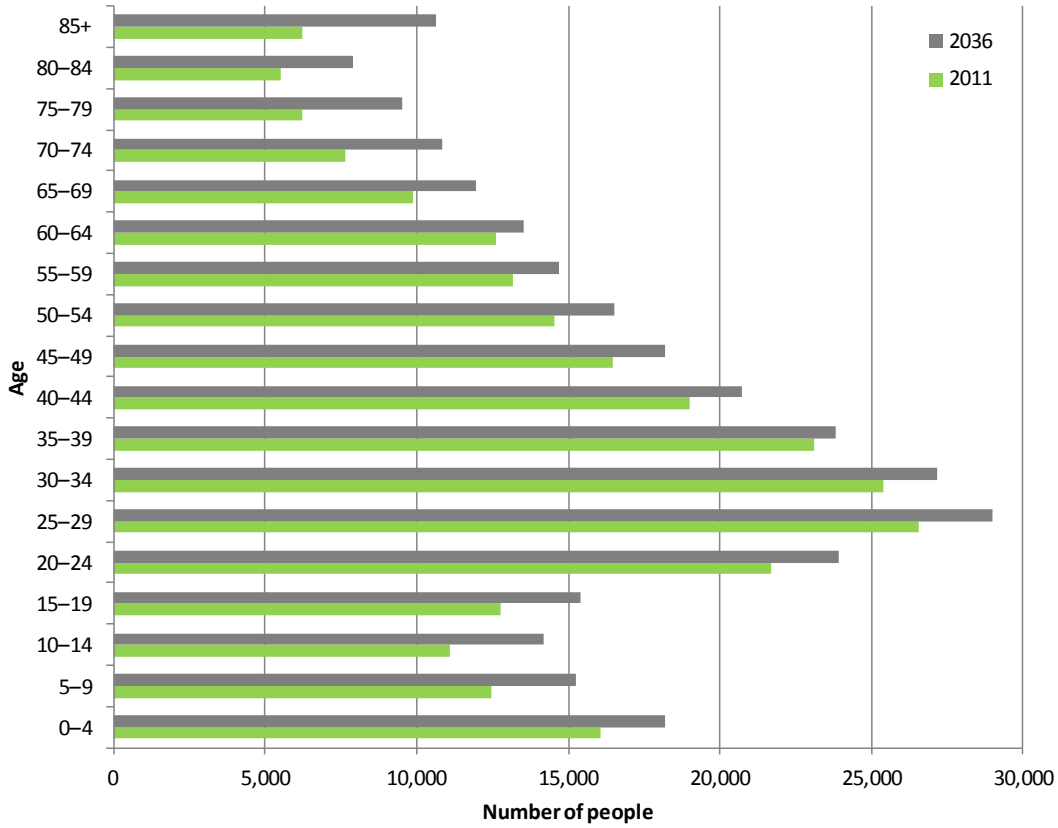
Issues and challenges include:

- ensuring that the right type and amount of facilities and services are provided for the baby boomer generation as they age, noting that this generation will have different demands and needs than previous ageing generations.
- ensuring that the ageing population is provided with education and learning opportunities so that they can continue to be engaged, be involved within the community, and can participate in the workforce for as long as they wish. People should be able to actively participate in the community, regardless of age.
- educating citizens throughout all life stages to ensure that they are aware that choices they make throughout their lives (for example, exercise and diet) can impact how they live in their later years and on the help and services they will require.
- recognising that people should be provided with the facilities and services required for them to be able to age within their community.
- ensuring that there are adequate support networks and services available for carers and volunteers.
- ensuring that the ageing population has knowledge of the facilities and services available to them and that they can easily access these should they wish/ require them. Such services include community transport, health care, mental health and residential care.
- recognising diversity, particularly that the services available to the ageing population have respect to the population, including different cultural and individual needs.

Local trends

Between 2011 and 2036, the Eastern Suburbs population is projected to continue to age. Figure 6 illustrates the population of the Eastern Suburbs in 2011 and the projected population in 2036.

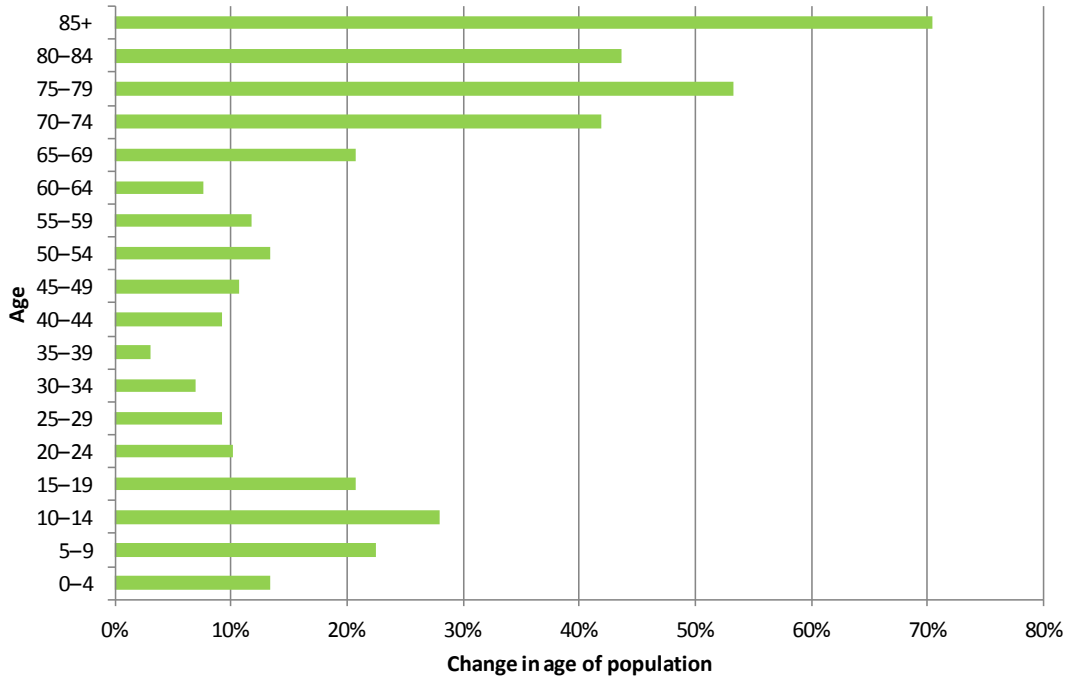
FIGURE 6. PROJECTED CHANGE IN AGE OF POPULATION IN EASTERN SUBURBS 2011-2036



Source: Department of Planning and Infrastructure, 2013 (Population projections by LGA by age).

Figure 7 highlights that the greatest change in the population of the Eastern Suburbs is projected to be the population aged over 65. The population aged above 65 in Eastern Suburbs are projected to increase by over 40 percent from 2011 to 2036.

FIGURE 7. PROJECTED CHANGE IN AGE OF POPULATION IN EASTERN SUBURBS 2011-2036



Source: Adapted from Department of Planning and Infrastructure, 2013 (Population projections by LGA by age).

The ageing population combined with an increasing trend towards ageing in place is likely to increase the proportion of retirees living in the Eastern Suburbs and reduce the proportion of residents participating in the workforce. An ageing population will increase the demand for health-related services and increase the number of jobs within these industry sectors which will boost employment within the Randwick Education and Health Precinct. These two trends, combined, will increase the proportion of workers travelling from outside of the Eastern Suburbs to work within the region, decreasing the regions self sufficiency, that is, reducing the proportion of local jobs that are filled by local residents.

2.4 Health and education: magnetic infrastructure

Magnet infrastructure is infrastructure that attracts activities to a location. In the East Subregional Strategy (Draft, DP&I 2007), health and education is said to be infrastructure enabling a centre to distinguish itself from other centres by becoming a Specialised Centre. Magnet infrastructure is concerned with the transformation of centres to enable them to attain their economic and social potential. Specialised centres perform a vital economic and employment role, generate metropolitan-wide benefits and build on, amongst other infrastructure, Sydney's knowledge infrastructure.

Broad trends

Clustering of health-related businesses

The importance of clustering industries is uncontested as it has many positives, including convenience for those using the services. There is value for health-related businesses to concentrate in close proximity to hospitals. This may be in the form of knowledge transfer, labour pooling, input sharing and access to a large market.

The economic foundations necessary for cluster development more generally are regarded to be:

– availability of skilled and adaptable human resource

- availability of technology, advanced physical and information infrastructure, and
- access to financial capital and supportive taxation and regulatory environment.

As well as providing economic advantages, the consolidation of health and medical related uses in one location has advantages for patients, potentially reducing the need for travel.

Whilst there are numerous examples of clustering of hospitals and other health services, including health research, the Washington State Hospital Association, for example, notes that a cluster of hospitals in Spokane County 'creates the infrastructure to attract and support other health services, such as laboratories, pharmaceutical companies, and physician groups'[9]. Further, there are also close ties between hospitals and nearby colleges and universities with health care programs. Examples in Sydney include the Macquarie University Health and Education Precinct and the Randwick Health and Education Precinct.

Strategic planning is important for identifying the key elements needed to support an industry cluster. Support for cluster development and the building of network partnerships are also deemed important ways through which the cluster development process can be assisted. Advantages of clustering and co-location mean that Randwick continues to become more attractive as a location for health-related businesses.

Education is Australia's largest non-resources export.

Education is Australia's fourth largest export industry and largest non-resources export with a $15 billion revenue in 2012. Despite the sector's strong past performance, Australian universities cannot get complacent - revenue from international students has been falling since 2009. International students make up one fifth of the student body and Australian universities' dependence on international student fees for revenue has made them vulnerable to increased worldwide competition for students. The number of commencing international students has declined by 3.9 per cent between 2011 and 2012.[10] The total number of international students has declined almost 20 per cent since the peak of 472,214 in 2010.[11]

Although Australian universities enjoy a geographical advantage due their proximity to key source markets such as India and Malaysia, the strong Australian dollar has eroded the cost advantage Australian universities once enjoyed over competitors in Canada and the United States. Research by HSBC found that Australia was the most expensive destination for international students in 2012, due to fees and the strong Australian dollar increasing living costs for students.[12] Aggressive media campaigns by universities in Britain, Canada and the United States, as well as increased investment in education in Malaysia, China and other emerging markets has also reduced international student numbers in Australia. As magnet infrastructure, changes in the higher education sector may have an influence on demand for other industries in the eastern suburbs. The recent drop in the Australian dollar will assist in boosting international enrolments as education in Australia becomes more affordable for international students. Each international student contributes an average of $30,000 to the Australian economy and generates 0.3 full-time equivalent jobs[13]. Universities Australia has highlighted that 'at a time of renewed

[9] Washington State Hospital Association (2003) 'The Business of Caring: The Economic Impact of Hospitals in Washington State', Available: http://www.wsha.org

[10] DIICCSRTE 2013, *2012 Full Year Student Summary*, DIICSRTE, Canberra, viewed 28 August 2013, < http://www.innovation.gov.au/highereducation/HigherEducationStatistics/StatisticsPublications/Documents/2012/2012%20full%20year%20summary.pdf>

[11] AEI 2013, 'International student data 2013,' Australian Education International, viewed 30 August 2013 < https://aei.gov.au/research/International-Student-Data/Pages/InternationalStudentData2013.aspx#Detailed_Monthly>

[12] HSBC 2013, 'Study costs most in Australia,' HSBC 13 August 2013, viewed 30 August 2013 < http://www.hsbc.com/news-and-insight/2013/study-costs-most-in-australia>

[12] Universities Australia, 2013, *International education in Australia more affordable,* media release 10 July 2013.

global economic uncertainty and the decline of the resources boom, the role and importance of international education to Australia's economic future is impossible to over-state'[14].

The International Education Advisory Council estimates Australia will be hosting 520,000 international students by 2020, a 30 per cent increase on today's numbers. The Council estimates this will contribute $19.1 billion to the local economy, which will bring direct benefits to retailers, accommodation providers and community enterprises. [15]

Future trends in the university sector will have an impact on demand.

Research by Ernst and Young identifies five key trends driving changes in which will offer both opportunities and challenges in the higher education sector. [16]

- **Democratisation of knowledge and access.** The traditional role of Western universities as the guardians of "knowledge" has been challenged by increased access to higher education as information is made widely available online and higher education participation rates increase in developing countries.
- **Competitive markets and funding**. Fierce competition for students and funding will continue to intensify, as universities compete for both domestic and international students, as well as government and new sources of funding. Uncapping of enrolments under the Rudd-Gillard government increased competition for domestic students; however, the current government has raised the possibility of reversing the demand-driven model and returning to a system of capped enrolments.
- **Digital technologies**. While universities will likely remain campus-based, courses will be increasingly taught online, for example via Massive Open Online Courses, and digital technologies will be integrated with campus-based learning.
- **Global mobility**. Emerging markets, and the traditional sources of international students, including South Korea, Malaysia and China, will become Australia's global-scale competitors in the international student market, as global university brands and international branch campuses emerge and academic staff and students are increasingly sourced from overseas.
- **Integration with industry**. As industry increasingly offers professional certification, it will begin to compete with universities in the certification of students and the delivery of research and course content, and universities will partner more closely with industry in research activity.

Local trends

The Randwick Health and Education Precinct contains magnet infrastructure that will provide for an ageing population and contribute to the education services export industry.

The Randwick Education and Health precinct provides an opportunity for increased clustering and development of health and education related businesses. Clustering of health-related businesses is valuable due to knowledge transfer, labour pooling, input sharing and access to a large market. The Randwick Education and Health precinct is an example of a current cluster of health and education related businesses within the Eastern Suburbs and this provides a platform for further growth of businesses and hence jobs within this industry sector.

[14] ibid

[15] International Education Advisory Council 2013, *Australia – Educating Globally*, February 2013, p. Ii – 2, viewed 10 October 2013, <https://aei.gov.au/IEAC2/theCouncilsReport/Documents/Australia%20%E2%80%93%20Educating%20Globally%20FINAL%20REPORT.pdf>

[16] Ernst and Young 2013, *University of the Future: A thousand year old industry on the cusp of profound change*, Ernst and Young, Melbourne, viewed 28 August 2013, < http://www.ey.com/Publication/vwLUAssets/University_of_the_future/$FILE/University_of_the_future_2012.pdf>

The Randwick Hospitals Campus incorporates the Prince of Wales Hospital, Royal Hospital for Women and the Sydney Children's Hospital. The Prince of Wales Hospital employs almost 3,000 staff[17] and is one of two A1 Principal Referral Hospitals catering for the South Eastern Sydney Local Health District which includes nine LGAs[18] and the Royal Hospital for Women is one of two A3 Specialised Referral Hospitals for the region.

The Prince of Wales Hospital is a major teaching hospital affiliated with the University of New South Wales (UNSW), also located in the Randwick Health and Education Precinct. UNSW is one of Australia's leading universities and a member of both the Group of Eight and the prestigious Universitas 21 international network. UNSW is described as 'Australia's first international university, enrolling significant numbers of international students since 1951, with more than 120 countries now represented' (UNSW, 2013). In 2012, UNSW had 50,516 enrolments and 26 percent of these enrolments were international students. This highlights the major contribution that UNSW currently makes and will continue to make towards Australia's education services exports.

Despite significant policy upheaval, UNSW will continue to be a significant higher education provider and valuable piece of magnetic infrastructure.

UNSW is ranked in the top 100 universities in the world, according to world university rankings for 2012-13.Its main campus is located in Kensington, in the Randwick LGA and is a key piece of magnet infrastructure for the eastern suburbs. However, after the Bradley Review was initiated in 2008, the higher education sector experienced major policy upheaval. The Review recommended a demand-driven system for allocating student places to increase levels of higher education attainment in Australia, especially amongst low SES background students. This recommendation has now been implemented through the uncapping of government-supported student places. It also called for increased numbers of students from disadvantaged groups to help meet growing employment demand for people with undergraduate qualifications.

In 2009, the Commonwealth Government committed $5.4 billion of additional funding to higher education over four years, aiming to increase the proportion of 25-34 year olds with a qualification at bachelor level from 32% in 2012 to 40% by 2025. This aims to boost graduate numbers by around 217,000.[19]

In many ways, the shift to a demand-driven policy has been a success. Since numbers were uncapped in 2012, student enrolments have grown significantly. The uncapping of government-funded student enrolments helped cause a 4 per cent increase in the total number of commencing students Australia-wide from 2011 to 2012.[20] Some of this increase can be accounted for by the global financial crisis, which encouraged young people to opt-out of full time work, but the Australian Council for Education Research (ACER) believes that continued interest in higher education is a result of demand-driven policies. The number of commencing students from low SES backgrounds has also increased by 9.1 per cent compared to the same period in 2011.[21]

However, there have also been fears that the uncapping of student enrolments has reduced entry requirements. A recent report from Group of Eight chairman Fred Hilmer recommended setting a minimum ATAR rank of 60, and Higher Education minister Kim Carr has expressed concern for 'appropriate levels of quality in terms of the students that are entering the system'. UNSW has

[17] South Eastern Sydney Local Health District, 2013.
[18] Sydney (East and Inner), Woollahra, Waverley, Randwick, Botany Bay, Kogarah, Hurstville, Rockdale and Sutherland.
[19] Urbis 2012, *Major changes in higher education models deliver impacts for property sector,* Urbis, viewed 26 August 2013, <http://www.urbis.com.au/think-tank/newsletters/major-changes-in-higher-education-models-deliver-impacts-for-property-sector>
[20] DIICCSRTE 2013, *2012 Full Year Student Summary*,DIICCSRTE, Canberra, viewed 28 August 2013, < http://www.innovation.gov.au/highereducation/HigherEducationStatistics/StatisticsPublications/Documents/2012/2012%20full%20year%20summary.pdf>
[21] Ibid.

announced its plans to set a minimum entrance ATAR for all admissions from 2014, arguing it is shifting its focus from size (number of students) to quality of education. Under the new policy, UNSW will not accept students with an ATAR less than 80, which the university says will help curb enrolments and relieve pressure on physical infrastructure. However, Andrew Norton of the Grattan Institute has argued that setting a minimum ATAR would be unfair to many university applicants, disproportionately those from low SES backgrounds.[22] UNSW's new policy has been criticised by the National Union of Students as 'elitist' and argued it risked stigmatising students who received less than 80.

The Bradley Review recommended an increased focus on quality in higher education, and new quality assurance arrangements (TEQSA) were introduced to ensure both domestic and international students have better information about how higher education institutions are performing and the capabilities of graduates. This includes significantly changing the proportion of funding allocated to teaching and learning rather than infrastructure, including administrative support.

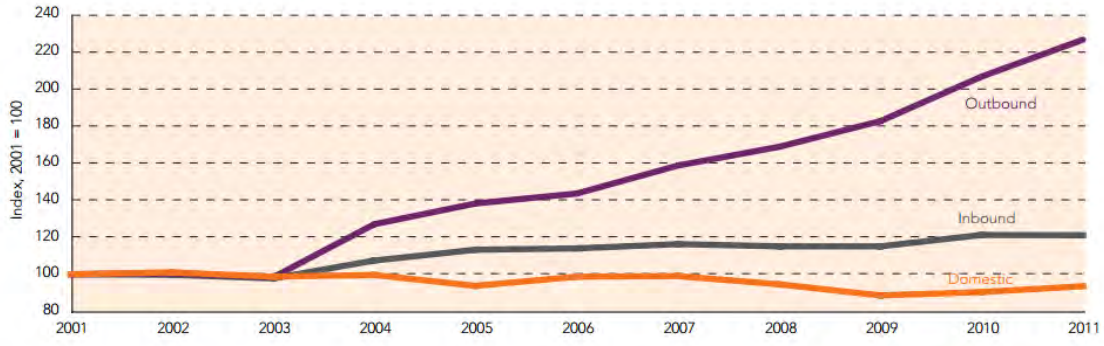
2.5 Trends in tourism

Broad trends

The global financial crisis has had an impact on the Australian Tourism industry due to subdued economic growth and the high Australian dollar, influencing trends in both international visitors and the travel patterns of Australian residents. The high value of the Australian dollar places international visitation to Australia at a competitive disadvantage, particularly for the more price-sensitive segments such as low priced leisure package travel, however it also provides a price advantage for Australians travelling overseas for leisure rather than travelling domestically.

Figure 8 highlights that domestic tourism has been declining steadily, whilst inbound international visitors have remained steady and short term outbound Australian residents has been increasing significantly between 2001 and 2011.

FIGURE 8. INBOUND, OUTBOUND AND DOMESTIC OVERNIGHT VISITORS, 2001-11



Source: Tourism Research Australia, Travel by Australians, December quarter 2011, Data source: ABS Cat. No. 3401.0

Recently, the number of international tourists from traditional source markets, including the United Kingdom and Europe, has declined due to the European debt crisis, GFC and the affect of the strong Australian dollar. However, the CSIRO forecasts that tourism will emerge as a growth export industry for Australia, due to increased visitation from emerging economies in Asia as incomes grow. China is already the third most common country of residence for short term visitor arrivals into Australia, after New Zealand and the United Kingdom, and its numbers are growing rapidly. Chinese residents are forecast to be the most common visitor to Australia by 2016.[23]

[22] Norton 2013, 'Keep the caps off! Student access and choice in higher education,' Grattan Institute, Melbourne, viewed 28 August 2013 < http://grattan.edu.au/static/files/assets/205fbc0e/195-Keep-the-caps-off.pdf>

[23] CSIRO 2012, *Our Future World,* p. 13.

Over the last two years, Chinese visitors have accounted for 49 per cent of growth in international visitor numbers and 16 per cent of growth in international visitor nights.[24] Deloitte Access Economics believe this increase is driven by the leisure market, reflecting the rapid growth of the Chinese middle class. However, Chinese visitors tend to stay in Australia for relatively short periods of time. On average, Chinese holiday visitors stayed for 11.1 nights in the year to March 2013, compared to 27.4 nights for other international holiday visitors, but they tend to spend almost twice as much ($212 per day) as the average international holiday visitor ($99 per day).[25] However, since 2008, there has been a shift in total Chinese visitor nights (excluding students) towards smaller cities and regional destinations, such as the Gold Coast and Far North Queensland, and Sydney and Melbourne's share of visitor nights has fallen from 73.1 per cent to 62.8 per cent.[26]

The number of Indian visitors to Australia increased 235 per cent between 2000 and 2010, and is forecast to continue growing.[27] Continued growth in tourism will offer opportunities to strengthen and diversify trade links with Asia.

Local trends

The Eastern Suburbs is a key tourist location however the number of accommodation establishments has been declining.

The Eastern Suburbs is a key tourist location within Sydney. Bondi Beach is a major attraction for international visitors. The key locations for visitors are highlighted in Figure 9.

FIGURE 9. MAJOR VISITOR ATTRACTIONS IN THE EASTERN SUBURBS

Key Attractions

- Bondi Beach
- Centennial Parklands
- Watsons Bay
- Doyles on the Beach
- Bondi Markets
- Bondi to Coogee coastal walk
- Shopping in Double Bay
- Icebergs Dining Room and Bar
- Learn to Surf
- Marine Discovery Centre
- Botany Bay National Park
- Wylies Baths
- Ritz Theatre
- Centennial Park Equestrian Centre
- Sydney Cricket Ground Museum

Source: Destination NSW, 2013.

Since 2007 the number of hotels, motels and service apartments located in the Eastern Suburbs has been declining (refer to Figure 10). In 2007 the Eastern Suburbs had 39 accommodation establishments and in 2010 there were 32. The growth of creative and informal accommodation, such as couchsurfing and Airbnb, a community marketplace website where people can list their own properties and monetise

[24] Deloitte Access Economics 2013, *Tourism and Hotel Market Outlook Q2 2013*, July 2013, viewed 9 October <http://www.deloitte.com/view/en_AU/au/industries/realestate/0fc4a0cd9c4ef310VgnVCM2000003356f70aRCRD.htm#>

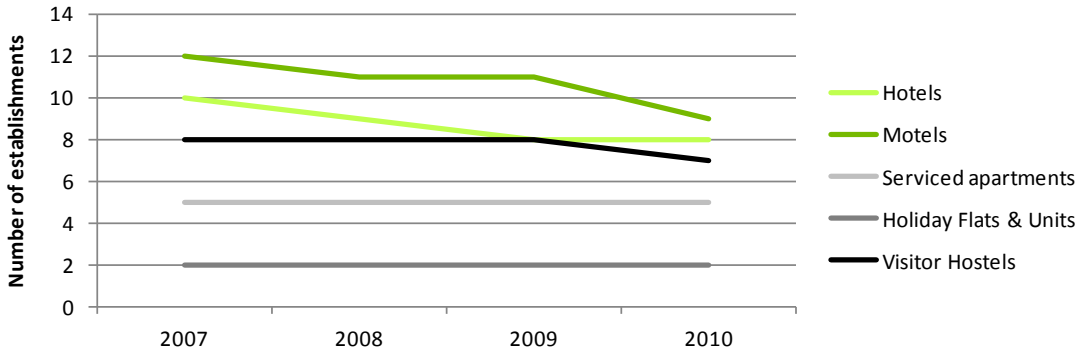
[25] Ibid.

[26] Ibid.

[27] CSIRO 2012, *Our Future World*, p.13.

their extra space, may also account for some of this decline. According to their website, Airbnb now account have more than 500,000 rentals listed across the world.

FIGURE 10. ACCOMMODATION ESTABLISHMENTS IN THE EASTERN SUBURBS



Source: Australian Bureau of Statistics, 1379.0.55.001 National Regional Profile, 2006-2010.

But, Adina Apartment Hotel and InterContinental Sydney Double Bay will soon open in Eastern Suburbs.

As part of the redevelopment of Royal Randwick Racecourse, a new 4-star hotel, branded 'Adina Apartment Hotel', is expected to open in 2015 and will feature 170 apartments. The former Ritz Carlton hotel in Double Bay will also soon become InterContinental Sydney Double Bay, which will provide 140 hotel rooms.

3 CURRENT POLICY FRAMEWORK

This section presents a review of existing relevant policy and strategy likely to impact on development in key employment areas. This includes strategies prepared by Randwick, Woollahra and Waverley Councils, as well as relevant Metropolitan or State level documents. An analysis of the implications of the strategy and policy framework is also provided, as well as identification of all emerging policy directions that might influence economic development.

3.1 NSW 2021

NSW 2021 was released in September 2011 and replaces the State plan as the NSW Government's strategic business plan, setting priorities for action and guiding resource allocation. NSW 2021 is a ten year plan with five strategies and 32 goals to rebuild the economy, provide quality services, renovate infrastructure, restore government accountability, and strengthen local environment and communities.

The five strategies of the NSW 2021 Plan include:

1. Rebuild the economy —restore economic growth and establish NSW as the 'first place in Australia to do business'
2. Return quality services —provide the best transport, health, education, policing, justice and family services, with a focus on the customer
3. Renovate infrastructure —build the infrastructure that makes a difference to both our economy and people's lives
4. Strengthen our local environment and communities —improve people's lives by protecting natural environments and building a strong sense of community, and
5. Restore accountability to government —talk honestly with the community, return planning powers to the community and give people a say on decisions that affect them.

The six goals aligned with the Government's number one priority to rebuild the economy include:

1. Improve the performance of the NSW economy
2. Rebuild State finances
3. Drive economic growth in regional NSW
4. Increase the competitiveness of doing business in NSW
5. Place downward pressure on the cost of living, and
6. Strengthen the NSW skill base.

In order to deliver these strategies and goals a number of delivery mechanisms were established including the requirement to prepare local and regional action plans. The Eastern Sydney Regional Action Plan is discussed in detail below.

3.2 Eastern Sydney & Inner West Regional Action Plan

The Eastern Sydney and Inner West Regional Action Plan was released in December 2012. The region includes Ashfield, City of Botany Bay, Burwood, Canada Bay, Canterbury, City of Sydney, Leichhardt, Marrickville, Strathfield, as well as Randwick, Waverley and Woollahra local government areas.

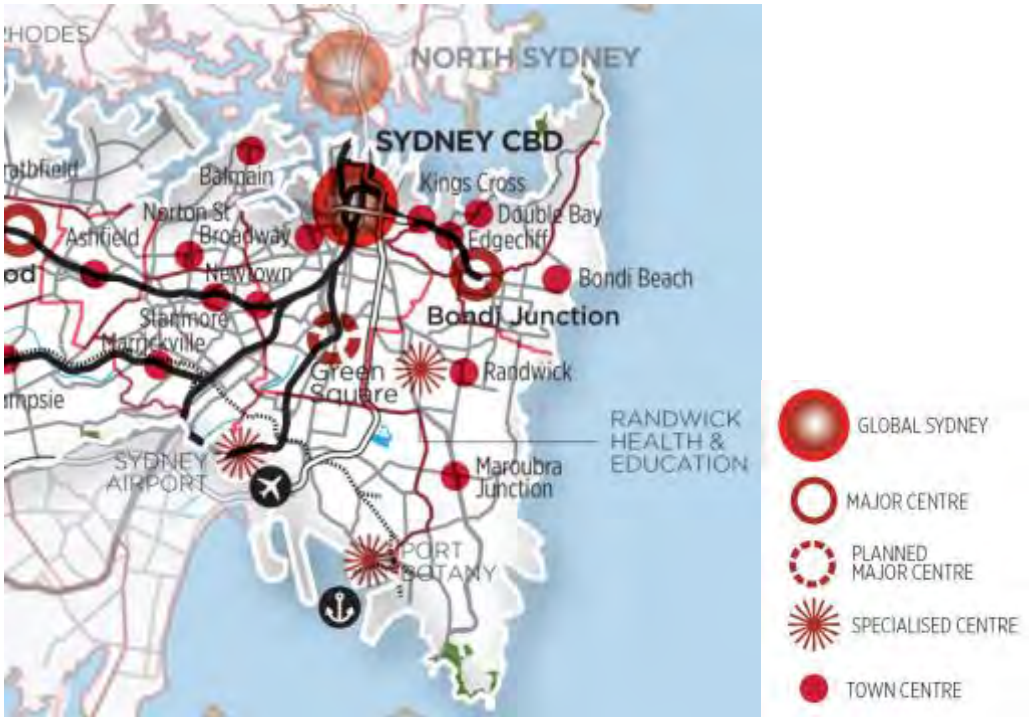
The Regional Action Plan aligns with the NSW 2021 Plan and identifies seven priorities for the NSW Government for the Eastern Sydney region, including:

1. More efficient and reliable transport
2. Grow the economy of the region
3. Provide more affordable housing options
4. Build liveable and sustainable cities
5. Provide more support for vulnerable members of the community and reduce the high concentration of homelessness
6. Improve community safety and reduce alcohol related violence and antisocial behaviour, and
7. Improve access to healthcare for vulnerable populations and improve support for an ageing population.

Relevant priority actions that may influence economic development include:

- Implement Industry Action Plans to support key industry sectors within the region,
- Enhance the capacity of employment lands through the development of a new Metropolitan Strategy and subregional delivery plans, and
- Support the Central Sydney, Darlinghurst and Randwick Health and Medical Research Hubs.

FIGURE 11: EASTERN SYDNEY AND INNER WEST REGIONAL ACTION PLAN



Source: NSW Government, 2012

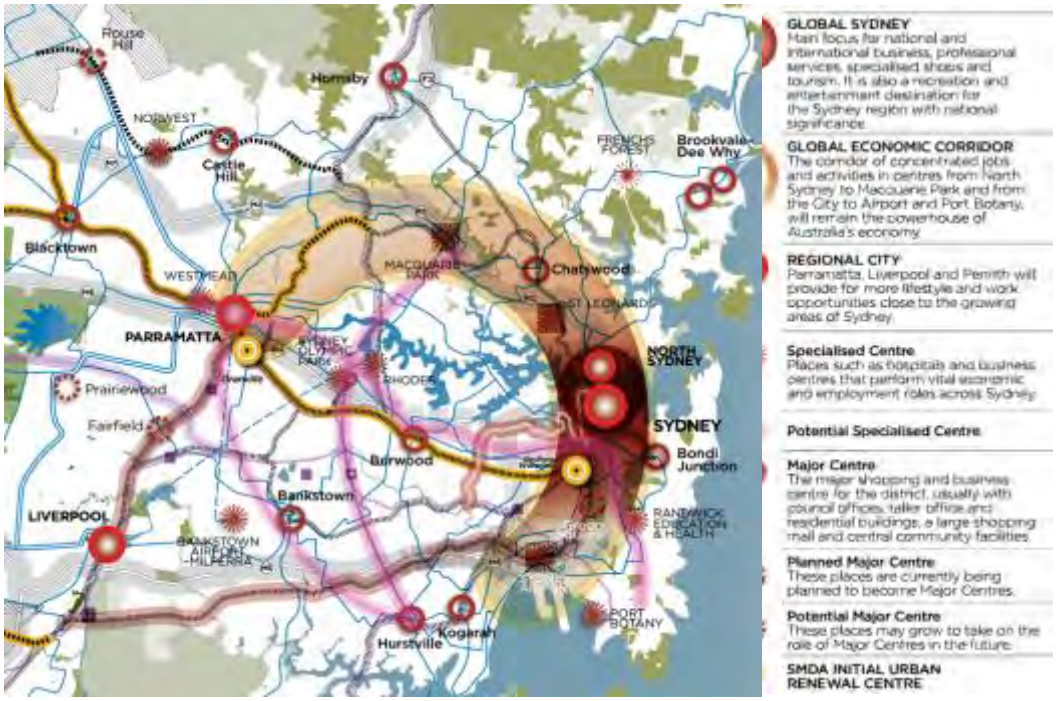
3.3 Metropolitan Plan for Sydney 2036

The Metropolitan Plan for Sydney 2036 was released in December 2010, updating the earlier City of Cities strategy from 2005. The Strategy continues a strong emphasis on encouraging development within existing and planned new centres in order to generate economic multipliers, promote efficient use of infrastructure, and encourage active and amenable public places.

The Strategy contains nine strategic directions and 45 key policy settings. The key directions and actions in the Metropolitan Plan for Sydney 2036 relevant to Randwick, Waverley and Woollahra LGAs are:

- Strengthening a city of cities
  - Make Sydney a more resilient, compact, connected, multi–centred and networked city
  - Support key economic gateways with integrated land use, infrastructure and transport planning
  - Plan to grow global businesses, investment, innovation and research & development
- Growing and renewing centres
  - Focus activity in accessible centres
  - Plan for centres to grow and change over time
  - Plan for urban renewal in identified centres
  - Support clustering of businesses and knowledge–based activities in Major Centres and Specialised Centres
- Growing Sydney's economy
  - Plan for 760,000 new jobs
  - Support high growth and high value industries through clustering

FIGURE 12. METROPOLITAN PLAN FOR SYDNEY 2036



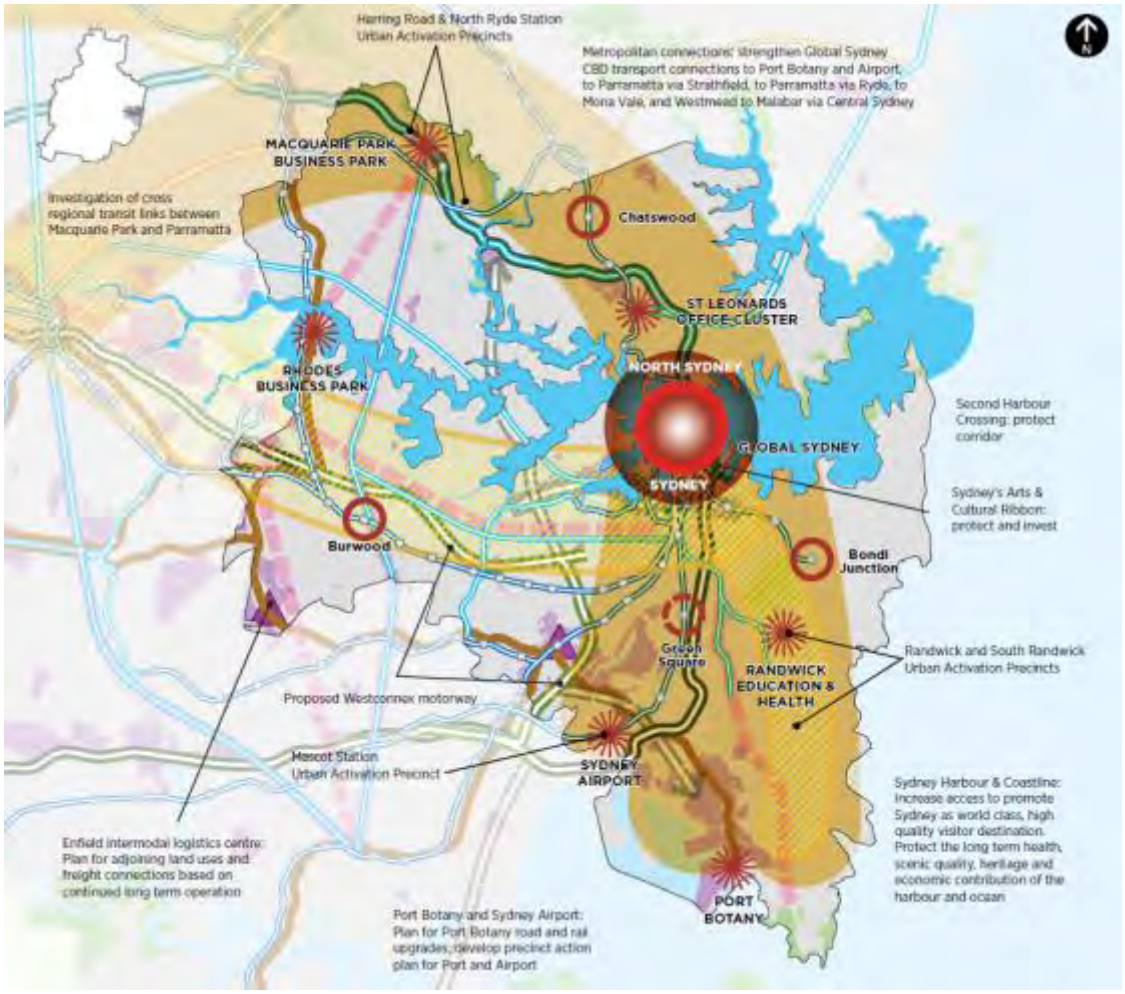
Source: Department of Planning, 2010

3.4 Draft Metropolitan Strategy for Sydney to 2031

The Draft Metropolitan Strategy for Sydney to 2031 was released in March 2013. Once the current draft strategy is finalised later in 2013 this will replace the Metropolitan Plan for Sydney 2036.

The Draft Strategy proposes six new subregions, with groups of councils that share similar challenges for delivering the outcomes sought by the Strategy. The sub-regions are based on an assessment of the population and economic catchments of council areas. Randwick, Waverly, and Woollahra LGAs are within the Central Subregion, along with Ashfield, Botany Bay, Burwood, Canada Bay, Hunters Hill, Lane Cove, Leichhardt, Marrickville, Mosman, North Sydney, Ryde, Strathfield, Sydney (City of), and Willoughby (refer Figure 6).

FIGURE 13. CENTRAL SUBREGION



Source: Department of Planning and Infrastructure, 2013

The Draft Strategy outlines population, housing and employment targets for each subregion. Targets for the Central Subregion are shown at Table 4.

TABLE 4: CENTRAL SUBREGION TARGETS

Central Subregion	Current	Target to 2021 (2011 - 2021)	Target to 2031 (2011 - 2031)
Population	1,144,000	1,280,000 (136,000)	1,385,000 (242,000)
Housing	534,000	616,000 (82,000)	672,000 (138,000)
Employment	998,000	1,113,000 (135,000)	1,228,000 (230,000)

Source: NSW Government – Draft Metropolitan Strategy for Sydney 2031, 2013

Economic growth for the Central Subregion is focused around strategic centres and specialised precincts, including:

- Bondi Junction Major Centre
  - enhance its primary focus for major retail, office and services provision
  - retain a commercial core and provide opportunities for new office development, and
  - provide capacity for at least 2,000 additional jobs to 2031.

- Port Botany (& environs) Specialised Precinct
  - develop and support as Australia's premier international trade gateway and land/sea freight access and associated industrial areas
  - improve rail freight handling capacity and manage the impacts of freight growth on the transport system, and
  - provide capacity for at least 4,000 additional jobs in 2031.

- Randwick Education & Health Specialised Precinct
  - intensify the existing cluster of education and health activity around the University of NSW, Prince of Wales Hospital and Sydney Children's Hospital
  - integrate with multi-functional aspects of Randwick Racecourse
  - provide opportunities for increased student and short-term housing
  - provide capacity for at least 6,000 additional jobs in 2031, and
  - Improve public transport access to Sydney CBD.

- Anzac Parade Corridor
  - facilitate delivery of Urban Activation Precincts at Randwick and Anzac Parade
  - investigate for growth in housing and employment, supported by improved transport connections with Central Sydney and Randwick Education and Health Specialised Precinct, as identified in the Long Term Transport Master Plan, and by cross-regional connections to Port Botany and Sydney Airport, and
  - improve public transport access to the major sporting and entertainment precinct at Moore Park.

3.5 Draft East Subregional Strategy

The Draft East Subregional Strategy is a NSW Government initiative developed to implement its "2005 Metropolitan Strategy – City of Cities: A Plan for Sydney's Future". The Strategy was released in 2007 and translates objectives of the NSW Government's Metropolitan Strategy and State Plan to the local level.

This will be superseded by more recent (draft) metropolitan planning as this is adopted later in 2013.

The Draft East Subregion comprises Botany Bay, Randwick, Waverley and Woollahra Local Government Areas. The Strategy establishes targets of 20,000 new dwellings and 25,000 new jobs by 2031. Each local government area must contribute to meeting these targets in their LEP. The employment capacity target of 25,000 additional jobs includes 5,900 for Randwick LGA, 2,200 for Waverley and 300 for Woollahra.

Key directions and actions in the Draft East Subregional Strategy relevant to Randwick, Waverley and Woollahra LGAs are listed in Table 5.

TABLE 5. EAST SUBREGIONAL STRATEGY KEY DIRECTIONS AND ACTIONS

Key Directions	– Key Actions
Support and strengthen the nation's economic gateways	– Implement expansion of Port Botany. – Protect strategic Employment Lands relating to Port Botany and Sydney Airport. – Plan for an intermodal terminal network in Sydney. – Investigate options to improve road links to/from Port Botany.
Consolidate and strengthen the Randwick health and education specialised centre	– Establish a Planning Partnership for the Randwick Education and Health Specialised Centre. – Establish the Randwick Medical Research precinct. – Promote the Randwick Specialised Centre as a centre of biomedical and bioengineering research and development. – Identify future locations for housing to accommodate students and hospital workers.
Support future role of retail centres	– Investigate appropriate locations for future retail uses in centres, Business Development Zones and Enterprise Corridors.
Improve housing choice	– Plan for sufficient zoned land to accommodate housing targets. – Apply subregional METRIX planning tool to assist councils in undertaking local housing market analysis. – Develop initiatives to provide for affordable housing.
Improve east/west public transport access	– Introduce new bus corridors and support existing Strategic Bus Corridors through a package of measures. – Investigate and protect corridors for higher capacity modes.
Protect and promote scenic quality and tourism	– Promote key tourist and visitor destinations in the East Subregion and identify future visitor accommodation and facility demands. – Manage the impacts of tourism on the natural environment. – Continue to improve environmental quality and bush restoration programs of coastal and other reserves. – Investigate long–term use of Malabar Headland for future open space and conservation purposes. – Recognise and enhance the nightlife and entertainment clusters.

Source: NSW Government – Draft East Subregional Strategy, 2007

Centres Hierarchy

The Draft East Subregional Strategy identifies a hierarchy of activity centres located within the subregion. These include Specialised Centres, Major Centres, Town Centres, Villages, Small Villages, and Neighbourhood Centres.

Specialist Centres are defined as areas containing major airports, ports, hospitals, universities, research and business activities. These perform a vital economic and employment role, which generate metropolitan–wide benefits.

Port Botany is identified as a specialised centre (refer Figure 7), and planning for improved links between Sydney Airport, Port Botany and the distribution and manufacturing industries is a priority of the strategy. The strategy directs that employment land around Sydney Airport and Port Botany be enhanced and protected from pressure to rezone for alternative uses (including residential development).

According to the Draft East Strategy the Centre currently employs 11,200 workers and is expected to grow to around 15,100 workers by 2031.

The strategy also highlights other key directions that will affect these employment lands, including:

- Identification of a rail corridor to ensure that land use activities adjoining the freight rail line at Port Botany do not preclude future opportunities for expansion
- Introduction of intermodal terminals at strategic locations within Sydney metropolitan area
- Specification of sufficient employment land for bus terminals (in light of anticipated expansion of the bus network)
- Identification of opportunities for industrial development in areas with good access to the orbital network
- Growth in demand for bulky goods outlets, which need to be assessed with respect to net community benefits, and
- Extension of the M4 East motorway, likely to impact upon port-related traffic.

FIGURE 14. PORT BOTANY SPECIALISED CENTRE

Source: Department of Planning, 2007

FIGURE 15. RANDWICK EDUCATION AND HEALTH SPECIALISED CENTRE

Source: Department of Planning, 2007

The region surrounding the University of New South Wales (UNSW) and Randwick Hospitals (including Prince of Wales Hospital, Prince of Wales Private, Royal Hospital for Women and the Children's Hospital) is also identified as a specialised centre (refer Figure 9). According to the Draft East Strategy, the centre currently employs 9,800 workers and is expected to grow to around 12,100 workers by 2031.

The strategy seeks a master plan for the whole site, to bring together major stakeholders to look at long-term integration and coordination of activities. It also notes that planning for the specialised centre should consider the long–term opportunity for nearby centres, particularly Randwick, Kensington and Kingsford, and Randwick Racecourse, to contribute to a more intense node for research, employment and business.

A Major Centre is defined as a major shopping and business centre serving immediate subregional residential population usually with a full scale shopping mall, council offices, taller office and residential buildings, central community facilities and a minimum of 8,000 jobs. Bondi Junction is identified as the Major Centre for the East Subregion (refer Figure 16). According to the Strategy the centre currently employs 9,800 workers and is expected to accommodate an additional 4,400 jobs by 2031. The Strategy

suggests that Waverley Council is already undertaking a planning review for Bondi Junction CBD to support its role as a Major Centre.

FIGURE 16. BONDI JUNCTION MAJOR CENTRE

Source: Department of Planning, 2007

Town Centres are defined as having one or two supermarkets, community facilities, medical centre, and schools, contain between 4,500 and 9,500 dwellings, and are usually a residential origin than employment destination. Bondi, Double Bay, Eastlakes, Edgecliff, Maroubra Junction, and Randwick are all identified as Town Centres.

Villages are defined as a strip of shops and surrounding residential area within a 5 to 10 minute walk - contains a small supermarket, hairdresser, and takeaway food shops, and contain between 2,100 and 5,500 dwellings. Coogee, Kensington, Kingsford, Oxford Street, Paddington and Rose Bay are all identified as Villages.

Small Villages are defined as a small strip of shops and adjacent residential area within a 5 to 10 minute walk, and contain between 800 and 2,700 dwellings. **Neighbourhood Centres** are defined as one or a small cluster of shops and services, and contain between 150 and 900 dwellings.

Economic and Enterprise Corridors

The Strategy notes that the Global Economic Corridor extends south to Sydney Airport and Port Botany, falling within the East Subregion and encompassing extensive industrial areas and two of the key international transport gateways. The Strategy recognises that this Corridor drives Sydney's wealth generation and its economic role must be protected and strengthened.

The Strategy also notes that parts of Gardeners Road and Anzac Parade act as an Enterprise Corridor, providing low cost accommodation for a range of local and regional services that benefit from high levels of passing traffic (i.e. car yards, retailing, light industry and offices) and serve as a buffer between residential development and the road.

The Draft East Subregion Strategy will be updated in partnership with the community and local councils in 2014, following the finalisation of the draft Metropolitan Strategy for Sydney to 2031.

NSW Economic Development Framework

NSW will be increasingly affected by long term global trends including:

- Intensified competition from emerging economies like China and India
- Rising energy costs
- ICT-driven disruptive innovations that occur at a pace and magnitude that disrupts established ways of value creation, social interactions and doing business e.g. social media and smart phones.
- Demographic changes, especially ageing and the pace of population growth

The *NSW Economic Development Framework* sets out actions required to deliver a globally competitive, dynamic, resilient, innovative, productive and growing economy in NSW.

Significantly for the health and education precincts located in the eastern suburbs, the Framework identifies key measures to encourage growth in these areas, including strategies to attract international students, and supporting the development and commercialisation of medical devices in NSW through the medical device fund program.

The Framework is consistent with the economic growth goals outlined in *NSW 2021*, and is built on five key principles to position business and industry in NSW for long-term global competitiveness through innovation and productivity, including:

- Demonstrating leadership: advocating for NSW industries in national forums, finding new solutions to economic pressures, anticipating opportunities and challenges in the Asian Century, including attracting international students (including establishing a new agency to coordinate promotion, marketing and policy development for international education in NSW, and establishing a charter of service for international education providers) and skilled workers and leveraging NSW's multicultural strengths to further trade and investment from Asia
- Reducing costs and providing greater certainty for industry: improving NSW procurement processes to make it easier for all businesses to compete for NSW government contracts, improving planning processes, cutting red tape for businesses
- Collaborating to drive innovation and competitiveness: better aligning education outcomes to industry needs, strengthening networks and collaboration between industry and the research sector, improving the capabilities of NSW businesses through access to research and government data
- Investing in critical infrastructure: planning for new infrastructure. developing regional infrastructure for growth, investing in smart infrastructure, including piloting smart work hubs o help businesses take advantage of the productivity opportunities offered by high speed broadband and new work practices
- Raise the global profile of Sydney and NSW: positioning Sydney as a global talent hub, making it easier to attract internationally mobile skilled workers and international investment and engagement.

The Framework is accompanied by Industry Action Plans for manufacturing, professional services, international education and research and the digital economy, which flesh out the key principles outlined above. It reinforces creative and knowledge-driven industries as the key drivers of long-term growth in NSW, for example by promoting broad digital adoption in businesses.

3.6 Local Government Plans

The Randwick City Plan (2013)

The Randwick City Plan aims to direct these influences and manage environmental, social and economic change across the City during the next 20 years for the benefit of the Randwick City community. This Plan reflects the community's long term aspirations and needs, and outlines the clear directions Randwick City Council will take to shape Randwick's future.

The Plan comprises six broad interrelated themes:

1. Responsible management
2. A sense of community
3. Places for people
4. A prospering city
5. Moving around, and
6. Looking after our environment.

Under each of the themes above, the Plan sets out specific outcomes, future directions as well as actions to achieve these outcomes.

Waverley Together 3 (2013)

Waverley's 12-year community strategic plan, Waverley Together 3, is the Council's third strategic plan since 2006 and reflects the Waverley community's long-term priorities and aspirations for the future, and forms the foundation for all Council operations and subsequent plans.

The strategic plan sets out the specific directions, strategies, targets and indicators necessary for achieving the following:

- Sustainable community
- Sustainable living
- Sustainable environment, and
- Sustainable governance.

Woollahra 2025 (2010)

Woollahra 2025 was adopted by Council in April 2010. The Strategic Plan was developed in consultation with the Woollahra community and presents a 15 year vision structured around five (5) broad interrelated themes, each of which is supported by a range of Goals and Strategies (refer Table 6).

TABLE 6. WOOLLAHRA 2025 THEMES, GOALS & KEY PERFORMANCE INDICATORS

Theme	Goal		Key performance indicator
Community well being	1.	A connected and harmonious community.	Community capacity.
	2.	A supported community.	
	3.	A creative and vibrant community.	
Quality places and spaces	4.	Well planned neighbourhoods.	Community satisfaction with the built environment and convenience of getting around.
	5.	Liveable places.	
	6.	Getting around.	
A healthy environment	7.	Protecting our environment.	Woollahra LGA carbon footprint. Community satisfaction with the natural environment.
	8.	Sustainable use of resources.	
Local prosperity	9.	Community focused economic development.	Employment figures and vacancy rates in commercial areas.
Community leadership and participation	10.	Working together.	Community satisfaction with Council leadership and service provision.
	11.	Well managed Council.	

Source: Woollahra Municipal Council, Woollahra 2025, 2010

Woollahra 2025 identifies the following local, state, national and global trends and challenges to be addressed over the next 10 to 20 years, including:

- The Metropolitan Strategy: The NSW Government Metropolitan Strategy has set targets for Woollahra to create an additional 2,900 dwellings and 300 jobs in the area by 2031.
- Development pressures: Development pressures must be balanced with the need to maintain our mostly low rise mixed urban form, our vibrant villages, architecture and heritage and our parks and green open space.
- Ageing infrastructure: Like many inner urban areas, Woollahra experiences the problem of ageing infrastructure, particularly in relation to our harbour and foreshores, community facilities, roads, footpaths and stormwater drains.
- Housing choice: Increasing housing costs are changing the demographic mix in Woollahra, with this comes a challenge to maintain economic diversity in our neighbourhoods.
- Climate change: The impacts of climate change that will affect us locally in many ways pose a large challenge.
- Greater pressures on natural resources: Ongoing drought conditions, increasing demands for resources, and diminishing capacity for sending waste to landfill sites, have forced changes in the way we use resources, especially water and energy. Such changes highlight the need to find ways of conserving and reusing scarce resources.
- Population changes: Our population is ageing, requiring increased access to adaptable housing, accessible facilities and appropriate services. By 2025 Woollahra is predicted to have over 25% of residents aged 65 years and over. We also have an increased number of young children and families affected by a shortage of children's services in the area. High forecast population growth adjoining Woollahra also places pressure on use and access to local public spaces, facilities and limited open space.
- Connecting communities: Living within safe, connected and accessible neighbourhoods is increasingly more important to us, including the need to easily access a range of integrated transport options. The challenges highlighted above reflect the challenges facing the NSW Government and are in accordance with the priorities of the NSW State Plan.

3.7 Implications of the policy framework

While the NSW Government is reforming the state planning system and developing new strategy the implications for Randwick, Waverley and Woollahra local government areas remain relatively minimal. The strategy and policy review has revealed substantial similarities between previous and current draft

document and has highlighted a significant focus on employment related land uses and major economic precincts as part of what is now known as the Central Subregion.

The Draft Metropolitan Strategy for Sydney to 2031 proposes an increase of 242,000 people, 138,000 dwellings, and 230,000 jobs within the Central Subregion between 2011 and 2031. Economic growth is likely to be concentrated in the Specialised Centres and Major Centres identified in the Draft Metropolitan Strategy – in the industrial lands around Port Botany, the precinct incorporating UNSW and the Randwick Hospital Campuses, the precinct surrounding the Bondi Junction Major Centre, and along the Anzac Parade corridor.

Specifically the Draft Metropolitan Strategy for Sydney to 2031 identifies the following growth targets for Randwick, Waverly and Woollahra, including:

- additional 2,000 jobs by 2031 within the Bondi Junction Major Centre;
- additional 4,000 jobs by 2031 within the Port Botany (& environs) Specialised Precinct;
- additional 6,000 jobs by 2031 within the Randwick Education & Health Specialised Precinct; and
- Significant growth and investment along the Anzac Parade corridor.

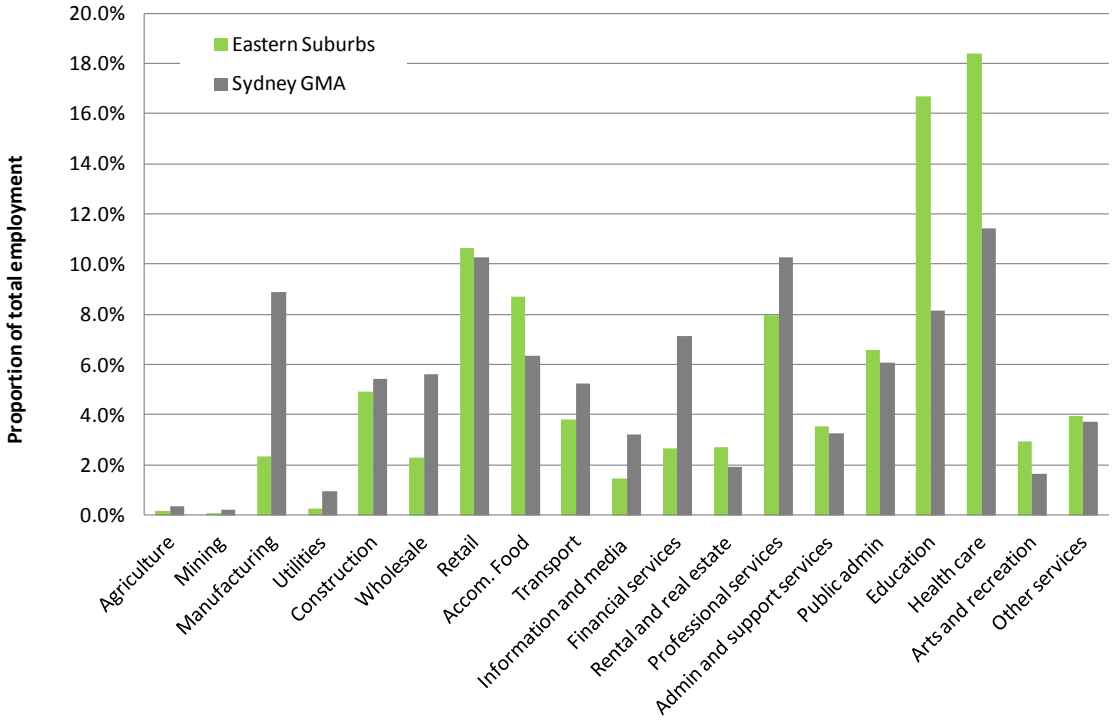
4 ECONOMIC PROFILE

4.1 Employment and industry

Industry profile

In 2011, there were 79,793 jobs within the Eastern Suburbs of Sydney. Figure 17 illustrates employment by industry category (1-digit ANZSIC[28]) for all people who work within the Eastern Suburbs (Randwick, Waverley and Woollahra local government areas) compared to the Greater Sydney Metropolitan Area (Sydney GMA) in 2011. Health care (18 percent) and education (17 percent) are the two major industries of employment within the Eastern Suburbs, followed by retail trade (11 percent) and accommodation and food services (9 percent). The dominance of health care and education is evident in comparison to the Sydney GMA.

FIGURE 17. INDUSTRY EMPLOYMENT 2011



Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

The change in industry of employment between 2006 and 2011 is illustrated in Figure 18. During this period, the Eastern Suburbs experienced significant growth in mining (33 percent), however this is a relatively small industry of employment in the Eastern Suburbs and absolute growth was low. The following industries experienced significant growth of between 15 and 19 percent:

- Administrative and Support Services
- Education and Training
- Health Care and Social Assistance

[28] The Australian and New Zealand Standard Industrial Classification (ANZSIC), which has been developed by ABS for use in the compilation and analysis of industry statistics in Australia and New Zealand.

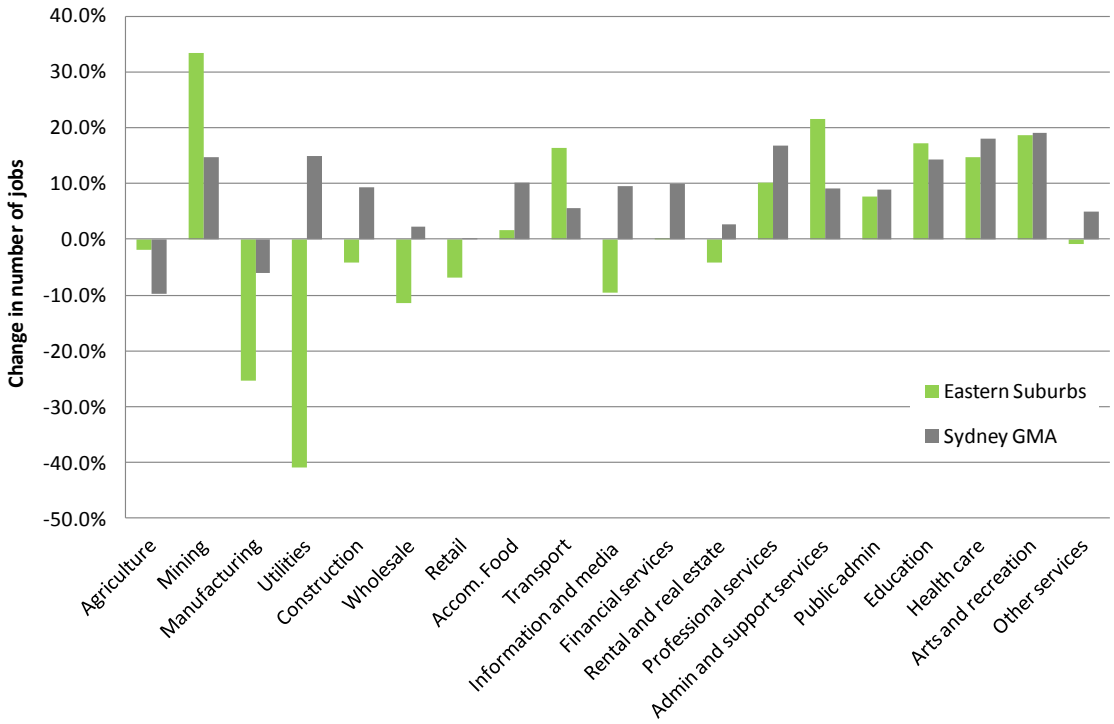
– Arts and Recreation Services, and
– Transport.

However, compared to the Sydney GMA, the Eastern Suburbs has experienced a lower rate of job growth in the health care and professional services industry.

Significant declines were experienced in manufacturing and utilities (which includes Electricity, Gas, Water and Waste Services). Comparatively, the Sydney GMA has experienced growth within most industry sectors with significant growth in:

– Professional services
– Health care, and
– Arts and recreation services.

FIGURE 18. CHANGE IN INDUSTRY OF EMPLOYMENT, 2006-2011



Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

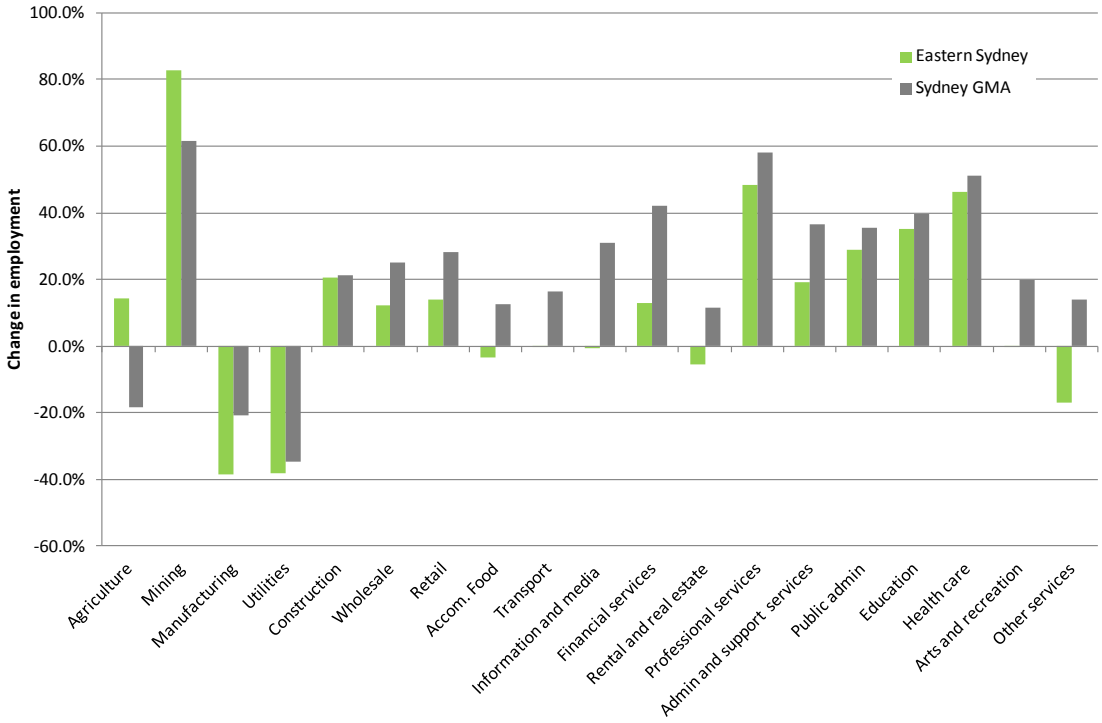
Industry forecasts

Figure 19 shows the forecast change in employment between 2011 and 2031 for both the Eastern Suburbs and Sydney GMA, according to the *BTS Small Area Employment Forecasts*. The Eastern Suburbs is projected to experience the strongest growth in employment within:

- Professional services (49 percent)
- Health care (46 percent), and
- Education (35 percent).

The significant growth projected for mining is not reflected in absolute growth which is around 40 jobs. Utilities and manufacturing are projected to continue to experience a decline. The Sydney GMA is predicted to experience widespread growth with the most significant growth in professional services (58 percent)and health care (40 percent) also with declines in utilities (-35 percent), manufacturing (-21 percent) and agriculture (-18 percent).

FIGURE 19. FORECAST INDUSTRY EMPLOYMENT CHANGE, 2011 TO 2031



Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Employment Forecast data, 2012
Note: BTS Employment Forecasts contain higher employment counts than the Journey to Work data. The difference is about 13% and is due to census under-enumeration which the BTS accounts for when producing its employment forecasts.

Table 7 details the forecast absolute and percentage change in employment by industry for the LGAs within the Eastern Suburbs between 2011 and 2031.

TABLE 7. FORECAST INDUSTRY EMPLOYMENT CHANGE (ABSOLUTE AND % CHANGE), 2011 TO 2031

	Randwick		Waverley		Woollahra		Eastern Suburbs	
	Absolute	%	Absolute	%	Absolute	%	Absolute	%
Agriculture, Forestry & Fishing	6	8%	7	19%	12	19%	25	14%
Mining	11	157%	*10*	83%	17	63%	38	83%
Manufacturing	-571	-36%	-183	-45%	-151	-43%	-905	-39%
Electricity, Gas, Water & Waste Services	-94	-29%	-51	-56%	-28	-68%	-173	-38%
Construction	355	15%	329	25%	376	26%	1,060	21%
Wholesale Trade	119	14%	76	11%	52	10%	247	12%
Retail Trade	11	0%	956	20%	463	17%	1,430	14%
Accommodation & Food Services	-149	-4%	-101	-4%	-77	-3%	-327	-4%
Transport, Postal & Warehousing	490	17%	-308	-63%	-187	-69%	-5	0%
Information Media & Telecommunications	75	17%	-46	-11%	-36	-12%	-7	-1%
Financial & Insurance Services	49	7%	14	2%	268	25%	331	13%
Rental, Hiring & Real Estate Services	-58	-7%	-68	-10%	-18	-2%	-144	-6%
Professional, Scientific & Technical Services	1,360	52%	1,010	45%	1,016	48%	3,386	48%
Administrative & Support Services	95	8%	405	32%	113	14%	613	19%
Public Administration & Safety	1,003	32%	285	24%	282	25%	1,570	29%
Education & Training	4,108	45%	256	13%	269	13%	4,633	35%
Health Care & Social Assistance	7,441	60%	874	29%	-180	-8%	8,135	46%
Arts & Recreation Services	-138	-10%	67	8%	66	9%	-5	0%
Other Services	-173	-12%	-221	-22%	-196	-20%	-590	-17%
Total	**14,104**	**18%**	**3,429**	**19%**	**2,209**	**19%**	**19,742**	**18%**

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Employment Forecast data, 2012

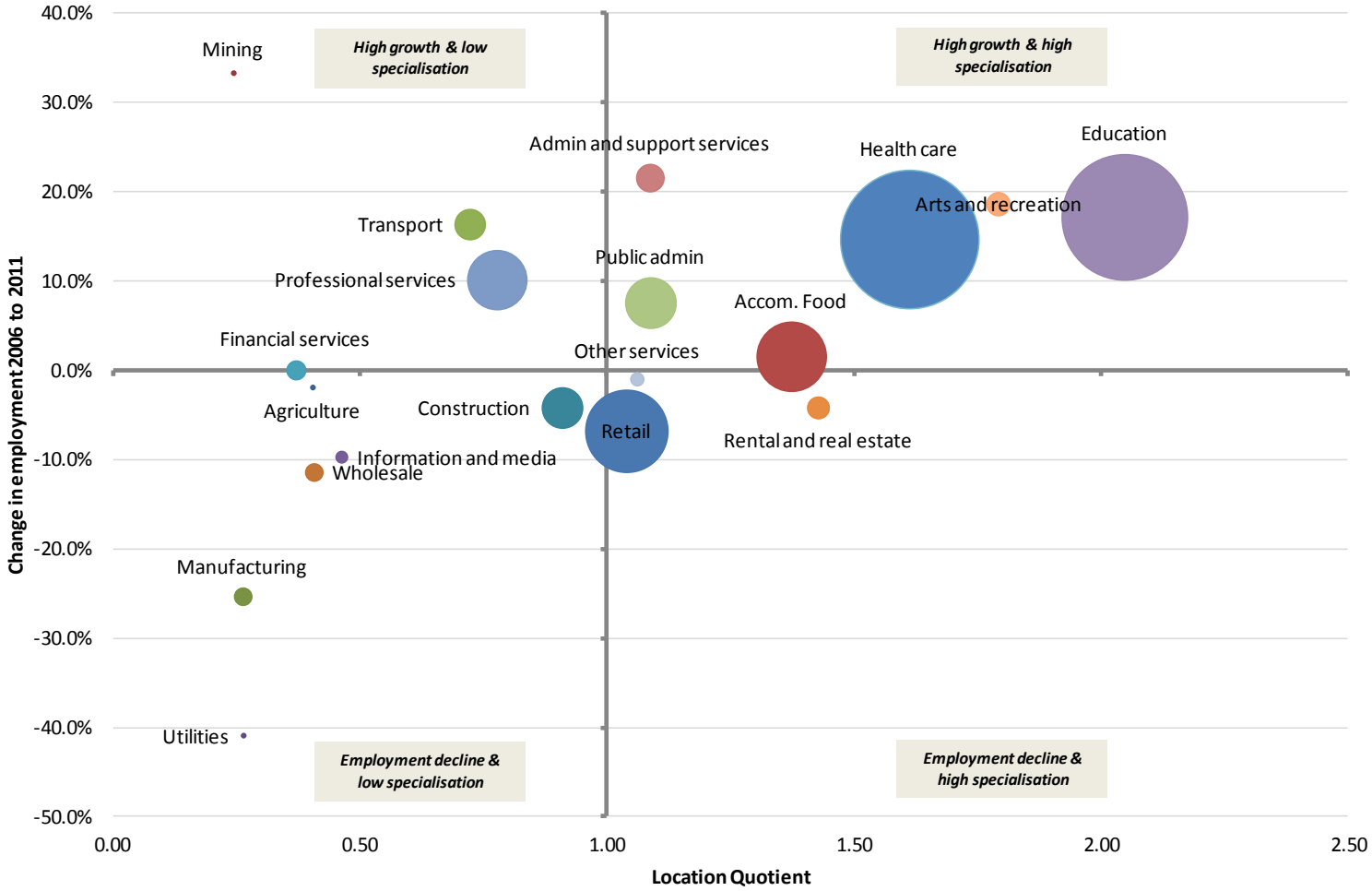
Economic specialisation

A Location Quotient (LQ) is calculated by dividing the proportion of local jobs within a particular industry by the proportion of jobs within that industry in a benchmark area. If the proportion of jobs in a local industry is higher than that of the benchmark area, the industry will show a location quotient of greater than 1. This may indicate that the local industry is relatively strong with local specialisation, and suggests that the industry is 'export focused', possibly serving markets outside just the local area.

A LQ analysis was conducted and used to produce the growth-share analysis illustrated in Figure 20. Growth-share analysis involves an assessment of the relative size and specialisation of key industries, or industry clusters, and their recent change relative to the benchmark total growth in employment. Progression can be understood and assessed by comparing the recent relative growth against the benchmark, specialisation and size of key industries. Analysing industries or clusters in this way assists in the understanding of appropriate policies to guide their further growth and development, or to prioritise actions for economic development facilitation across various industry sectors.

The LQ is shown on the horizontal axis, while the change in employment from 2006 to 2011 on the vertical axis. The size of the marker represents the relative size of the industry within the Eastern Suburbs. The north-eastern quadrant shows specialised industries experiencing growth in employment, while the north-western quadrant shows employment growth and low specialisation. The bottom half of the diagram shows industries experiencing a decline in employment with the south-eastern quadrant indicating high specialisation and the south-western quadrant indicating low specialisation.

FIGURE 20. GROWTH SHARE ANALYSIS FOR EASTERN SUBURBS COMPARED TO SYDNEY GMA



Source: SGS Economics and Planning, 2013

In contrast to Sydney GMA, the Eastern Suburbs has significant economic specialisation in health care and education with high growth in these industries which employ a large proportion of the workforce in the Eastern Suburbs. On the other hand, the Eastern Suburbs is less specialised in professional services and financial services (compared to the Sydney GMA), although these industries experienced some growth between 2006 and 2011.

An LQ analysis was also conducted for the 4-digit ANZSIC health and education sectors to highlight the specific industries which the Eastern Suburbs has a specialisation in.

In terms of health (refer to Table 8), the Eastern Suburbs has a significant economic specialisation in other health services with a high LQ and strong growth experienced between 2006 and 2011. The Eastern Suburbs also has a significant economic specialisation in hospitals and ambulance services with a high LQ.

TABLE 8. LOCATION QUOTIENT, 4 DIGIT HEALTH CARE INDUSTRIES

4 Digit ANZSIC	% jobs in 2011 Eastern Suburbs	%jobs in 2011 GMA	LQ	Job growth 2006-11 in Eastern Suburbs
Other Health Care Services, nec	0.053%	0%	123.03	333%
Aged Care Residential Services	1.116%	0.016%	71.65	96%
Other Allied Health Services	0.447%	0.016%	27.84	76%
Medical Services, nfd	0.007%	0%		67%
Child Care Services	0.793%	0.016%	49.22	57%
Optometry and Optical Dispensing	0.109%	0.003%	36.50	40%
Chiropractic and Osteopathic Services	0.053%	0.003%	18.23	39%
Specialist Medical Services	0.393%	0.009%	46.06	38%
Dental Services	0.315%	0.011%	28.81	21%
Other Residential Care Services	0.062%	0.001%	68.29	18%
Other Social Assistance Services	0.498%	0.011%	46.92	17%
Ambulance Services	0.058%	0%	135.64	13%
Pathology and Diagnostic Imaging Services	0.249%	0.003%	71.83	10%
Hospitals (except Psychiatric Hospitals)	6.532%	0.012%	566.76	6%
Physiotherapy Services	0.121%	0.003%	34.94	6%
Psychiatric Hospitals	0.008%	0%		0%
Other Health Care Services, nfd	0%	0%		0%
Residential Care Services, nfd	0.005%	0%	33.65	0%
Social Assistance Services, nfd	0.117%	0.003%	42.22	-1%
General Practice Medical Services	0.676%	0.015%	45.24	-4%
Allied Health Services, nfd	0.005%	0.000%		-33%
Medical and Other Health Care Services, nfd	0.226%	0.002%	92.17	-48%
Hospitals, nfd	0.008%	0%		-63%

Source: SGS Economics and Planning calculation, based on ABS Place of Work data, 2013

In terms of education (refer to Table 9) the Eastern Suburbs has a particularly significant economic specialisation in higher education associated within UNSW, alongside specialisations in technical and vocational education and training and secondary education.

TABLE 9. LOCATION QUOTIENT, 4-DIGIT EDUCATION INDUSTRIES

4 Digit ANZSIC	% jobs in 2011 Eastern Suburbs	%jobs in 2011 GMA	LQ	Job growth 2006-11 in Eastern Suburbs
Educational Support Services	0.013%	0.001%	22.94	233%
Sports and Physical Recreation Instruction	0.222%	0.008%	26.19	81%
Tertiary Education, nfd	0.012%	0.001%	22.71	80%
Technical and Vocational Education and Training	0.541%	0.004%	142.89	35%
Combined Primary and Secondary Education	0.302%	0.037%	8.16	22%
Higher Education	7.336%	0.001%	5287.95	22%
Primary Education	0.980%	0.014%	70.12	9%
Secondary Education	0.998%	0.009%	108.09	1%
Preschool and School Education, nfd	0.092%	0.002%	38.13	0%
Arts Education	0.143%	0.004%	39.34	-5%
Adult, Community and Other Education, nec	0.207%	0.012%	17.20	-13%
Preschool Education	0.124%	0.003%	48.37	-25%
Special School Education	0.016%	0.001%	14.42	-33%
School Education, nfd	0.009%	0.001%	13.59	-81%
Adult, Community and Other Education, nfd	0%	0%		-100%

Source: SGS Economics and Planning, 2013

Shift-share analysis

Shift-share analysis is one way to account for the competitiveness of a region's industries and to analyse the local economic base. It paints a picture of how well the region's current industries are performing by systematically examining the national, local, and industrial components of employment change. A shift-share analysis provides a dynamic account of total regional employment growth that is attributable to growth of the national economy, a mix of faster or slower than average growing industries, and the competitive nature of the local industries. This analysis clearly identifies those industries that benefit from local competitive advantages and those that suffer from local growth impediments.

A shift-share analysis was conducted for the Eastern Suburbs against Sydney GMA to determine the extent to which job growth can be attributed to unique regional factors and how much is due to broader trends within the Sydney GMA. The jobs growth for Eastern Suburbs and Sydney GMA are shown in Table 10.

TABLE 10. EASTERN SUBURBS AND SYDNEY GMA JOB GROWTH, 1 DIGIT ANZSIC

	Eastern Suburbs		Sydney GMA	
	2006	2011	2006	2011
Agriculture, Forestry and Fishing	103	102	14,835	11,629
Mining	30	43	11,569	17,098
Manufacturing	2,280	1,855	217,599	217,381
Electricity, Gas, Water and Waste Services	297	194	20,174	24,189
Construction	3,776	4,255	162,688	178,493
Wholesale Trade	1,897	1,773	114,831	121,036
Retail Trade	8,388	8,570	236,920	249,849
Accommodation and Food Services	6,282	7,104	133,896	159,168
Transport, Postal and Warehousing	2,396	3,090	115,099	129,365
Information Media and Telecommunications	1,210	1,154	60,552	66,447
Financial and Insurance Services	1,931	2,000	131,001	147,727
Rental, Hiring and Real Estate Services	2,068	2,054	40,877	42,915
Professional, Scientific and Technical Services	5,319	6,070	185,445	221,087
Administrative and Support Services	2,126	2,818	73,535	85,323
Public Administration and Safety	4,496	5,142	127,649	143,773
Education and Training	10,430	12,810	164,728	192,912
Health Care and Social Assistance	11,771	14,198	227,464	281,132
Arts and Recreation Services	1,807	2,301	31,211	38,418
Other Services	2,939	3,117	84,715	93,122
Total	69,546	78,650	2,154,788	2,421,065

Source: SGS Economics and Planning, 2013.

The shift-share analysis includes the following elements.

- **Sydney Growth Effect** (SG) displays the overall growth of the greater Sydney economy over 2006-11. This is the share of local job growth that can be attributed to growth of the national economy. Specifically, if the nation as a whole is experiencing employment growth, ('a rising tide lifts all boats'), one would expect total Sydney growth to exert a positive growth influence on the local area.

- **Expected Change** is the rate of growth of the particular industry at the benchmark level. It is the change that you would expect to see occurring in both the study and benchmark regions, all other things being equal. This is the share of local job growth that can be attributed to the region's mix of industries. This second factor is the change in a local industry that would be attributable to the growth or decline of the industry in broader Sydney.

- **Industrial Mix Effect** (IM) represents the industry growth rate for the benchmark region (Sydney GMA) accounting for broader growth. The IM removes (or isolates) the effect of overall growth in the Sydney GMA economy by subtracting the overall growth from the industry growth. For example, professional, scientific and technical services grew by 19% between 2006 and 2011, but once the Sydney GMA growth of 12% is accounted for, then it grew by only 7%.

- **Regional Competitive Shift** (CS) explains how much of the change in a given industry is due to some unique competitive advantage that the region possesses, because the growth cannot be explained by broader trends in that industry or the economy as whole. It is the total industry growth in Eastern Suburbs minus the change you would expect in that industry (expected change) given the benchmark rates. We observe that even during periods of general prosperity, some regions and still

some industries grow faster than others do. This is usually attributed to some local comparative advantage such as natural resources, linked industries, or favourable local labour situations. The local component aids in identifying a local area's economic strengths. This element of the analysis is a representation of how a region's competitive position can contribute to regional job growth.

– The total column is the total amount of growth by industry in Eastern Suburbs from 2006-11.

As indicated in Table 11, the Eastern Suburbs has marginal comparative / competitive advantages for a number of industries including administrative and support services, transport, postal and warehousing, education and training and arts and recreation services. The competitive advantage in agriculture is skewed by a small base employment number. Despite being specialised in health, the Eastern Suburbs has not matched the broader rate of growth experienced within this industry in the greater Sydney region.

TABLE 11. EASTERN SUBURBS SHIFT-SHARE ANALYSIS, 1 DIGIT ANZSIC

Industry	Sydney Growth	Industrial Mix (IM)	Expected Change	Competitive Shift (CS)	Total
Agriculture, Forestry and Fishing	12%	-34%	-22%	21%	-1%
Mining	12%	35%	48%	-4%	43%
Manufacturing	12%	-12%	0%	-19%	-19%
Electricity, Gas, Water and Waste Services	12%	8%	20%	-55%	-35%
Construction	12%	-3%	10%	3%	13%
Wholesale Trade	12%	-7%	5%	-12%	-7%
Retail Trade	12%	-7%	5%	-3%	2%
Accommodation and Food Services	12%	7%	19%	-6%	13%
Transport, Postal and Warehousing	12%	0%	12%	17%	29%
Information Media and Telecommunications	12%	-3%	10%	-14%	-5%
Financial and Insurance Services	12%	0%	13%	-9%	4%
Rental, Hiring and Real Estate Services	12%	-7%	5%	-6%	-1%
Professional, Scientific and Technical Services	12%	7%	19%	-5%	14%
Administrative and Support Services	12%	4%	16%	17%	33%
Public Administration and Safety	12%	0%	13%	2%	14%
Education and Training	12%	5%	17%	6%	23%
Health Care and Social Assistance	12%	11%	24%	-3%	21%
Arts and Recreation Services	12%	11%	23%	4%	27%
Other Services	12%	-2%	10%	-4%	6%
Total	12%	0%	12%	1%	13%

Source: SGS Economics and Planning, 2013.

A shift-share analysis was also conducted for the top 20 4-digit ANZSIC industries of employment in the Eastern Suburbs.

TABLE 12. EASTERN SUBURBS AND SYDNEY GMA JOB GROWTH, 4 DIGIT ANZSIC

	Eastern Suburbs		Sydney GMA	
	2006	2011	2006	2011
Higher Education	4,501	5,494	21,111	25,975
Hospitals (except Psychiatric Hospitals)	4,905	5,172	59,369	63,827
Cafes and Restaurants	2,252	2,289	31,482	34,657
Combined Primary and Secondary Education	1,118	1,655	10,754	16,353
Takeaway Food Services	906	1,471	26,560	35,865
Real Estate Services	1,344	1,466	17,581	19,950
Clothing Retailing	1,321	1,409	17,606	19,718
Primary Education	1,264	1,404	31,371	34,154
Aged Care Residential Services	927	1,342	21,208	27,823
Secondary Education	1,481	1,238	28,779	28,708
House Construction	1,248	1,145	20,264	19,628
Child Care Services	718	1,104	13,097	19,842
Supermarket and Grocery Stores	1,130	1,100	34,415	36,970
Hairdressing and Beauty Services	1,058	1,069	13,149	14,740
Defence	818	1,015	11,262	11,619
Local Government Administration	946	1,012	18,438	19,805
General Practice Medical Services	1,037	980	14,778	15,186
Management Advice and Related Consulting Services	706	974	13,734	18,423
Other Allied Health Services	585	885	6,981	10,152
State Government Administration	1,135	872	23,216	25,998
Total	29,400	33,096	435,155	499,393

Source: SGS Economics and Planning, 2013.

As indicated in Table 13, the Eastern Suburbs has marginal comparative / competitive advantages for a number of 4-digit industries including takeaway food services, aged care residential services and defence.

TABLE 13. EASTERN SUBURBS SHIFT-SHARE ANALYSIS, 4 DIGIT ANZSIC

Industry	Sydney Growth	Industrial Mix (IM)	Expected Change	Competitive Shift (CS)	Total
Higher Education	15%	8%	23%	-1%	22%
Hospitals (except Psychiatric Hospitals)	15%	-7%	8%	-2%	5%
Cafes and Restaurants	15%	-5%	10%	-8%	2%
Combined Primary and Secondary Education	15%	37%	52%	-4%	48%
Takeaway Food Services	15%	20%	35%	27%	62%
Real Estate Services	15%	-1%	13%	-4%	9%
Clothing Retailing	15%	-3%	12%	-5%	7%
Primary Education	15%	-6%	9%	2%	11%
Aged Care Residential Services	15%	16%	31%	14%	45%
Secondary Education	15%	-15%	0%	-16%	-16%
House Construction	15%	-18%	-3%	-5%	-8%
Child Care Services	15%	37%	52%	2%	54%
Supermarket and Grocery Stores	15%	-7%	7%	-10%	-3%
Hairdressing and Beauty Services	15%	-3%	12%	-11%	1%
Defence	15%	-12%	3%	21%	24%
Local Government Administration	15%	-7%	7%	0%	7%
General Practice Medical Services	15%	-12%	3%	-8%	-5%
Management Advice and Related Consulting Services	15%	19%	34%	4%	38%
Other Allied Health Services	15%	-3%	12%	-35%	-23%
State Government Administration	15%	0%	15%	-2%	13%
Total	15%	0%	15%	-2%	13%

Source: SGS Economics and Planning, 2013.

4.2 Socio economic characteristics

Household income

The median weekly household income of the Eastern Suburbs is significantly higher than that of the Sydney GMA (refer to Table 14). The Eastern Suburbs has also experienced a greater growth in incomes between 2006 and 2011, 30 percent, compared to 23 percent within the Sydney GMA.

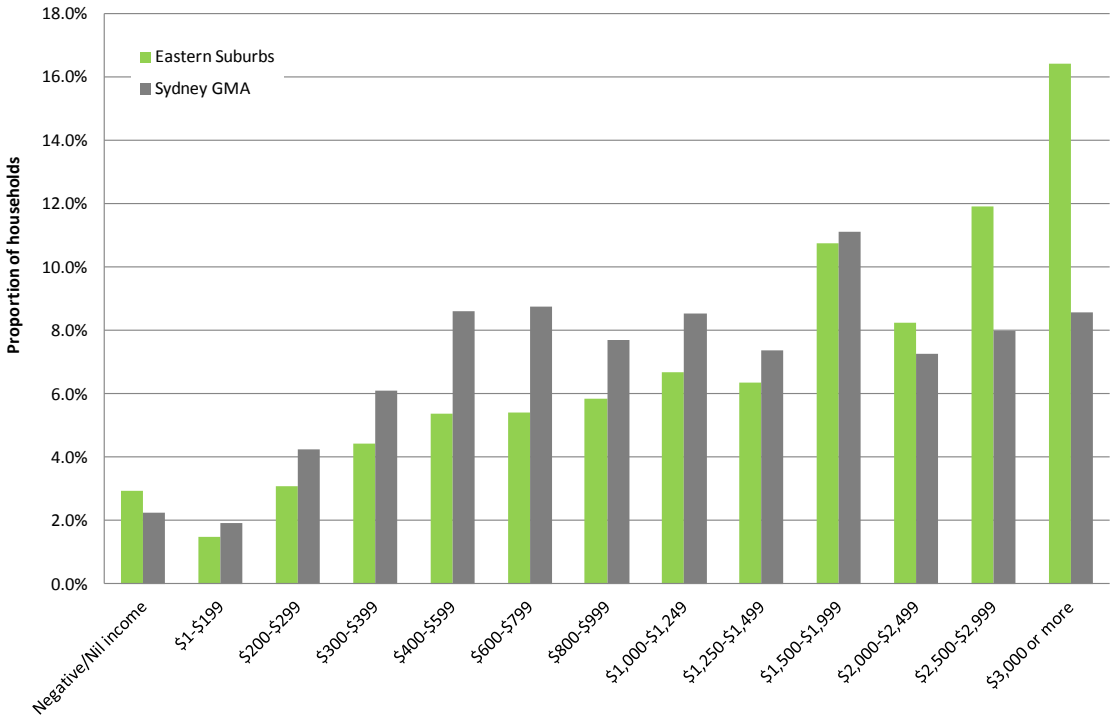
TABLE 14. MEDIAN WEEKLY HOUSEHOLD INCOME

Geographic region	2006	2011	Change 2006-2011	Proportionate change 2006-2011
Randwick	$1,185	$1,577	$392	33.1%
Waverley	$1,446	$1,912	$466	32.2%
Woollahra	$1,917	$2,398	$481	25.1%
Eastern Suburbs	$1,516	$1,962	$446	29.4%
Sydney GMA	$1,176	$1,447	$271	23.0%

Source: Adapted from Australian Bureau of Statistics, 2006 and 2011

Figure 21 illustrates the weekly incomes of households within the Eastern Suburbs compared to the Sydney GMA. The chart shows the Eastern Suburbs has a much higher proportion of high income earners, with the 16 percent of households earning an income of $3,000 or more per week.

FIGURE 21. WEEKLY HOUSEHOLD INCOME, 2011

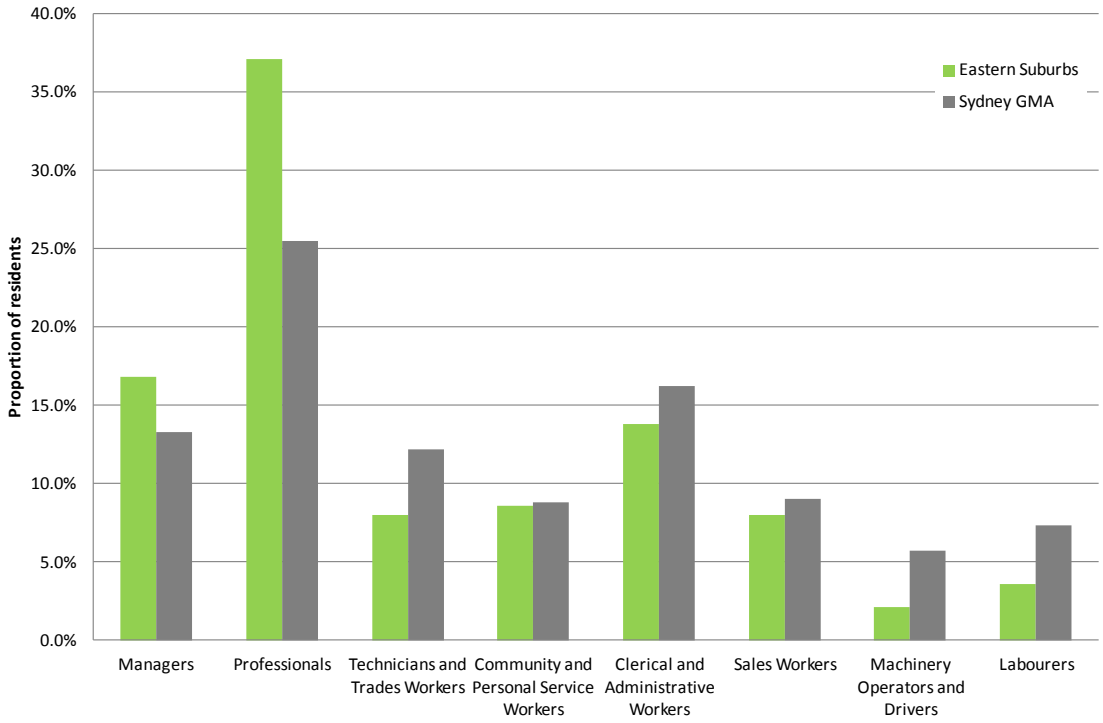


Source: SGS Economics and Planning, 2013, using Australian Bureau of Statistics Census of Population and Housing, 2006 and 2011

Occupations

The occupations of residents within the Eastern Suburbs and Sydney GMA have been illustrated Figure 22. There is a significantly high proportion of professionals within the Eastern Suburbs (37 percent) accompanied by a large proportion of managers (17 percent) and administrative workers (14 percent). Comparatively, the Sydney GMA has a similar distribution of occupations; however, compared to the Eastern Suburbs, the Sydney GMA has a lower proportion of professionals (26 percent) but a higher proportion of labourers and machine operators.

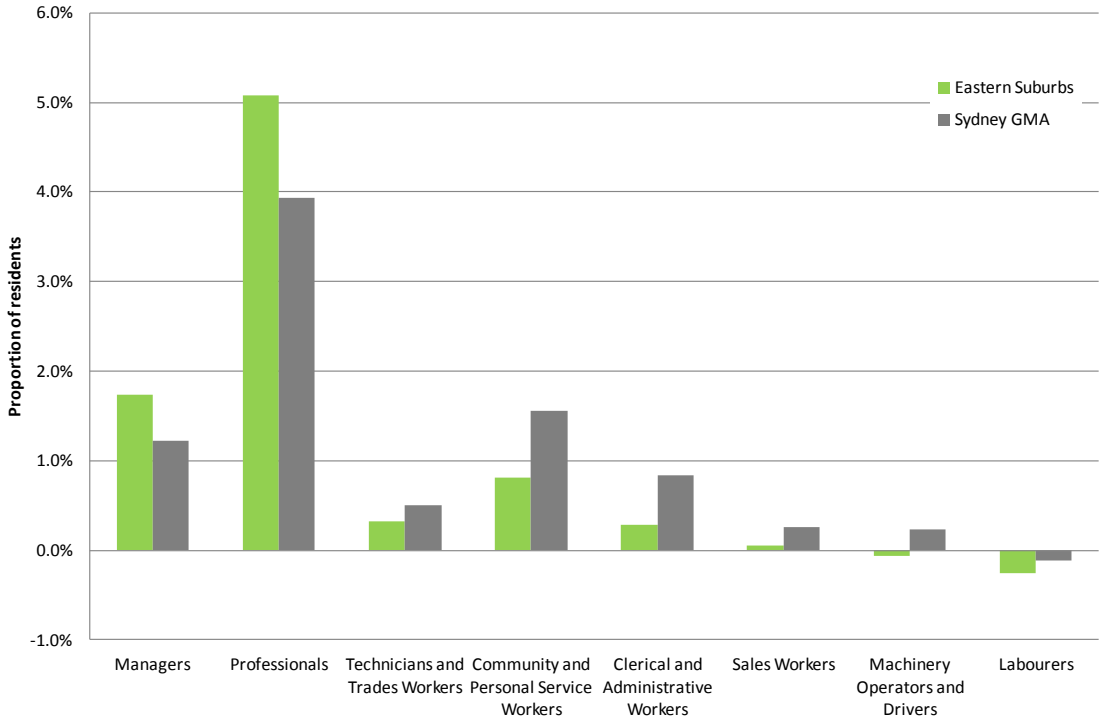
FIGURE 22. OCCUPATION OF RESIDENTS, 2011



Source: SGS Economics and Planning, 2013, using Australian Bureau of Statistics Census of Population and Housing 2011

Figure 23 highlights that the growth of the proportion of professionals within the Eastern Suburbs and the wider Sydney GMA. Once again, the Eastern Suburbs has experienced a much higher growth in knowledge intensive occupations, such as managers and professionals, compared to Sydney GMA.

FIGURE 23. CHANGE IN OCCUPATIONS, 2006-2011

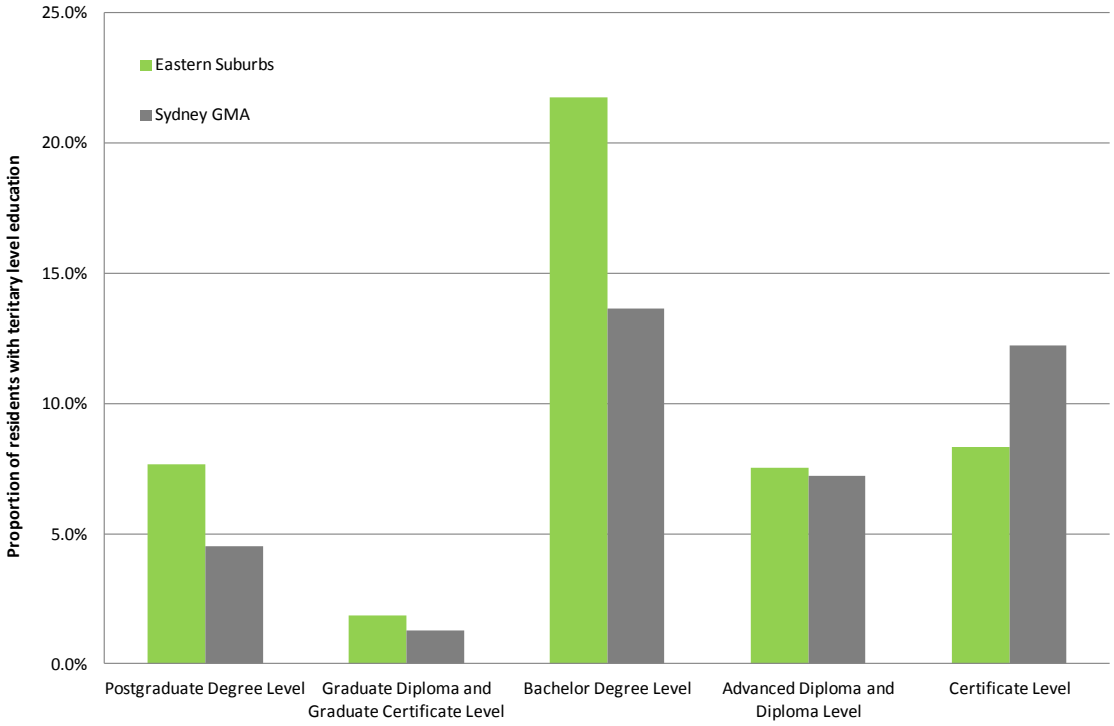


Source: SGS Economics and Planning, 2013, using Australian Bureau of Statistics Census of Population and Housing, 2006 and 2011

Education attainment

Around 48 percent of residents of the Eastern Suburbs have a post-secondary qualification, compared to 39 percent within Sydney GMA. As illustrated in Figure 24, a high proportion of residents in the Eastern Suburbs have a Bachelor Degree (22 percent). Within the broader Sydney GMA, there is a relatively equal distribution between Bachelor Degrees (14 percent) and Certificate Level qualifications (12 percent).

FIGURE 24. EDUCATION ATTAINMENT LEVEL, 2011



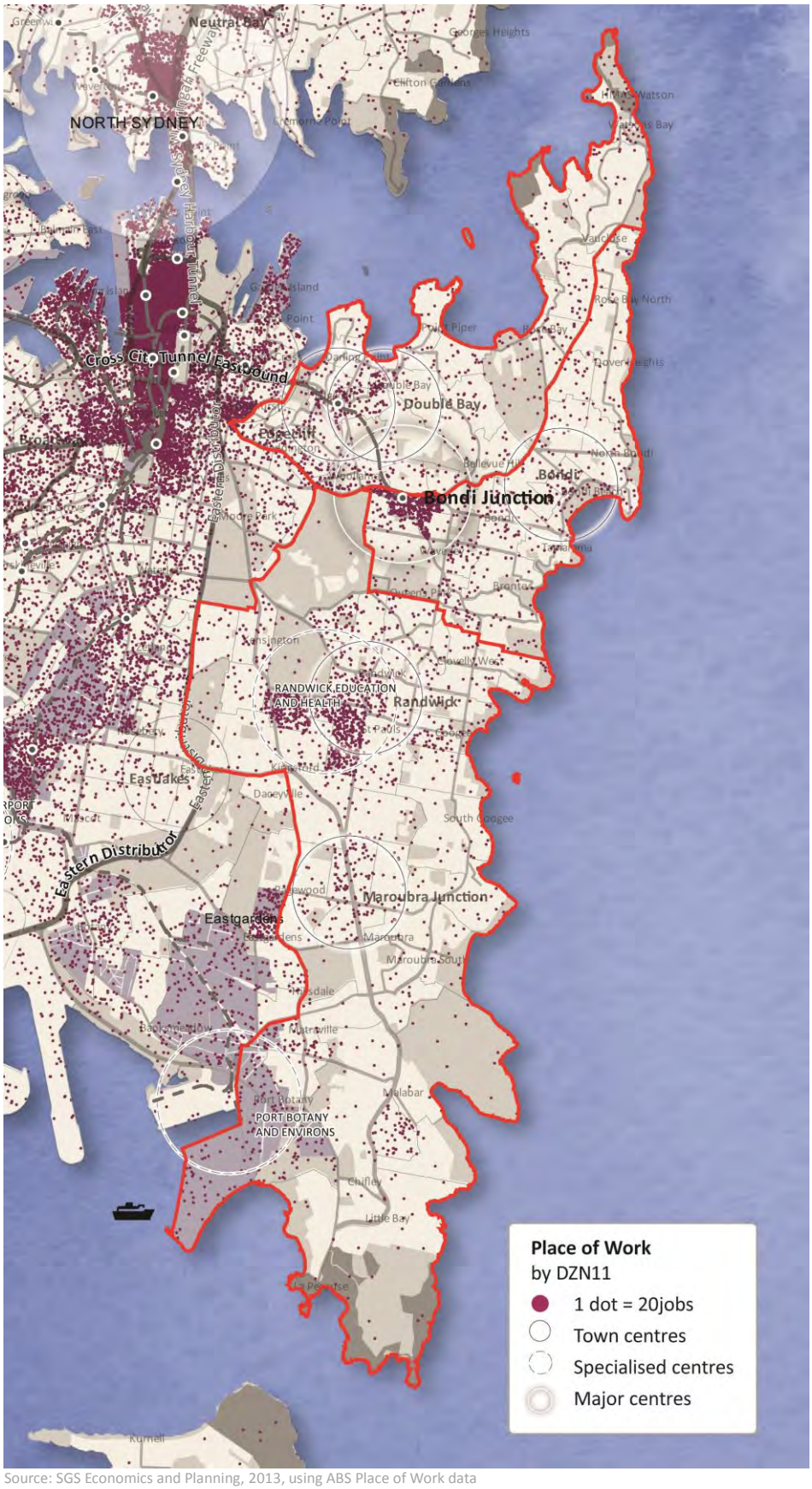
Source: SGS Economics and Planning, 2013, using Australian Bureau of Statistics Census of Population and Housing, 2006 and 2011

4.3 Accessibility

Place of Work

Figure 25 illustrates the employment distributions across Sydney. The map highlights that jobs within the Eastern Suburbs are concentrated within two major centres of employment; Bondi Junction and the Randwick Health and Education Precinct. The origin of these workers is further analysed below.

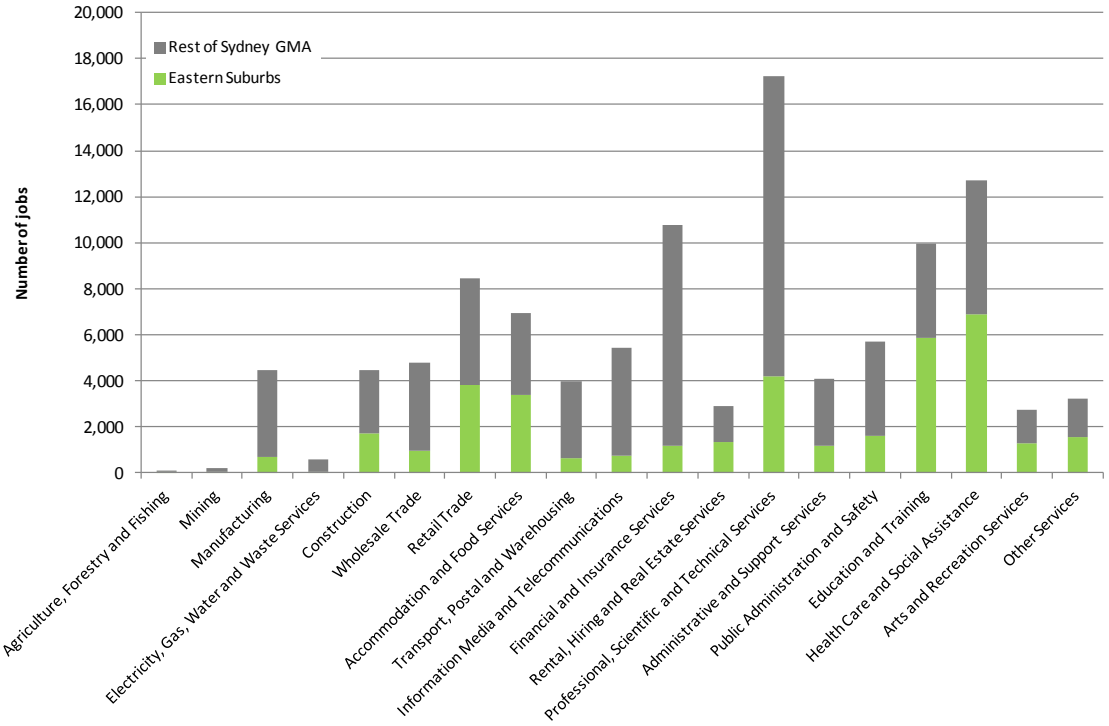
FIGURE 25. PLACE OF WORK



Source: SGS Economics and Planning, 2013, using ABS Place of Work data

Figure 26 illustrates the industry of employment of residents living in Eastern Suburb by place of work, within the Eastern Suburbs and the rest of the Sydney GMA (excluding Eastern Suburbs). The graph illustrates that a large proportion of residents who work outside the Eastern Suburbs are employed within professional, scientific and technical services and financial and insurance services industries. More than half of the residents who work outside the Eastern Suburbs are employed within the City of Sydney LGA, which has a large concentration of professional and financial service jobs.

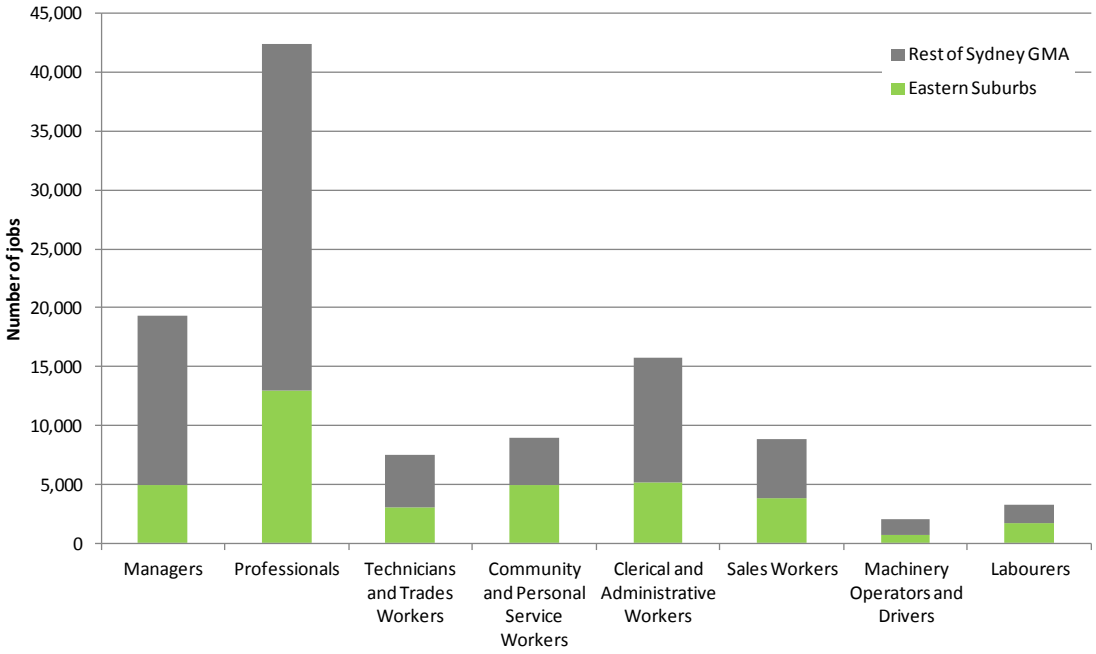
FIGURE 26. INDUSTRY OF EMPLOYMENT BY PLACE OF WORK, 2011



Source: SGS Economics and Planning, 2013, using Australian Bureau of Statistics Census of Population and Housing 2011.

Figure 27 illustrates the occupations of Eastern Suburbs by place of work, within the Eastern Suburbs or outside of the Eastern Suburbs (rest of Sydney GMA). The chart highlights that the majority of residents who work outside of the Eastern Suburbs are professionals or managers. These workers are primarily working within the City of Sydney LGA where there is a high concentration of these occupations.

FIGURE 27. OCCUPATION BY PLACE OF WORK, 2011



Source: SGS Economics and Planning, 2013, using Australian Bureau of Statistics Census of Population and Housing 2011.

Employment self-containment and self-sufficiency

Employment self-containment and self-sufficiency, as shown in Table 15, was assessed by examining BTS Journey to Work data for employment 'origin' and 'destination' pairs.

Self-containment is defined as the percentage of employed local residents who are employed within the local boundary, such as an LGA (or other applicable region). It is focused on the local residents. For the Eastern Suburbs, the employment self-containment rate refers to the proportion of the local resident workforce that would also work in the Eastern Suburbs.

Randwick LGA has a higher self-containment ratio that the Waverly and Woollahra, but the Eastern Suburbs as a whole has a higher self-containment ratio of 0.34, that is, 34 percent of employed residents in Eastern Suburbs work within the Eastern Suburbs.

Self-sufficiency on the other hand refers to the proportion of local jobs that are filled by local residents in a particular area. The focus here is on jobs, rather than residents. For the Eastern Suburbs, the employment self-sufficiency rate refers to the proportion of local jobs that are filled by the local resident workforce.

The self-sufficiency ratio for Randwick (0.40) is higher than the other LGAs and the Eastern Suburbs. Within the Eastern Suburbs, 37 percent of local jobs are occupied by residents of the Eastern Suburbs.

TABLE 15. EMPLOYMENT SELF-CONTAINMENT AND SELF-SUFFICIENCY IN EASTERN SUBURBS[29]

Area	Residents employed locally (A)	Total employed residents (B)	Local jobs (C)	Self-containment ratio (A/B)	Self-sufficiency ratio (A/C)
Randwick	16,734	62,631	42,224	0.27	0.40
Waverley	7,389	33,801	20,874	0.22	0.35
Woollahra	6,501	29,322	19,467	0.22	0.33
Eastern Suburbs	42,557	125,754	82,565	0.34	0.37

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

The relationship between self-containment and self-sufficiency can be illustrated by thinking of types of areas in Sydney. The City of Sydney has a very high number of jobs compared to the number of resident workers. As a result its self-containment rate is high (a high proportion of the resident workforce also have jobs in the City of Sydney). However, given the number and range of jobs and its resident workforce, its self-sufficiency rate is low (it relies on incoming workers to fill those jobs).

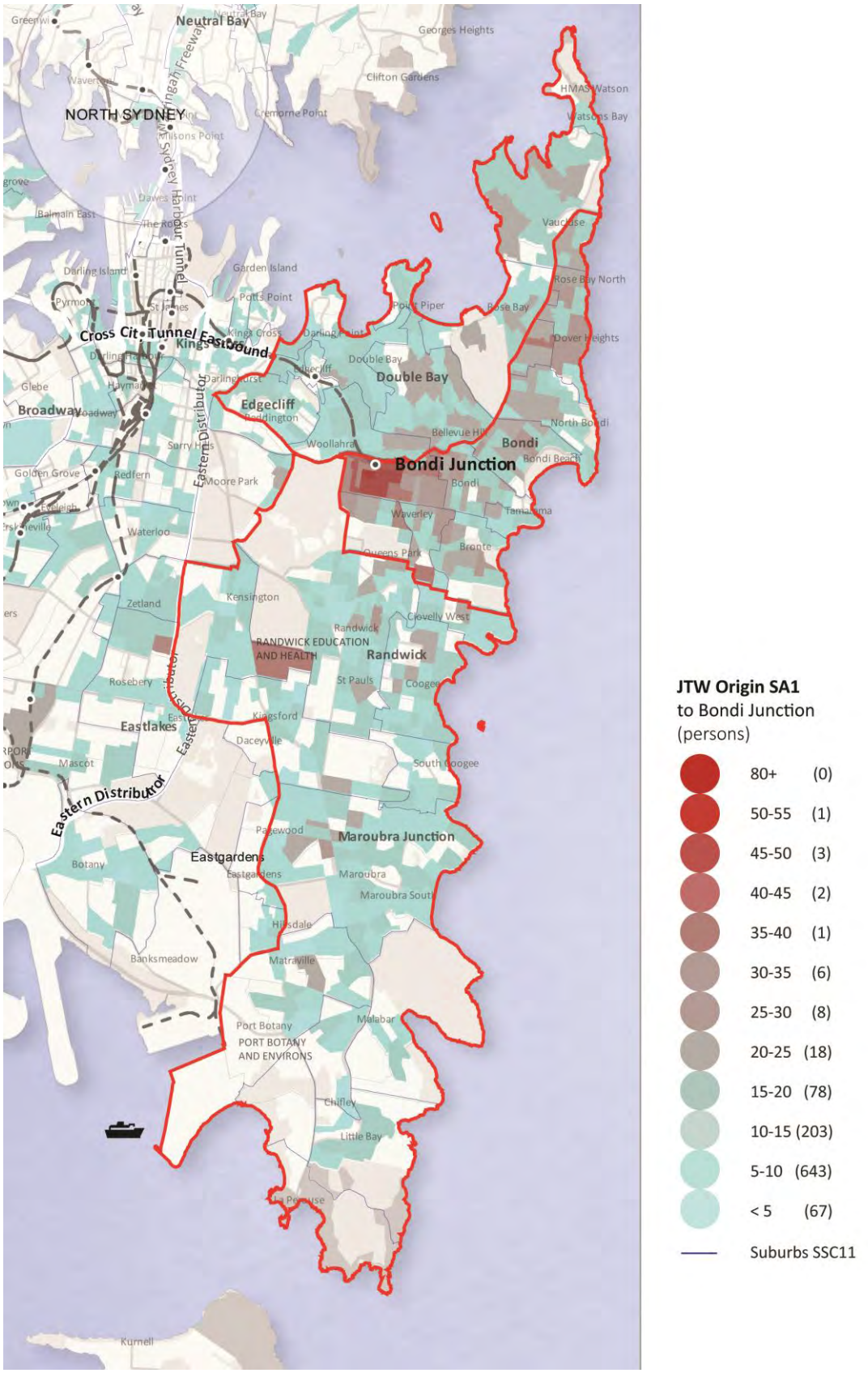
This situation is mirrored somewhat (albeit in a much less extreme way) in the LGAs with Regional Cities (Campbelltown, Liverpool, Penrith), Major Centres (e.g. Blacktown) or specialised centres as these are also employment destinations. Suburban locations without major employment destinations will tend to have much lower self-containment rates as the resident workforce commutes to employment destinations elsewhere. Self-sufficiency will tend to be higher as the lower number of local jobs can be filled by the local resident workforce.

Journey to Work patterns have also been mapped to illustrate the patterns described above for the two major centres of employment in the Eastern Suburbs (Bondi Junction and the Randwick Health and Education Precinct).

Figure 28 shows the number of residents who live in the Eastern Suburbs and work in Bondi Junction. The map illustrates that a high proportion of people who work in Bondi Junction travel from within the major centre and suburbs within close proximity to the centre.

[29] For each LGA, a resident was considered to be employed locally if they were employed within the same LGA in which they live. For the Eastern Suburbs, a resident was considered to be employed local if they were a resident of either Randwick, Waverley and Woollahra, and were employed in any of those three LGAs

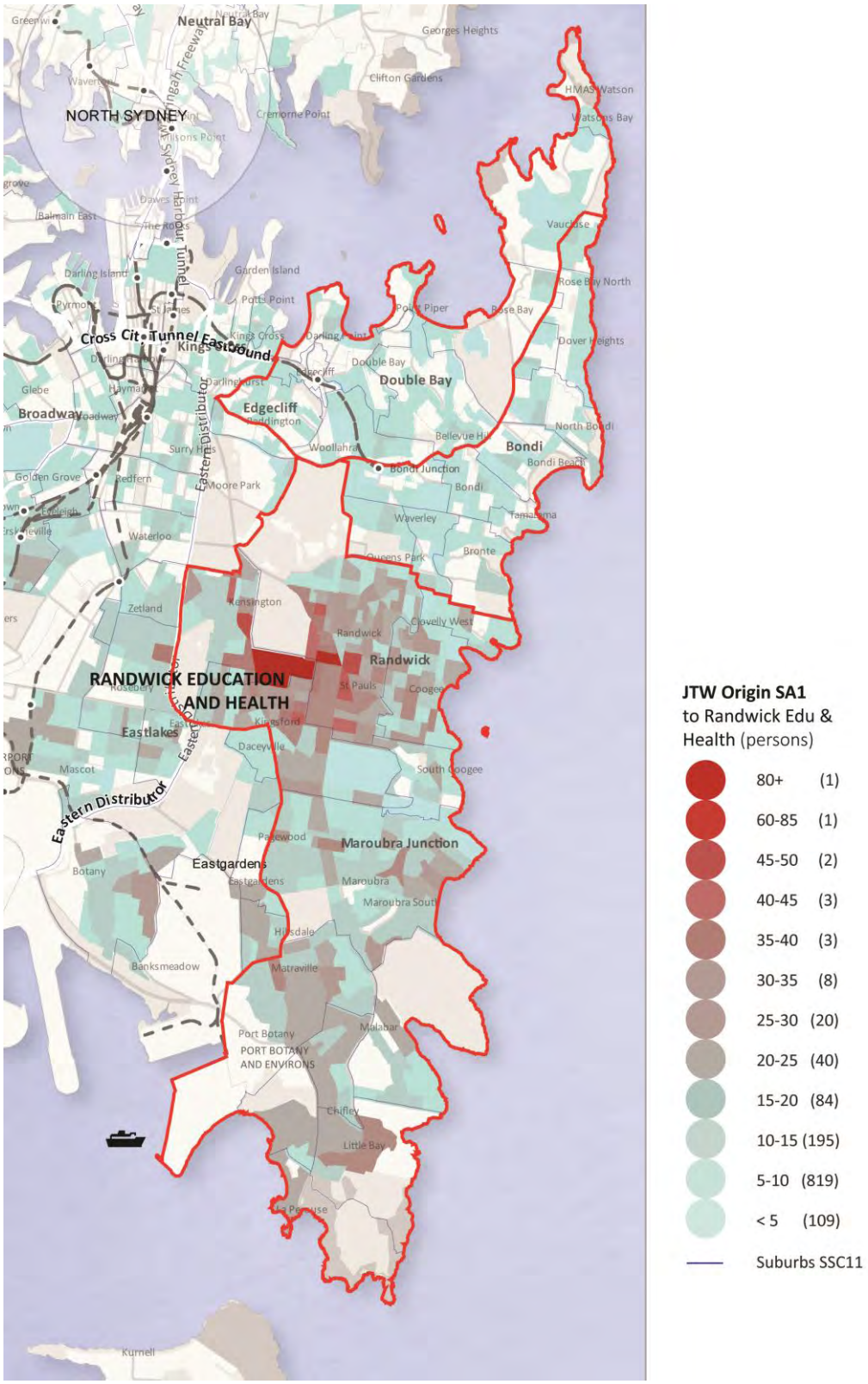
FIGURE 28. JOURNEY TO WORK TO BONDI JUNCTION



Source: SGS Economics and Planning, 2013, using BTS Journey to Work data, 2013

Figure 29 shows the number of residents who live in the Eastern Suburbs and work in the Randwick Health and Education Precinct. The map illustrates that a high proportion of people who work in the precinct live in Randwick or the adjacent suburbs. A high proportion of residents also travel from the suburbs around Maroubra and the south of the eastern Suburbs to work in this precinct.

FIGURE 29. JOURNEY TO WORK TO RANDWICK HEALTH AND EDUCATION PRECINCT

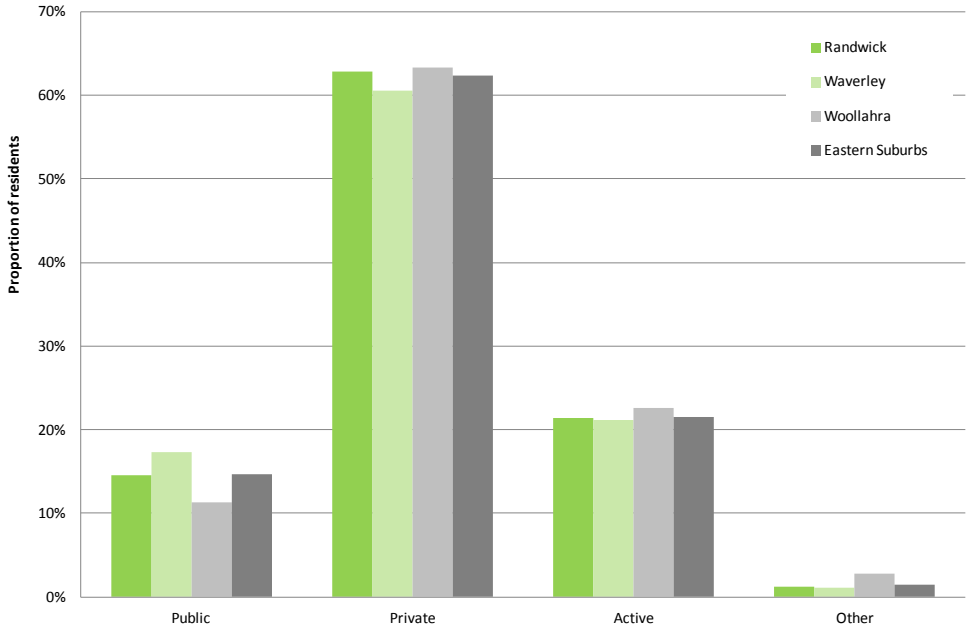


Source: SGS Economics and Planning, 2013, using BTS Journey to Work data, 2013

Travel mode

Figure 30 illustrates that majority of Eastern Suburbs residents that work within the Eastern Suburbs travel to work by private transport (62 percent). 22 percent of residents travel by active forms of transport (walking and cycling) and 15 percent travel by public transport.

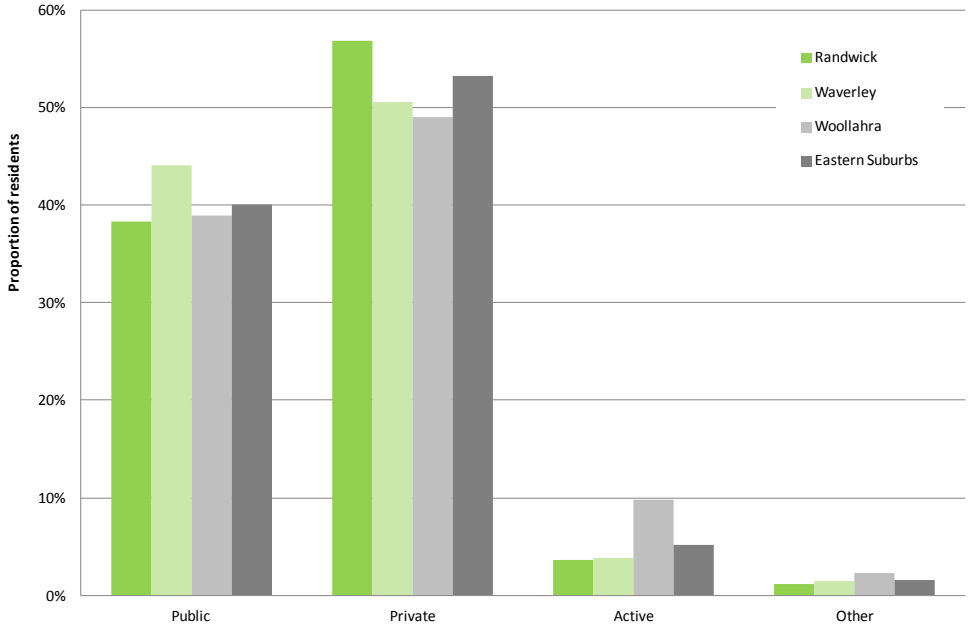
FIGURE 30. TRAVEL MODE FOR RESIDENTS WORKING WITHIN EASTERN SUBURBS



Source: SGS Economics and Planning, 2013, using Bureau of Transport Statistics 2013

Comparatively, Figure 31 illustrates that a significant proportion of Eastern Suburbs residents who work outside the Eastern Suburbs also travel by private transport (53 percent), however there is a significant proportion of residents using public transport (40 percent) to travel to work.

FIGURE 31. TRAVEL MODE FOR RESIDENTS WORKING OUTSIDE EASTERN SUBURBS



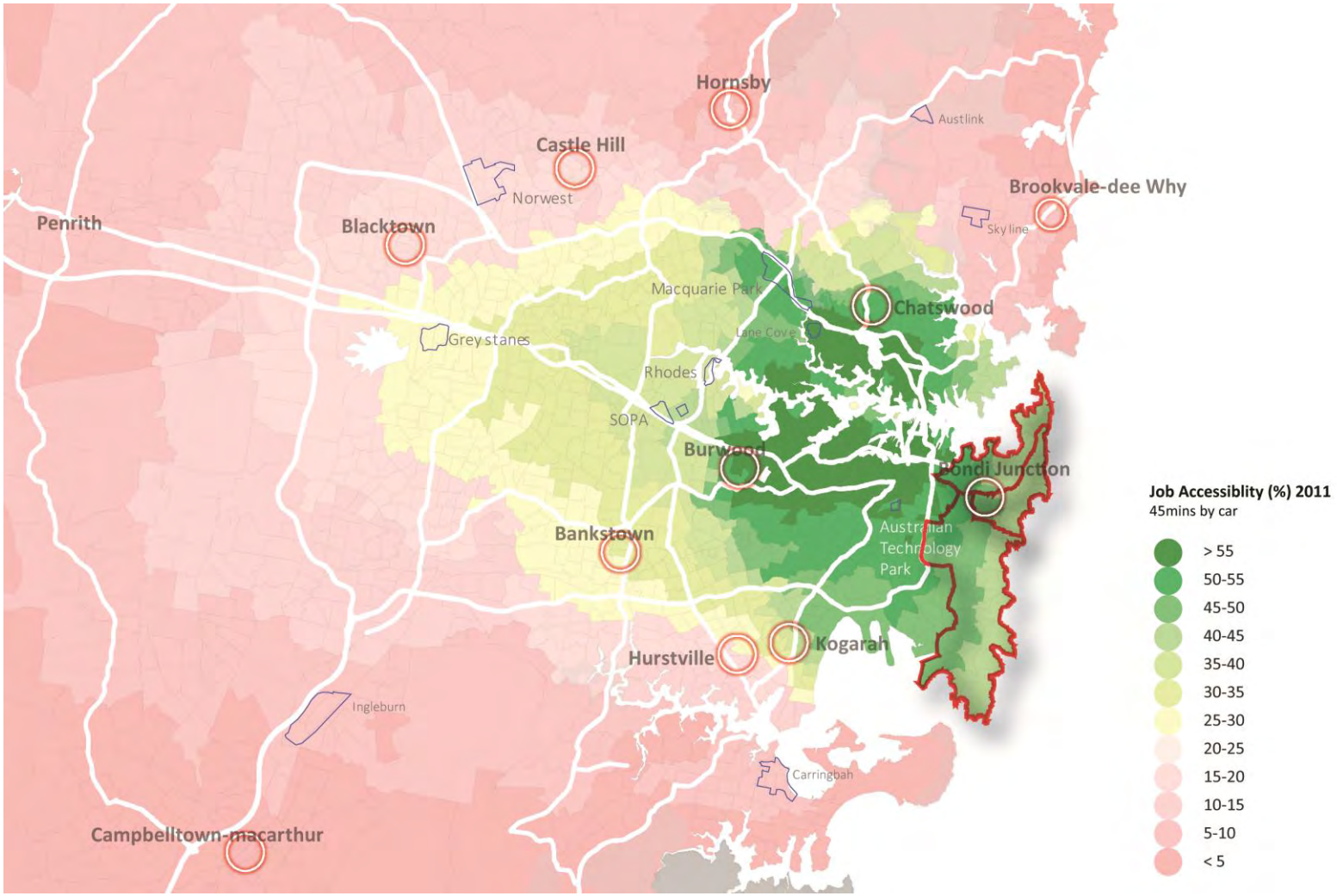
Source: SGS Economics and Planning, 2013, using Bureau of Transport Statistics 2013

Job Accessibility

Figure 32 and Figure 33 illustrate the proportion of jobs accessible to residents across Sydney within 45 minutes by car and public transport respectively. The first map highlights that residents within the Eastern Suburbs have access to a high proportion of jobs. Residents living in the western half of the Eastern Suburbs have access to around 45 to 50 percent of jobs in Sydney with a small proportion to the north west of the Eastern Suburbs (around Paddington) experiencing access to 50 to 55 percent of jobs within Sydney. Residents living in the eastern half of the Eastern Suburbs have access to 40 to 45 percent of jobs in Sydney. The slightly lower proportion of job accessibility in the eastern half of the Eastern Suburbs is due to the additional distance required to travel from this area to the major employment areas across Sydney. Overall, however, residents living within the eastern Suburbs are able to access a higher proportion of jobs within 45 minutes via car in comparison to the middle and outer suburbs of Sydney.

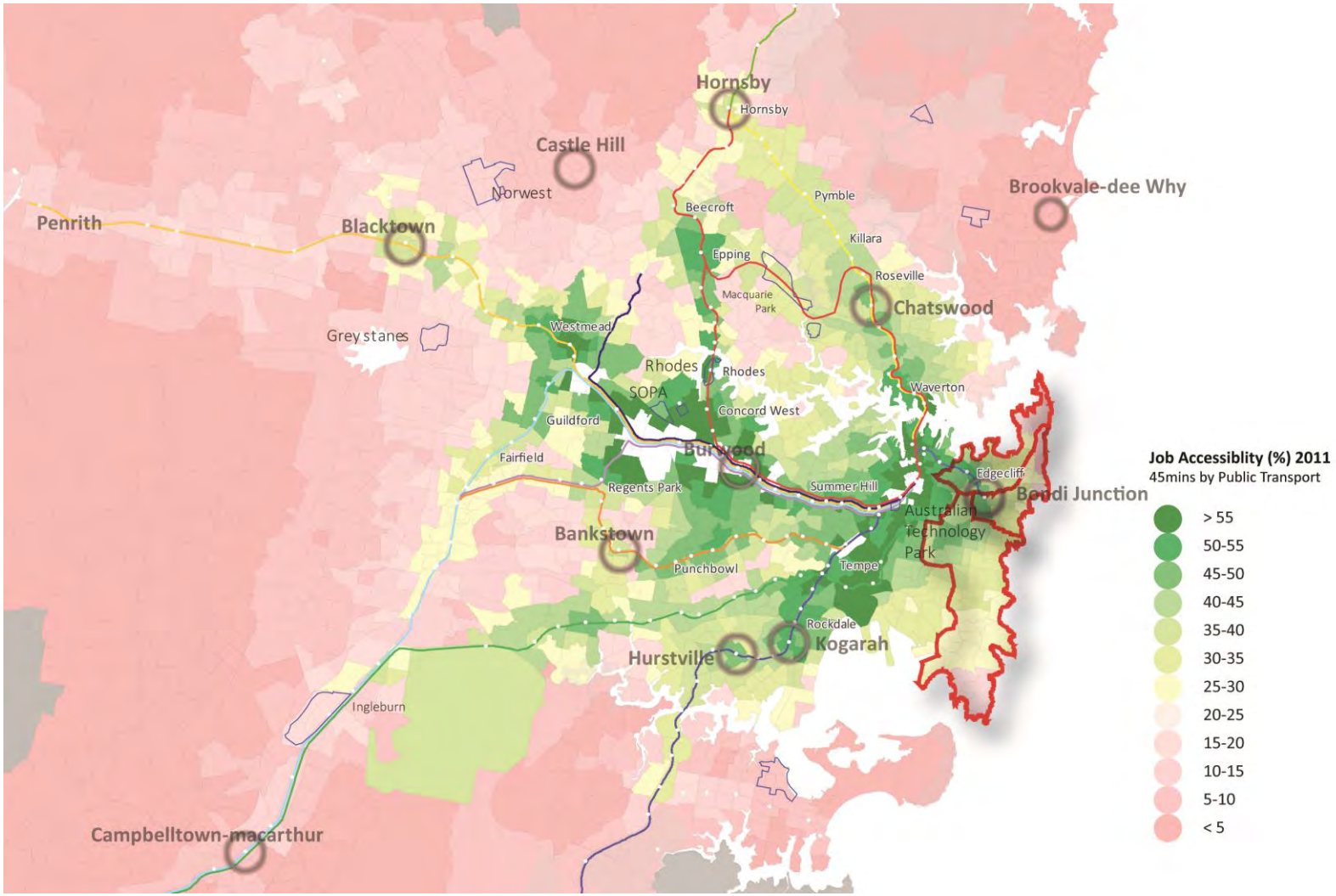
The second map illustrates the proportion of jobs accessible to residents of Sydney within 45 minutes via public transport. Residents living within the Eastern Suburbs of Sydney have access within 45 minutes via public transport to around 30-35 percent of jobs in Sydney. As above, residents living within the western half of the Eastern Suburbs experience greater job accessibility than residents living in the eastern half of the Eastern Suburbs. Residents within the north west of the Eastern Suburbs (around Paddington) have access within 45 minutes via public transport to 50 to 55 percent of jobs in Sydney. Whilst residents living within the Eastern Suburbs of Sydney have relatively high job accessibility, residents living within central Sydney and along the railway line between Parramatta and Sydney CBD have a access to a higher proportion of jobs within 45 minutes via public transport.

FIGURE 32. JOB ACCESSIBILITY VIA CAR



Source: SGS Economics and Planning, 2013

FIGURE 33. JOB ACCESSIBILITY VIA PUBLIC TRANSPORT



Source: SGS Economics and Planning, 2013

4.4 Inter-industry linkages

SGS has simulated a regional input output (IO) table for the Eastern Suburbs. The IO Table is derived from the National Input Output Table published by the ABS (Cat. No. 5209.0) and represents all the buyer-supplier linkages in the regional economy.

Using widely accepted techniques, SGS has translated the regional IO Table into value added, employment and output multipliers for each of the 19 industries included in the economy. These are shown in Table 16 and can be interpreted as follows:

- Value Added Multipliers – for every extra dollar of output generated in Financial and Insurance Services, around $1.1 is attributable to increases in wages, salaries and supplements, and gross operating surplus in all sectors.

- Employment Multipliers – each additional $1 million of output/ investment in Education and Training industry will be associated with the generation of 11 jobs.

- Output Multipliers – for every additional dollar earned or invested directly into the Education industry in Eastern Suburbs, the level of overall output increases by $1.5.

Table 16 highlights the industries which are most integrated in terms of buyer and supplier linkages within the region (those with the top five multipliers).

TABLE 16. VALUE ADDED, EMPLOYMENT AND OUTPUT MULTIPLIERS SORTED BY VALUE ADDED MULTIPLIERS, 19 INDUSTRY DIVISIONS

	Output	Employment	Value added
Financial and Insurance Services	1.473	4	1.097
Education and Training	1.522	11	1.080
Retail Trade	1.577	12	1.016
Health Care and Social Assistance	1.478	11	0.951
Administrative and Support Services	1.648	7	0.916
Public Administration and Safety	1.551	8	0.915
Rental, Hiring and Real Estate Services	1.397	2	0.911
Professional, Scientific and Technical Services	1.672	7	0.889
Transport, Postal and Warehousing	1.525	5	0.869
Wholesale Trade	1.553	6	0.865
Mining	1.416	3	0.790
Electricity, Gas, Water and Waste Services	1.379	4	0.775
Accommodation and Food Services	1.465	10	0.773
Information Media and Telecommunications	1.437	5	0.766
Construction	1.759	6	0.759
Other Services	1.453	11	0.759
Agriculture, Forestry and Fishing	1.353	5	0.729
Arts and Recreation Services	1.446	8	0.686
Manufacturing	1.359	4	0.499

Source: SGS Economics & Planning calculations, 2013

Focusing on the highlighted results, it is evident that from a value adding perspective (wealth generation), the top five contributors are Financial and Insurance, Education and Training, Retail Trade,

Health Care and Social Assistance, Administrative and Support Services. This is not surprising, given that Education and Training and Health Care and Social Assistance are the two major industries of employment within the Eastern Suburbs.

On the other hand, the relative low output and employment multipliers, compared to other economic regions, are due to the fact that the economy in Eastern Suburbs heavily relies on a range of goods and services that are provided by businesses located outside the region.

4.5 Implications

The education and health care industries have high employment, high growth and high specialisation within the Eastern Suburbs of Sydney.

Health care and education are the two major industries of employment within the Eastern Suburbs, accounting for 34 percent of jobs within the Eastern Suburbs. The dominance of health care and education is evident in comparison to the broader Sydney metropolitan area where health and education only account for around 19 percent of jobs.

Both health and education sectors of employment experienced strong growth in the Eastern Suburbs between 2006 and 2011 of 15-20 percent. Health and education are projected to continue to experience significant growth in employment between 2011 and 2031 in the Eastern Suburbs, particularly health care which is expected to experience growth of 46 percent over the next 20 years alongside an emerging professional services industry. However, the rate of job growth in these main industries of Eastern Suburbs is lower compared to the Sydney GMA.

The Eastern Suburbs has a high specialisation in both health and education, particularly compared to the greater Sydney region which reflects both the high employment and high growth experienced between 2006 and 2011.

Eastern Suburbs residents are characterised by high household incomes and high levels of tertiary education.

The median weekly household income for the Eastern Suburbs in 2011 was $1,962. Not only is the median income for the Eastern Suburbs significantly higher (more than $500 per week) than the median for the broader Sydney metropolitan region, it is also growing at a higher rate. Almost 50 percent of the Eastern Suburbs population are tertiary educated, compared to 39 percent within the Sydney GMA.

This trend is also apparent with a large proportion of professionals and other white collar workers residing in the Eastern Suburbs and the proportion of residents employed in these occupations is growing. Around 37 percent of workers employed within the Eastern Suburbs are employed as professionals and this has been growing strongly since 2006.

The Eastern Suburbs has a low level of self-containment with high leakages within the professional and financial services industries.

Employment within the Eastern Suburbs is concentrated within the major employment centres (Bondi Junction and the Randwick Education Precinct). These two centres have a high concentration of retail, health and education employment and this is reflected by high levels of self-containment within these industries.

Comparatively, Eastern Suburbs residents employed in professional and financial services are largely employed within the adjacent City of Sydney LGA where there is a high concentration of these industries of employment. These industries employ the largest proportion of residents and thus contribute to the high leakages and low levels of self-containment. This is also apparent in relation to other occupations with a high proportion of professionals employed outside the Eastern Suburbs.

The Eastern Suburbs also benefits from a high degree of accessibility to jobs, particularly via car.

Residents of the Eastern Suburbs have access to around 50 percent of jobs in Sydney within 45 minutes via car. The proximity of the Eastern Suburbs to the Sydney CBD has contributed to this high job accessibility, because there is a high concentration of jobs within the CBD.

Residents have a relatively high accessibility to jobs when travelling via public transport, however, this varies depending on where they live, particularly whether they live along a major transport route.

The major industries of employment within the Eastern Suburbs are also the largest contributors to wealth generation in this region.

Finance, health care, education, retail and administration and support services are the largest contributors from a value-adding perspective. As indicated by the regional multipliers, every extra dollar of output produced in Financial and Insurance Services is likely to generate around $1.1 in wages, salaries and supplements, and gross operating surplus across all sectors in Eastern Suburbs. This shows that these industries not only contribute to the largest proportion of jobs within the Eastern Suburbs but also to the wealth generation within the regional economy.

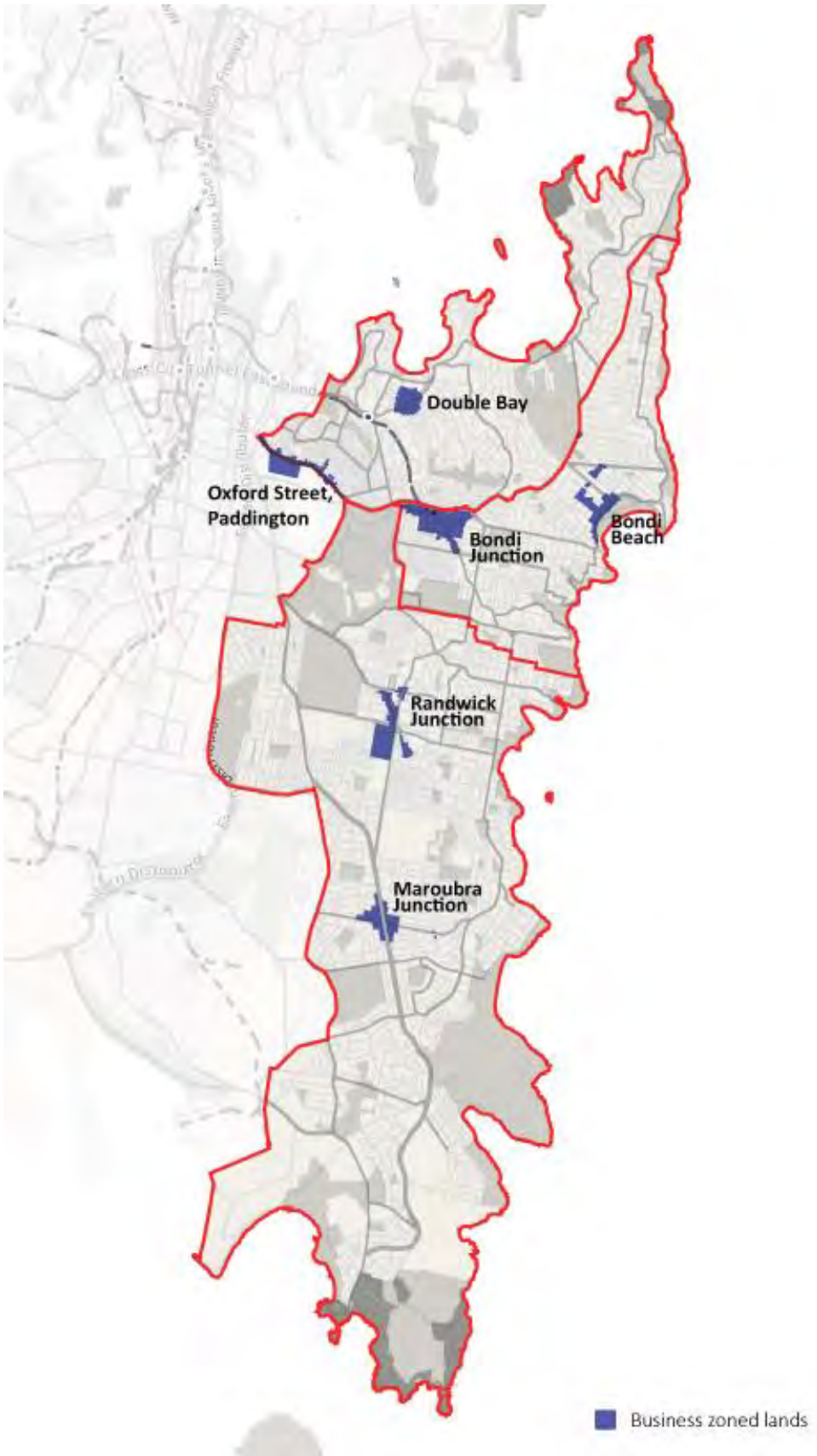
5 ECONOMIC ACTIVITY IN CENTRES

A floorspace survey has been carried out for six major retail/commercial centres within the Eastern Suburbs. The six centres comprise:

- Bondi Junction
- Bondi Beach
- Randwick Junction and The Spot
- Maroubra Junction
- Double Bay, and
- Oxford Street, Paddington.

The boundaries of these precincts are illustrated on the map overleaf:

FIGURE 34. RETAIL CENTRES AUDITED



Source: SGS, 2013

5.1 Audit Method

The floorspace audit was completed using a method developed by SGS in associated with the Department of Planning and Infrastructure. Three levels of information are collected about each lot within the six centres:

	Data Collected	Source of Data
Level 1.	Zoning, size of lot	Cadastre with land use zoning layers provided by the Eastern Suburbs Councils
Level 2	Digitised building outlines and building footprint	GIS base for on-ground verification (digitised building outlines using aerial photographs provided by councils)
Level 3	Building size, Broad Land Use Category and the proportion of building footprint occupied by each business	On-ground field survey

The field survey built on the Level 1 and Level 2 data inputted via GIS. The field and internal survey included directly recording the SGS Broad Land Use Category of each business and the proportion of the building footprint occupied by each business.

- **Level 1 data** – was used to identify the land parcels to be audited. *Business zones* were used to identify the extent of each retail centre.

- **Level 2 data** – From geo-referenced aerial images provided by Council, building footprints within each of the six centres were digitised. The respective zoning information from the cadastre layer addressed in Level 1 was added to these building records.

- **Level 3 data** – involved site by site visits and building auditing. In this stage, the surveyor assigned an SGS Broad Land Use Category (BLCs) to each business. The floorspace of each business was estimated through recording the percentage of building footprint occupied by that business.

A full description and examples of each BLC is provided in Appendix 1.

In addition to the on-foot assessment carried out for the street fronting businesses and retailers, the internal floorspace of the enclosed shopping centres was audited through the use of online floor plans and store directories. The total amount of audited floorspace within each shopping centre was capped at the respective Gross Leasable Area (GLA) published in the PCA Shopping Centre Database.

The four enclosed shopping centres include Westfield Bondi Junction, Eastgate Bondi Junction, Royal Randwick Shopping Centre and Pacific Square Maroubra.

The floorspace data collected through the audit is compiled and its integrity checked for errors before being analysed. The aim of the audit is ultimately to describe each of retail and commercial centre by:

- current use
- broad land use category
- vacant floorspace, and
- vacancy rate.

The data generated is highly detailed and can be updated in future surveys or, desirably, it could become a platform on which 'real time' data from Council development applications could be included.

5.2 Broad Land Use Categories

Broad Land Use Categories (BLC) describe the possible function of the land and existing built form, as well as the actual employment activity. Assessing land use in terms of BLCs allows for the consideration of the future character of an area.

The BLC codes used in this floorspace audit are shown below in Table 15. A full description of each BLC, together with some examples, is provided in the Appendix 1.

Since another purpose of the audit is to provide accurate floorspace estimates for the retail modelling (see section 7), the retail use has been broken down into nine commodity/store types. These retail categories are broadly in line with the ABS Retail ANZSIC categories.

TABLE 17. BROAD LAND USE CATEGORIES (BLCS)

BLC Code	BLC Name
Retail	
S	Full-line Supermarket
OS	Other Super
OF	Other Food
DS	Departmental Stores
DDS	Discounted Department
CF	Clothing & Footwear
HH	Household Goods
OR	Other Retail
RC	Restaurants/Cafes/Takeaways
Non Retail	
O	Offices
LSI	Light Service Industrial
LHE	Local Health and Education
DL	Dispersed Local
SR	Service Retail
Other	
V	Vacant
UC	Under-construction

Source: SGS, 2013

5.3 Floorspace by centre

Overall, approximately **768,845** square metres of developed floorspace was recorded within the six retail centres. Around 40 percent of the audited floorspace is for office uses. Table 18 summarises the total audited floorspace and vacancy rate within each centre.

Bondi Junction Major Centre accounts for approximately 43 percent of the recorded floorspace. This is largely due to the Westfield Bondi Junction (which has around 102,000 sqm GLAR) and high volumes of office uses within the centre.

TABLE 18. TOTAL FLOORSPACE OF ALL PRECINCTS, SQM

Centres	Bondi Beach	Bondi Junction	Double Bay	Maroubra	Oxford St	Randwick	Total
Total audited	98,106	329,455	88,541	78,407	94,816	92,960	768,845
Retail	28,161	164,171	23,469	24,883	32,488	36,633	309,805
Non-retail	66,116	158,171	37,823	50,669	53,092	53,195	419,066
Under construction	292	117	16,000*	605	908	0	17,922
Vacant	3,537	6,996	11,248**	2,249	8,329	3,132	35,492
Vacancy rate (%)	3.6%	2.1%	12.7%	2.9%	8.8%	3.4%	4.6%

Source: SGS, 2013.
*Note Double Bay under construction floorspace has been adjusted to reflect council's recommended figures.
**Note: Double Bay vacancy rate reflects vacant building floorspace at the time of audit in June 2013

The vacancy rate of a centre provides a general indicator of its viability and trading performance. The average vacancy rate of 5 percent across all centres is considered a normal benchmark based on natural attrition and turnover of businesses. However, a vacancy rate of greater than 10 percent is a sign that there may be trading problems in a centre.

Based on the benchmarks above, Bondi Beach, Bondi Junction, Maroubra Junction and Randwick appear to be functioning well, while Double Bay has a high vacancy rate of 12.7 percent. However, much of the vacant floorspace will soon be replaced by the newly refurbished hotel at 33 Cross Street, known as the InterContinental Sydney Double Bay, with an estimated floorspace of 4,400 square metres. In addition, Oxford Street, Paddington has a relatively moderately-high vacancy rate (8.8%), which can be seen as a sign of weaker trading performance compared to other centres.

The following table provides a break-down of total floorspace by BLC.

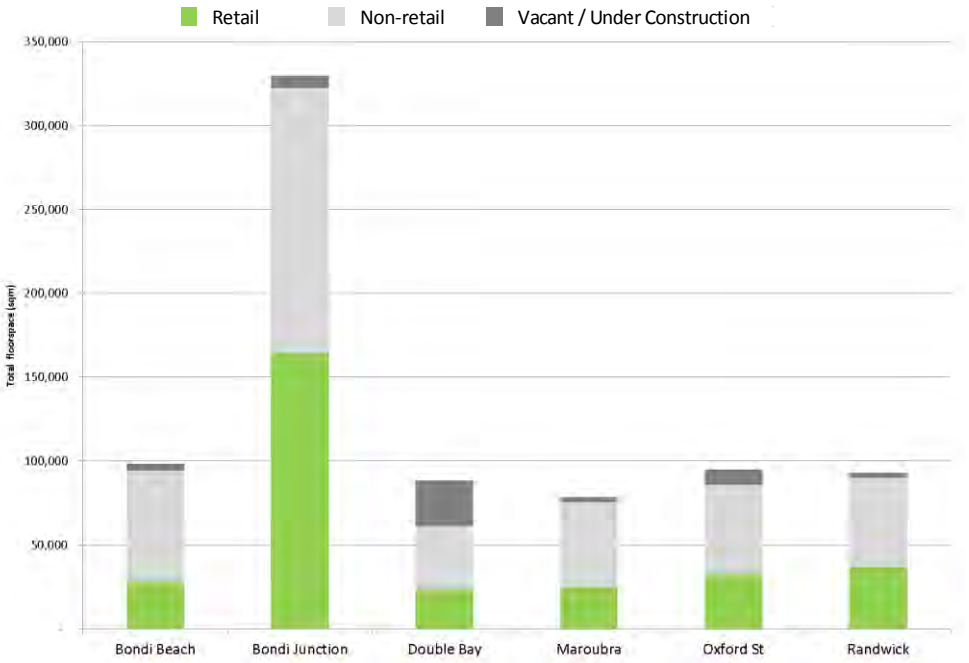
TABLE 19. AUDITED FLOORSPACE BY BLC AND CENTRE, SQM

Description	Bondi Beach	Bondi Junction	Double Bay	Maroubra Junction	Oxford St	Randwick/ The Spot	Total
Retail uses							
Full-line Supermarket	727	15,592	1,672	4,817	124	1,612	24,545
Other Super	1,545	4,897	450	2,236	213	2,718	12,058
Other Food	1,414	2,439	793	2,778	768	2,352	10,544
Departmental Stores		36,948					36,948
Discounted Department		11,871				1,270	13,141
Restaurants & Cafes	15,098	27,276	7,579	7,047	7,729	16,758	81,487
Clothing and Footwear	4,942	29,368	8,935	608	15,124	2,883	61,861
Household Goods	793	8,060	1,334	278	2,754	628	13,847
Other Retail	3,643	27,720	2,706	7,120	5,775	8,412	55,374
Total retail	28,161	164,171	23,469	24,883	32,488	36,633	309,805
Non-retail uses							
Offices	3,028	90,862	21,874	11,209	25,880	14,686	167,539
Light Service Industrial	215	581					796
Local Health and Education	1,223	14,918	3,092	16,668	3,719	6,918	46,538
Dispersed Local	56,326	19,954	2,112*	12,738	17,088	13,164	121,383
Service Retail	5,325	31,855	10,745	10,053	6,406	18,427	82,811
Total non-retail	66,116	158,171	37,823	50,669	53,092	53,195	419,066
Other							
Vacant	3,537	6,996	11,248**	2,249	8,329	3,132	35,492
Under Construction	292	117	16,000*	605	908		17,922
Total Other	3,829	7,114	27,248	2,854	9,236	3,132	53,414
Grand Total	**98,106**	**329,455**	**88,541**	**78,407**	**94,816**	**92,960**	**782,285**

Source: SGS, 2013.
*Note Double Bay under construction floorspace has been adjusted to reflect council's recommended figures.
**Note: Double bay vacancy rate reflects vacant building floorspace at the time of audit in June 2013

Figure 35 compares the total floorspace of the retail and non-retail uses across the six centres. The dark grey area represents the amount of floorspace that is currently vacant or under construction.

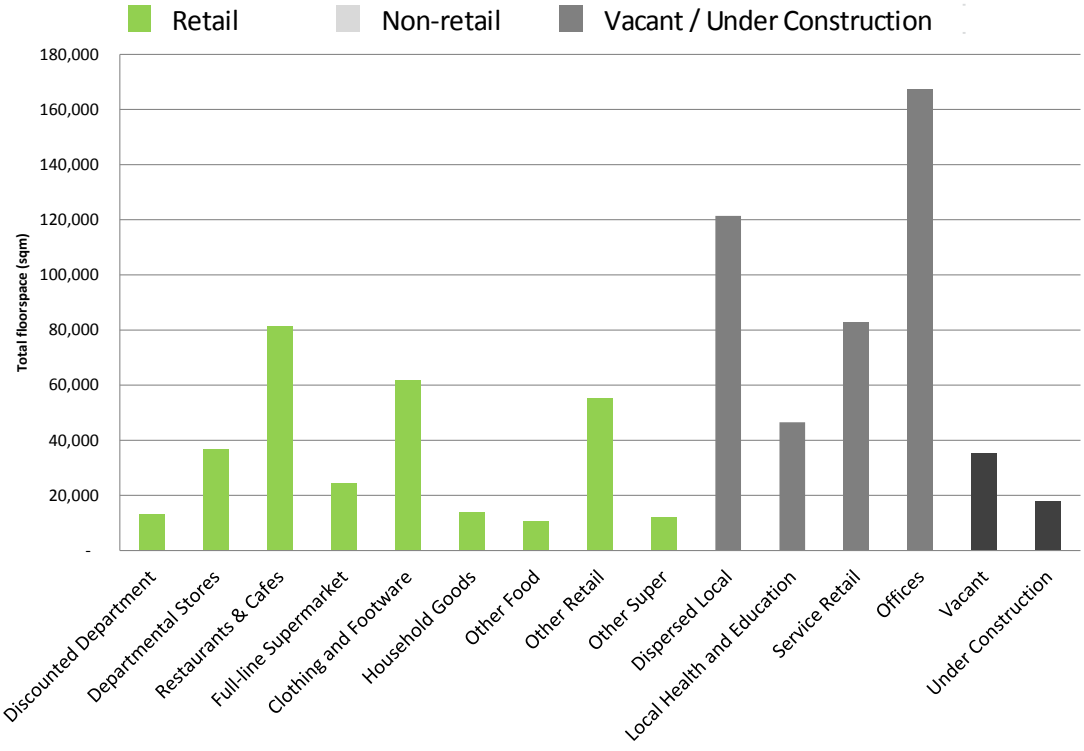
FIGURE 35. AUDITED FLOORSPACE, SQM



Source: SGS, 2013

Figure 36 breaks down the overall floorspace across six audited centres by BLC. It indicates that within the retail BLCs, restaurants and cafés has the highest share of floorspace, followed by clothing and footwear and other retail. Also, almost all of these centres (except Bondi Beach) in Eastern Suburbs provide a high volume of Office floorspace, followed by Disperse Local.

FIGURE 36. BLC SHARE OF AUDITED FLOORSPACE ACROSS SIX CENTRES, SQM



Source: SGS, 2013

6 PRECINCT PROFILES

The purpose of the precinct by precinct analysis is to prepare a detailed industry profile for each economic activity precinct within the Eastern Suburbs, based on the 2011 Census Place of Work data and BTS Journey to Work data. The analysis provides an understanding of the roles and functions of each precinct within the subregional context. The precincts analysed below include:

Major Centre:
- Bondi Junction (major centre)

Town Centres:
- Bondi Beach (town centre)
- Double Bay (town centre)
- Randwick Junction/The Spot (town centre)
- Maroubra Junction (town centre)
- Edgecliff (town centre)

Villages:
- Oxford Street, Paddington (village)
- Coogee (village)
- Kensington (village)
- Kingsford (village)
- Rose Bay (village)

Small Villages:
- Bondi Road (small village)
- Matraville (small village)
- Queen Street, Woollahra (small village)

Specialised Centre
- Randwick Health and Education Precinct (specialised centre)
- Port Botany and environs

6.1 Bondi Junction

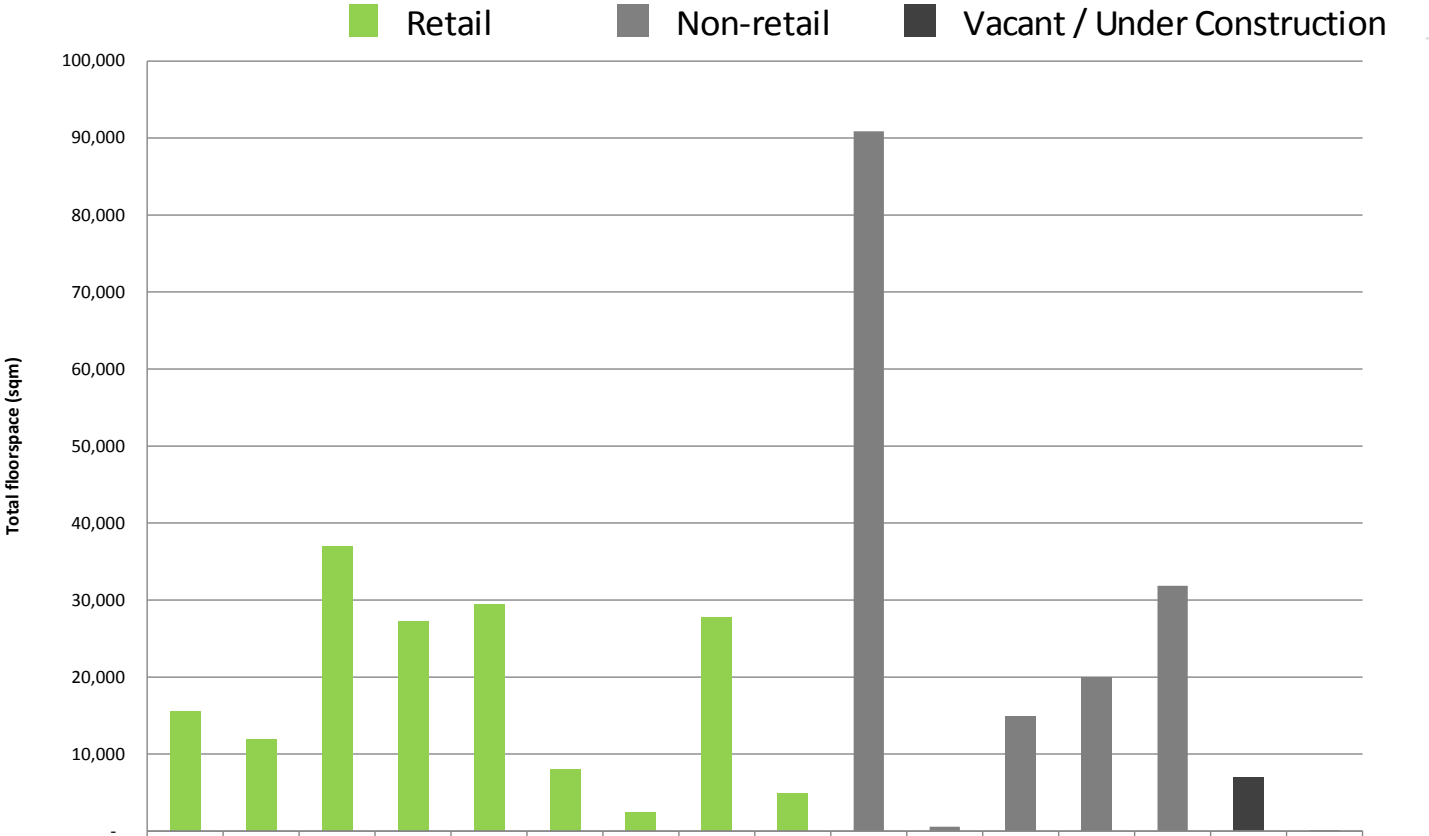
Bondi Junction is a major centre within the Waverley LGA, containing a concentration of retail and commercial floorspace surrounding the train station (refer to Figure 37). There are over 90,000 square metres of office space in the centre (refer to Figure 38). A range of retail types are located in the centre which reflects the large shopping centres which contain a diverse range of retail stores. The ratio of retail to non-retail floorspace within this precinct is relatively equal.

In terms of jobs, there is a high proportion of retail jobs located in this centre (refer to 39). Despite this, retail experienced marginal decline between 2006 and 2011. Also a significant proportion of jobs in this precinct are within the health care sector, associated with the private hospital and other medical centres.

FIGURE 37. BUSINESS ACTIVITIES IN BONDI JUNCTION

Source: SGS Economics and Planning, 2013

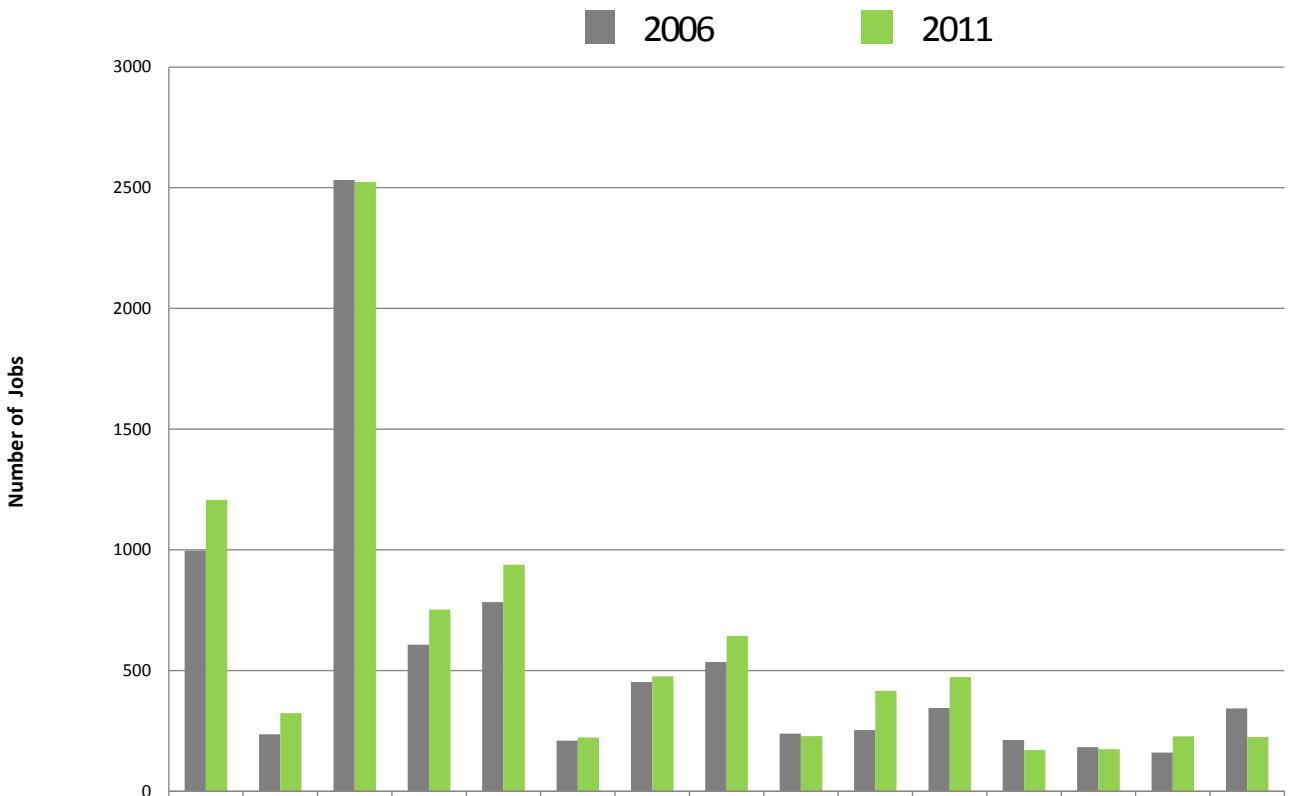
FIGURE 38. FLOORSPACE BY BLC IN BONDI JUNCTION



	Full-line super	Disct. Dept.	Departmental	Restaurants café	Clothg footwr	Household	Other foods	Other retail	Other super	Offices	Light svc indust.	Local health & edu	Dispers local	Service retail	Vacant	Under construction
Bondi Junction	15,592	11,871	36,948	27,276	29,368	8,060	2,439	27,720	4,897	90,862	581	14,918	19,954	31,855	6,996	117

Source: SGS Economics and Planning, 2013

FIGURE 39. EMPLOYMENT BY INDUSTRY, BONDI JUNCTION 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess -ional services	Constru ction	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans- port	Whole- sale
Bondi Junction - 2006	997	236	2532	608	784	211	453	536	239	254	346	213	183	161	344
Bondi Junction - 2011	1207	324	2524	753	939	223	476	644	229	416	473	171	175	228	225

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.2 Bondi Beach

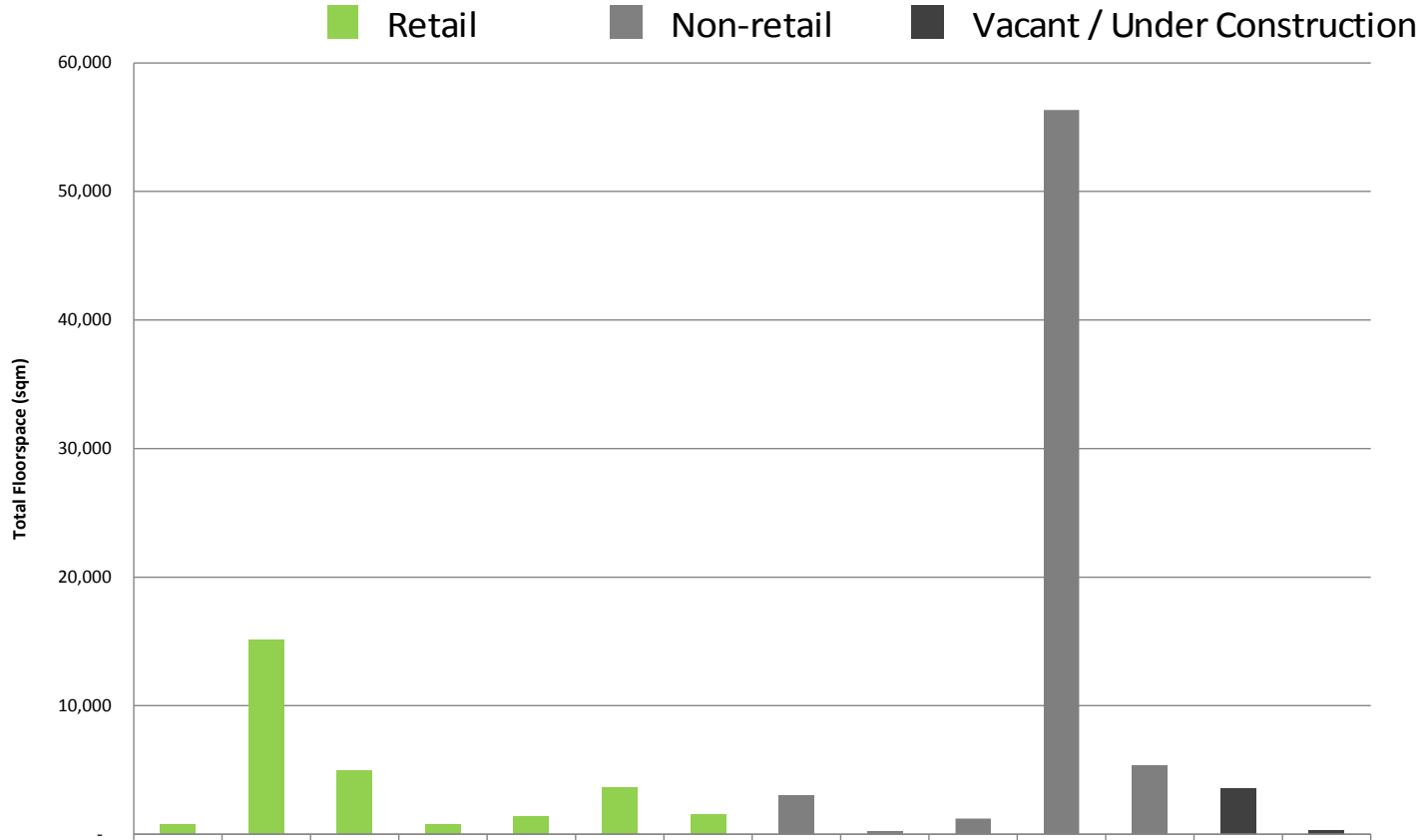
The retail and commercial floorspace at Bondi Beach, Waverley LGA, is focused along Campbell Parade, where there is a concentration of tourist related uses including cafes and restaurants (refer to Figure 40) and accommodation which is classified as dispersed local (refer to Figure 41). Due to the large proportion of accommodation uses, there are a high proportion of non-retail uses within this centre.

In terms of employment, accommodation and food services is the largest industry of employment and experienced significant growth between 2006 and 2011 (refer to Figure 42).

FIGURE 40. BUSINESS ACTIVITIES AT BONDI BEACH

Source: SGS Economics and Planning, 2013

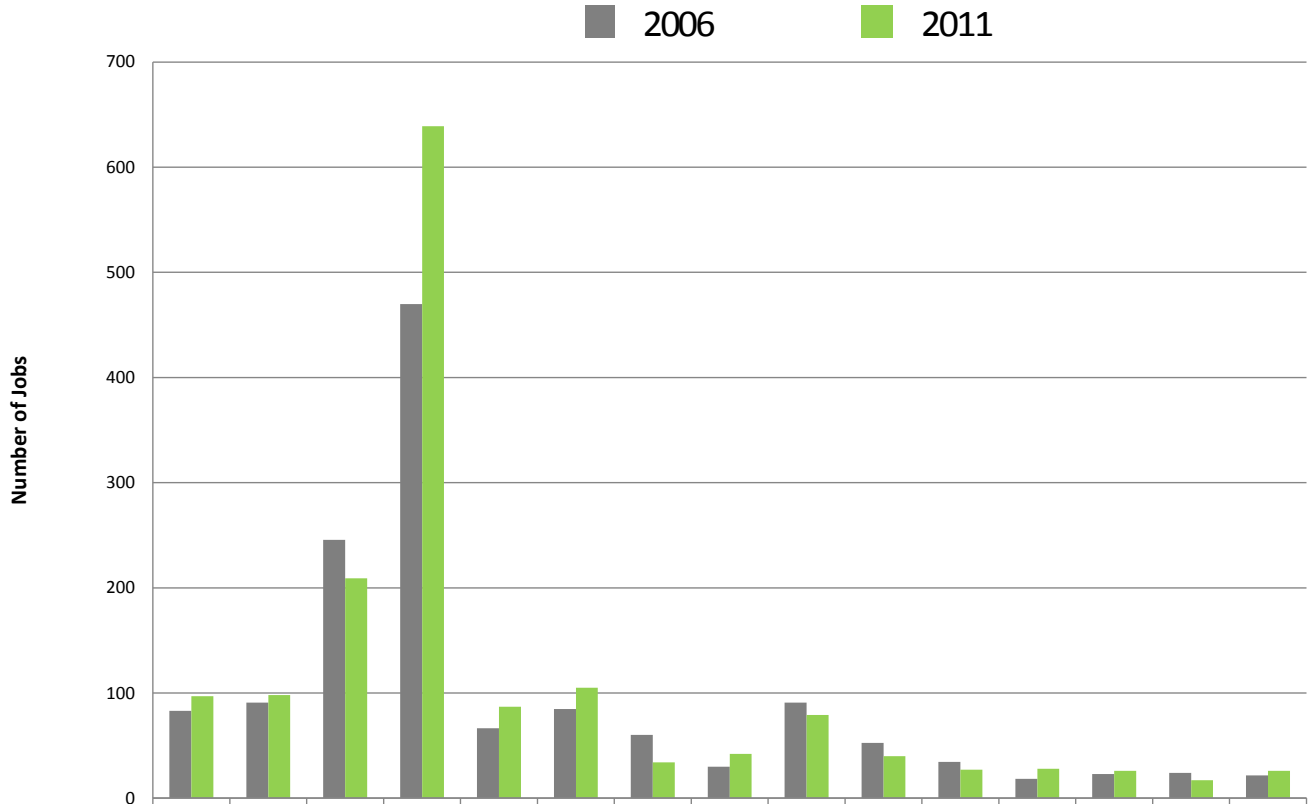
FIGURE 41. FLOORSPACE BY BLC, BONDI BEACH



	Full-line super	Restaurants café	Clothg footwr	Household	Other foods	Other retail	Other super	Offices	Light svc indust.	Local health & edu	Dispers local	Service retail	Vacant	Under construction
Bondi Beach	727	15,098	4,942	793	1,414	3,643	1,545	3,028	215	1,223	56,326	5,325	3,537	292

Source: SGS Economics and Planning, 2013

FIGURE 42. EMPLOYMENT BY INDUSTRY, BONDI BEACH 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Bondi Beach - 2006	83	91	246	470	66	85	60	30	91	53	34	18	23	24	22
Bondi Beach - 2011	97	98	209	639	87	105	34	42	79	40	27	28	26	17	26

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.3 Double Bay

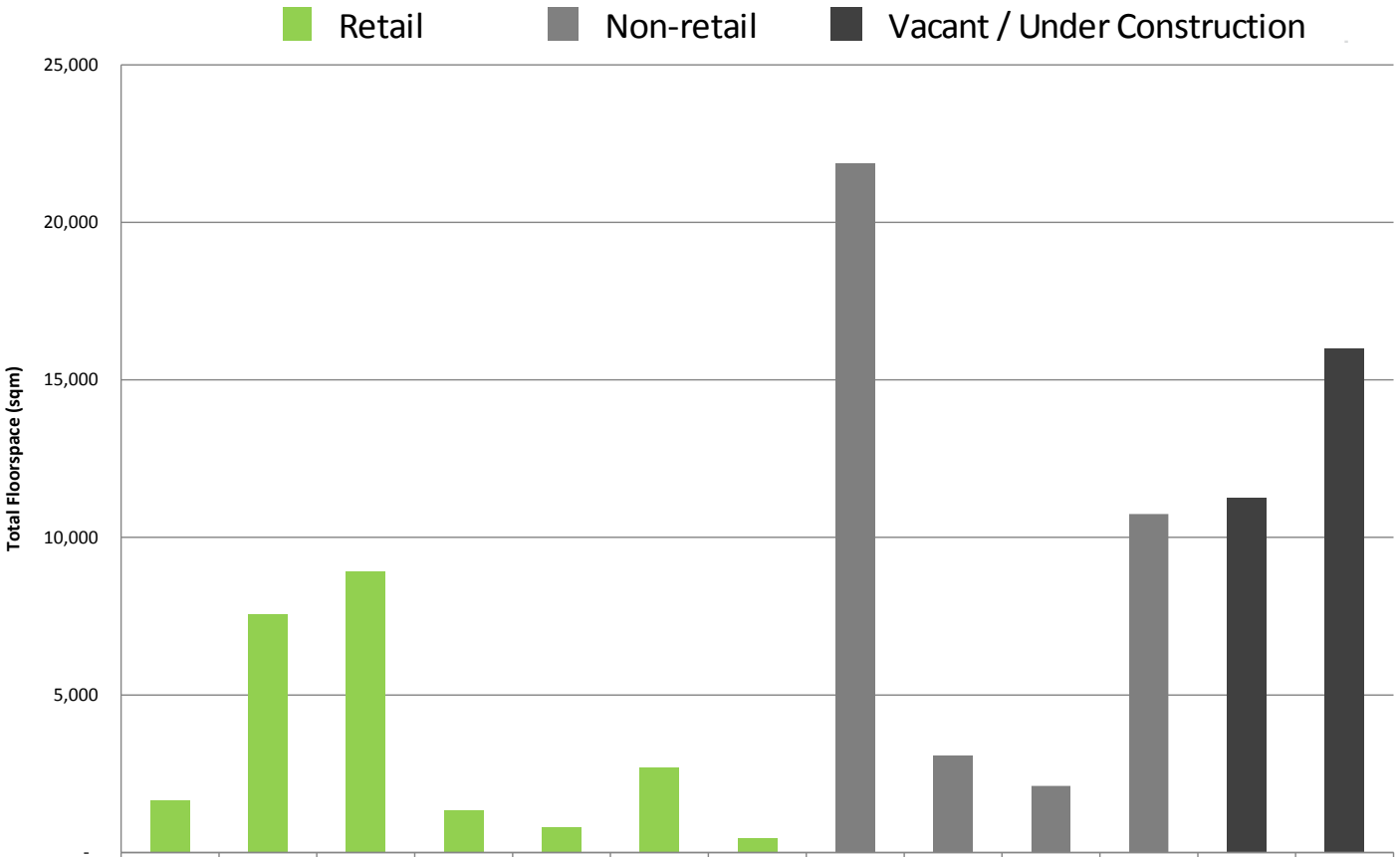
Double Bay is located 4.5 kilometres from the within Woollahra LGA. Figure 43 highlights the large proportion of clothing and footwear retailing which is clustered in the north west of the precinct. There is also a large proportion of office floorspace located within this precinct (around 22,000 square metres) which is equal to the entire retail floorspace within the survey area (refer to Figure 44). A high vacancy rate of 13 percent is currently recorded, which equates to approximately 11,000 square metres. However, much of the vacant floorspace will soon be replaced by the newly refurbished hotel at 33 Cross Street, known as the InterContinental Sydney Double Bay. An estimated 4,400 square metres of floorspace will be occupied by the new establishment, providing 140 hotel rooms, a ballroom for up to 300 guests, an all-day restaurant, Club InterContinental, cafe, lounge and bar, rooftop pool and bar and underground parking.

In terms of employment, the two major industries of employment are retail and accommodation and food services which despite this both experienced declines between 2006 and 2011 (refer to Figure 45). Health care services such as General Practice, Dental and Specialist Medical also play a significant role within Double Bay.

FIGURE 43. BUSINESS ACTIVITIES IN DOUBLE BAY

Source: SGS Economics and Planning, 2013

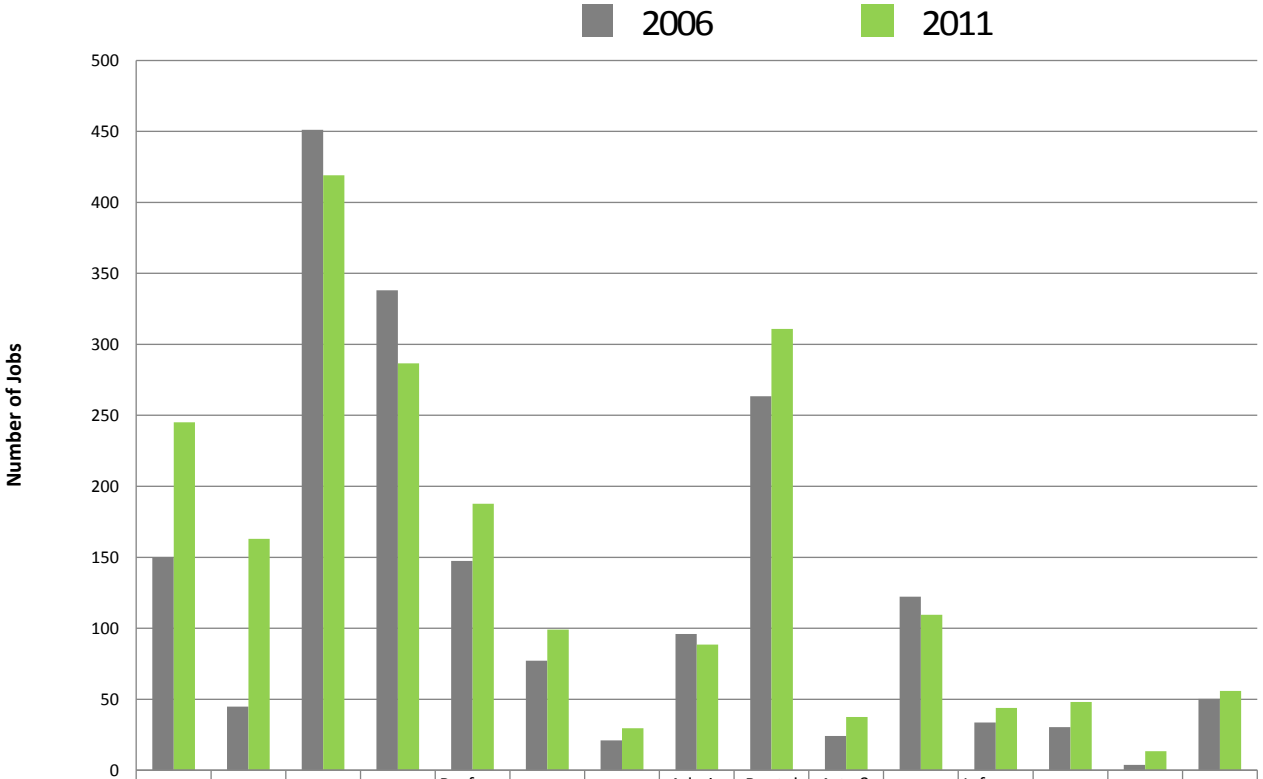
FIGURE 44. FLOORSPACE BY BLC, DOUBLE BAY



	Full-line super	Restaurants café	Clothg footwr	Household	Other foods	Other retail	Other super	Offices	Local health & edu	Dispers local	Service retail	Vacant	Under construction
Double Bay	1,672	7,579	8,935	1,334	793	2,706	450	21,874	3,092	2,112	10,745	11,248	16,000

Source: SGS Economics and Planning, 2013

FIGURE 45. EMPLOYMENT BY INDUSTRY, DOUBLE BAY 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Double Bay - 2006	150	45	451	338	147	77	21	96	263	24	122	34	30	4	50
Double Bay - 2011	245	163	419	287	188	99	30	89	311	37	109	44	48	13	56

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.4 Randwick Junction and The Spot

Randwick Junction town centre, Randwick LGA, is an area of strip retail along Belmore Road in Randwick between Alison Road and High Street. There is a variety of retail located along Belmore Road, particularly supermarkets, cafes and service retail (refer to Figure 46). The Spot is a nearby cluster of cafes and restaurants at the junction of St Pauls St and Perouse Road in Randwick (refer to Figure 46).

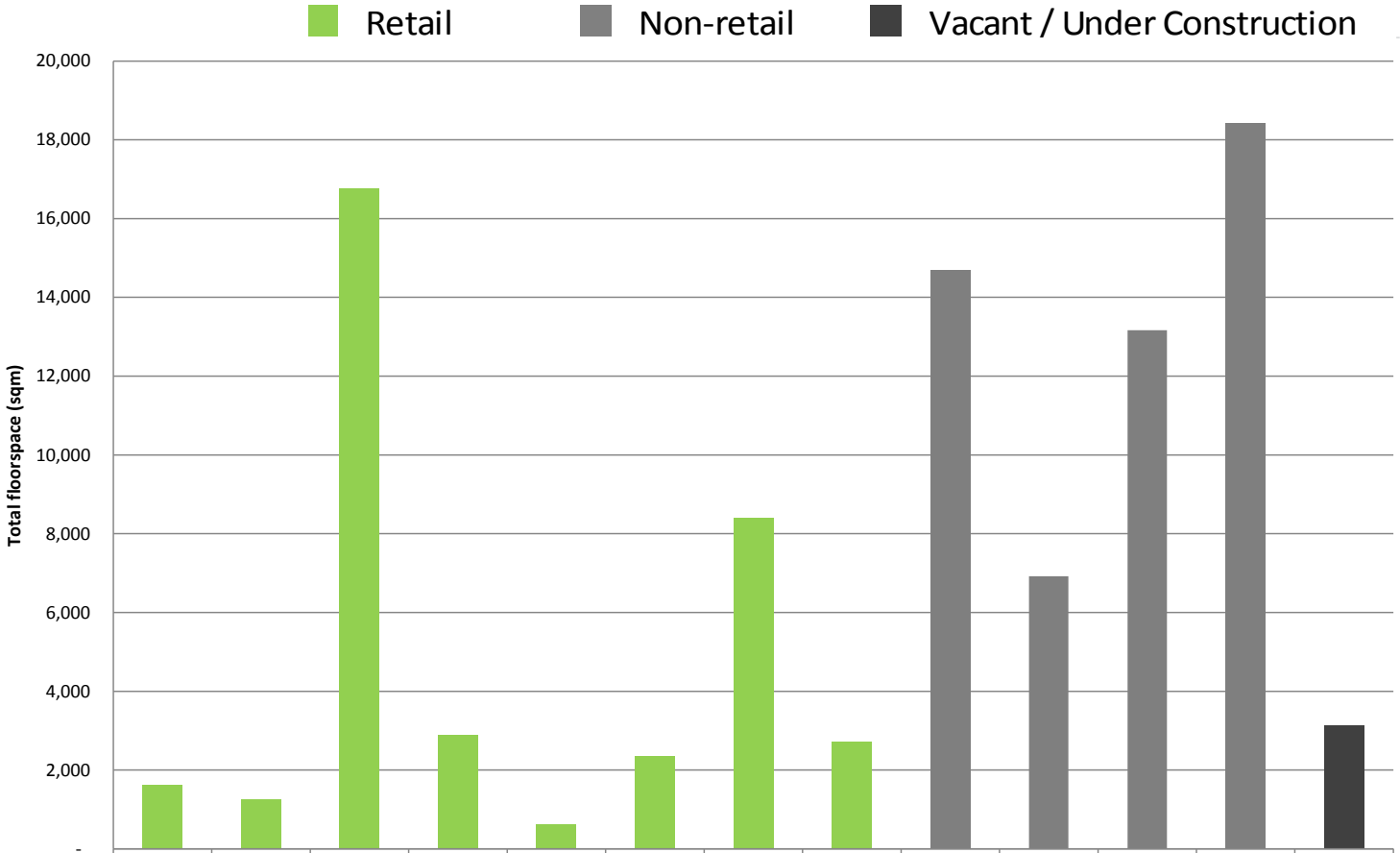
In terms of retail, these two areas contain a high proportion of restaurant and cafe floorspace, however there is a large proportion of non-retail floorspace in these precincts, particularly service retail, dispersed local and office space uses (refer to Figure 47).

In terms of employment, there are a high proportion of jobs within retail, accommodation and food, as well as health care industries (refer to Figure 48). General Medical Practice also appears to play a significant role within the centre.

FIGURE 46. BUSINESS ACTIVITIES AT RANDWICK JUNCTION/THE SPOT

Source: SGS Economics and Planning, 2013

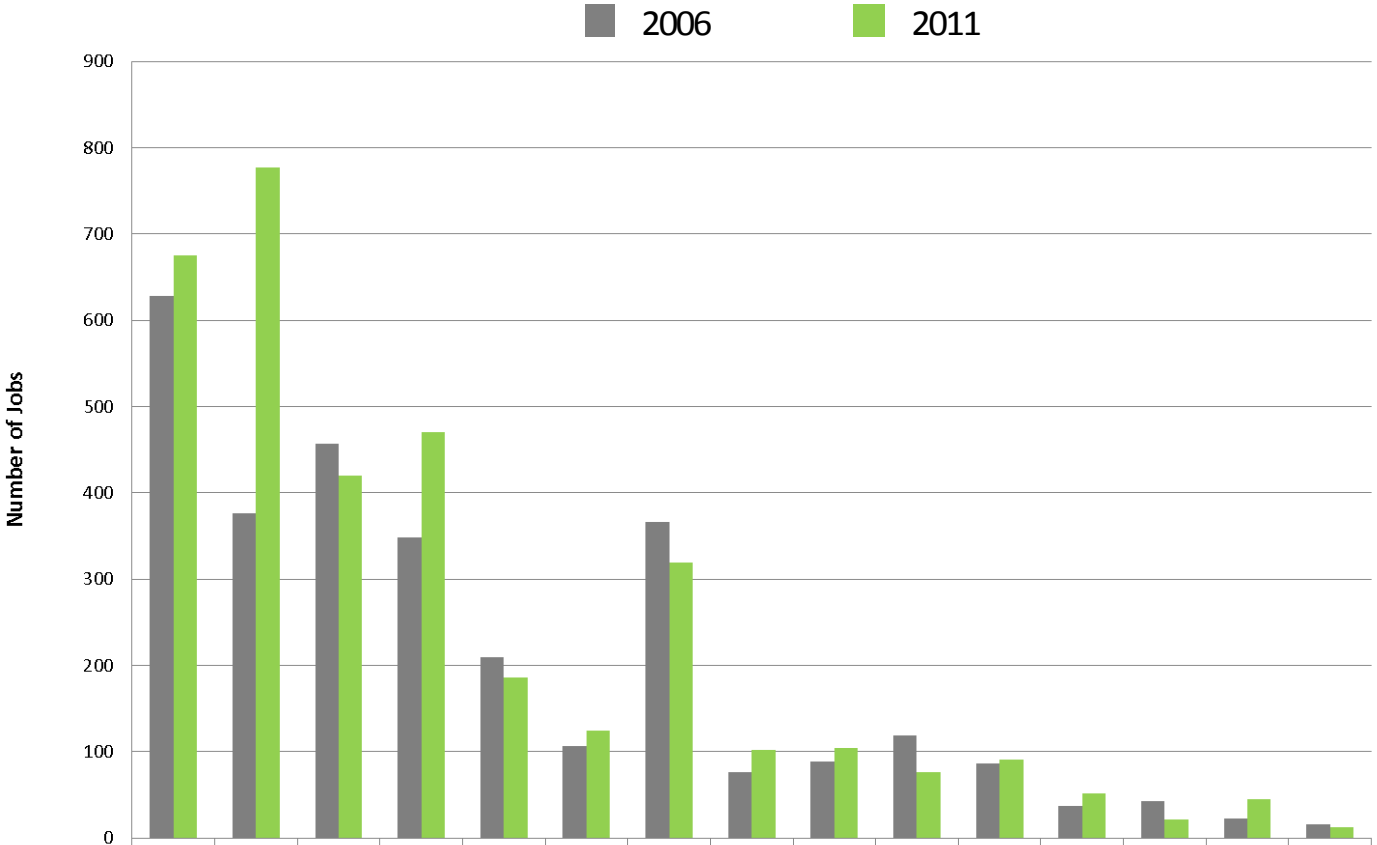
FIGURE 47. FLOORSPACE BY BLC, RANDWICK JUNCTION/THE SPOT



	Full-line super	Disct. Dept.	Restaurants café	Clothg footwr	Household	Other foods	Other retail	Other super	Offices	Local health & edu	Dispers local	Service retail	Vacant
Randwick	1,612	1,270	16,758	2,883	628	2,352	8,412	2,718	14,686	6,918	13,164	18,427	3,132

Source: SGS Economics and Planning, 2013

FIGURE 48. EMPLOYMENT BY INDUSTRY, RANDWICK JUNCTION/THE SPOT 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Randwick - 2006	628	376	457	348	210	106	366	76	88	118	86	37	43	23	16
Randwick - 2011	675	777	420	470	186	124	320	101	105	76	91	51	21	45	13

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.5 Maroubra Junction

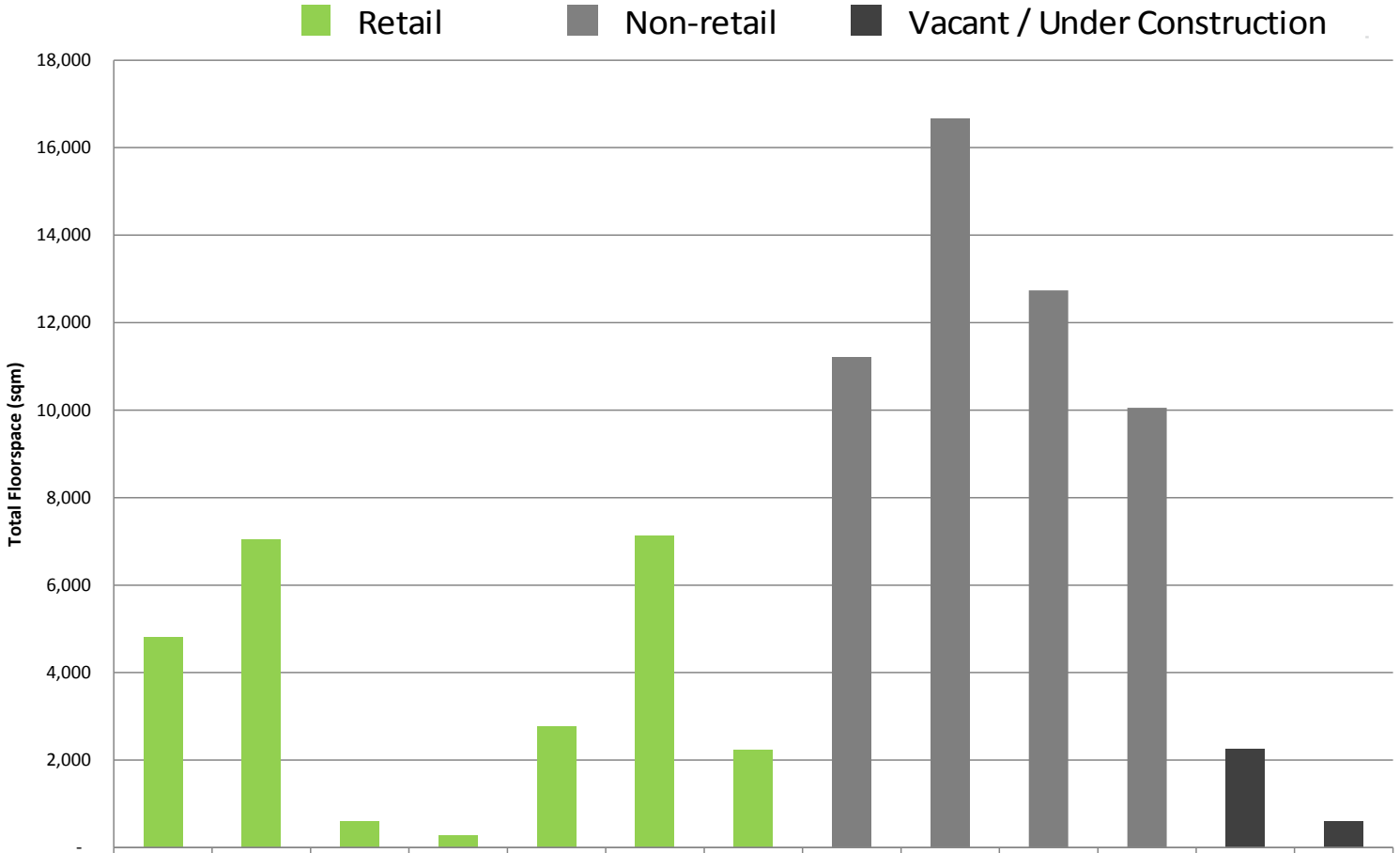
Maroubra Junction, in Randwick LGA, is a town centre located on Anzac Parade at the intersection of Maroubra Road. The Town Centre is located 8 km to the south of Sydney CBD. A variety of retail and commercial floorspace uses are located in Maroubra Junction (refer to Figure 49). As highlighted in Figure 50, there is a concentration of local non-retail uses including health and education and dispersed local and service retail, alongside commercial floorspace.

In terms of jobs, the largest industry of employment is retail, followed by health, reflecting the high proportion of health and dispersed uses and concentration of retail through the Pacific Square shopping complex. These two industries also experienced significant growth between 2006 and 2011.

FIGURE 49. BUSINESS ACTIVITIES AT MAROUBRA JUNCTION

Source: SGS Economics and Planning, 2013

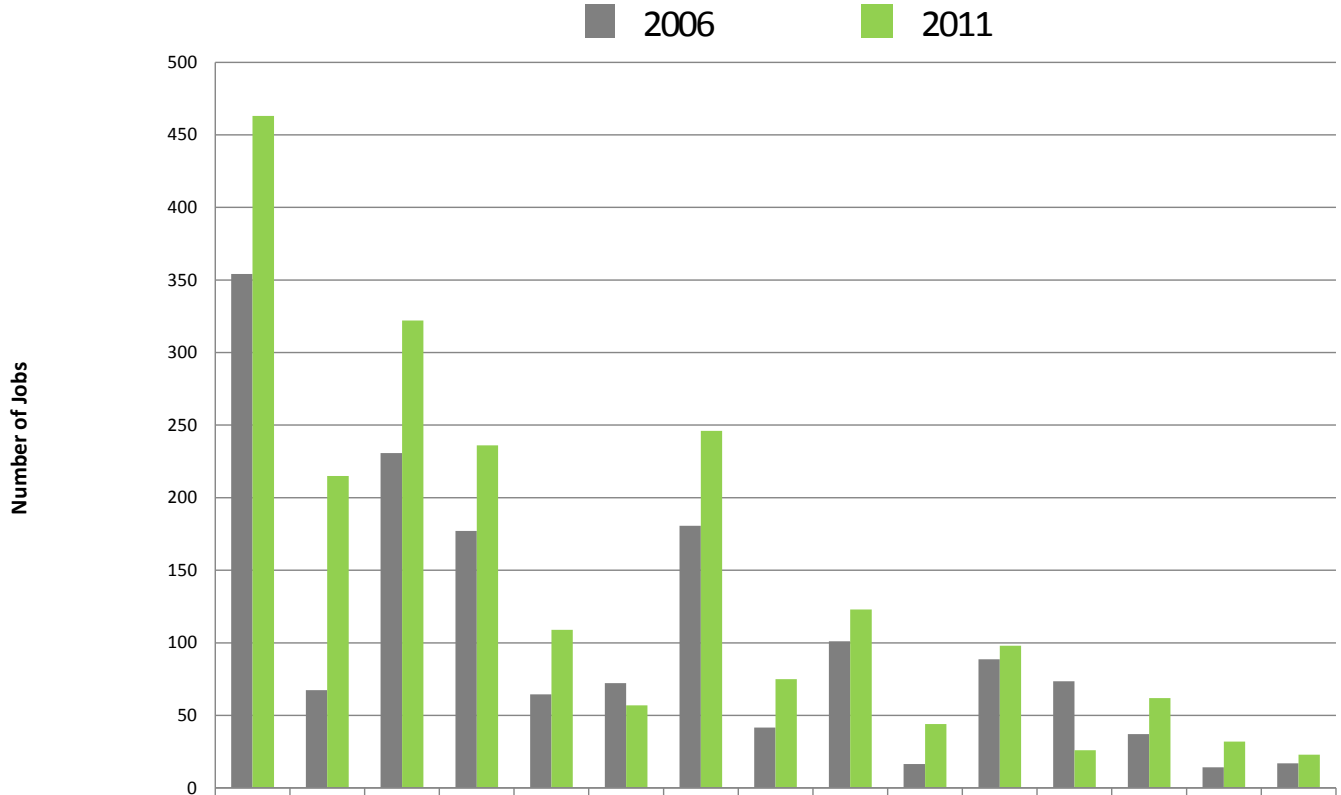
FIGURE 50. FLOORSPACE BY BLC AT MAROUBRA JUNCTION



	Full-line super	Restaurants café	Clothg footwr	Household	Other foods	Other retail	Other super	Offices	Local health & edu	Dispers local	Service retail	Vacant	Under construction
Maroubra	4,817	7,047	608	278	2,778	7,120	2,236	11,209	16,668	12,738	10,053	2,249	605

Source: SGS Economics and Planning, 2013

FIGURE 51. EMPLOYMENT BY INDUSTRY, MAROUBRA JUNCTION 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess -ional service s	Constr uction	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. service s	Inform ation & media	Manufa cturing	Trans- port	Whole- sale
Maroubra Junction - 2006	354	67	231	177	65	72	181	42	101	17	89	74	37	14	17
Maroubra Junction - 2011	463	215	322	236	109	57	246	75	123	44	98	26	62	32	23

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

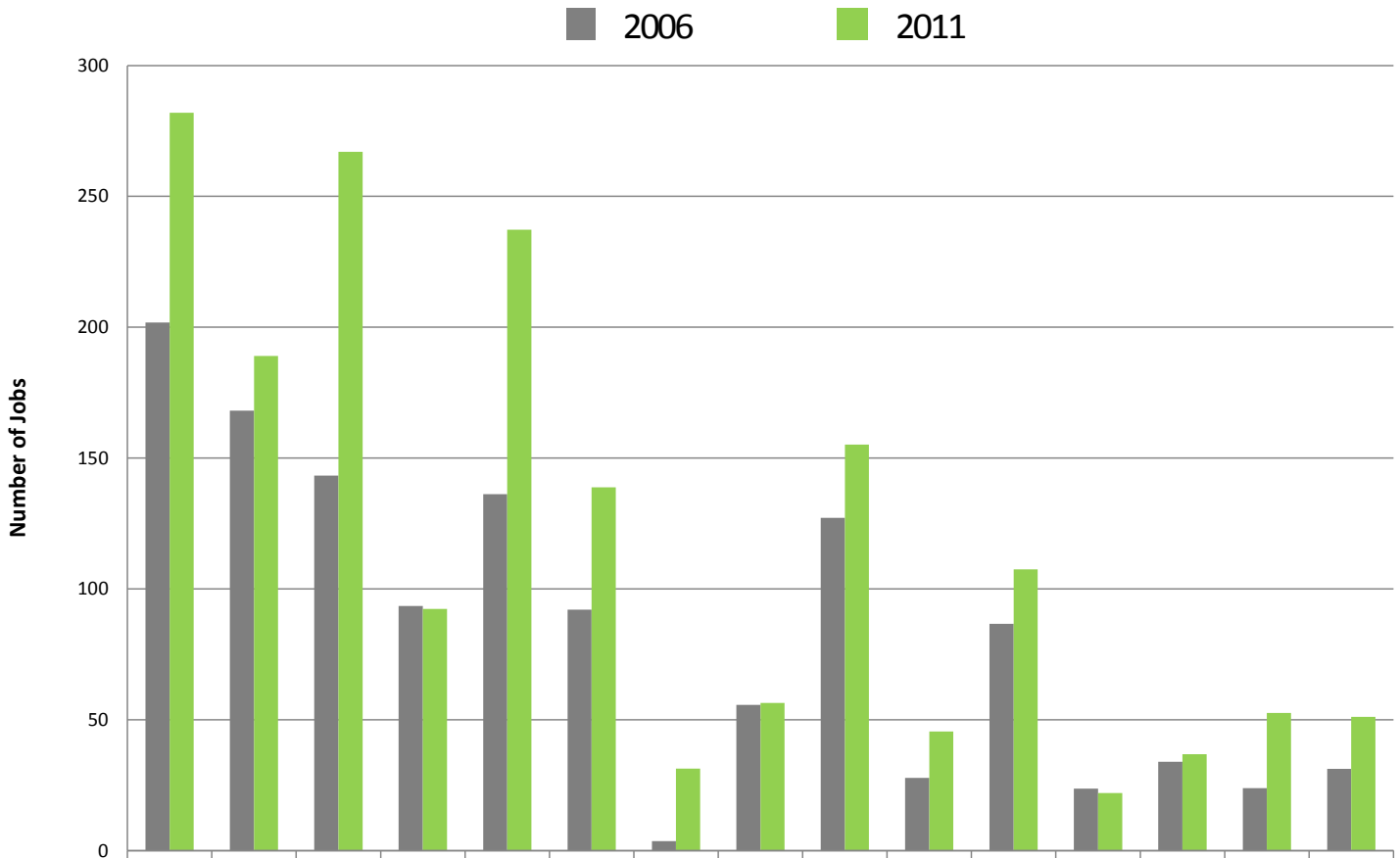
6.6 Edgecliff

Edgecliff is a town centre in Woollahra LGA, with retail and commercial uses concentrated around the railway station. There is a concentration of health, professional services and retail trade jobs within this centre. These major industries of employment also experienced significant growth between 2006 and 2011 (refer to Figure 53).

FIGURE 52. EDGECLIFF RETAIL AND COMMERCIAL PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 53. EMPLOYMENT BY INDUSTRY, EDGECLIFF 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Edgecliff - 2006	202	168	143	94	136	92	4	56	127	28	87	24	34	24	31
Edgecliff - 2011	282	189	267	92	237	139	31	56	155	46	108	22	37	53	51

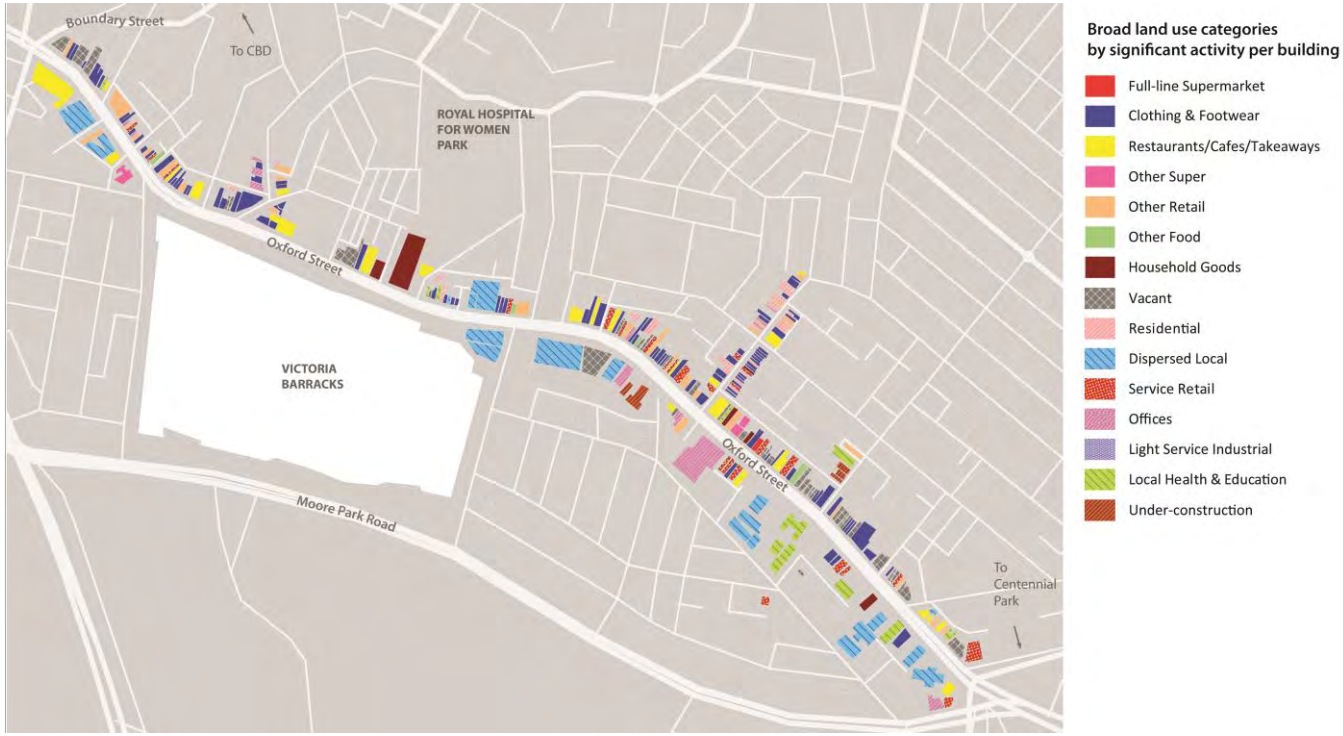
Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.7 Oxford Street, Paddington

Oxford Street, Paddington, is located within Woollahra LGA, approximately three kilometres south east of the CBD. There are significant clusters of clothing and footwear retailing at the northern and southern ends of the precinct (refer to Figure 54). There are a number of vacancies to the north and south of precinct.

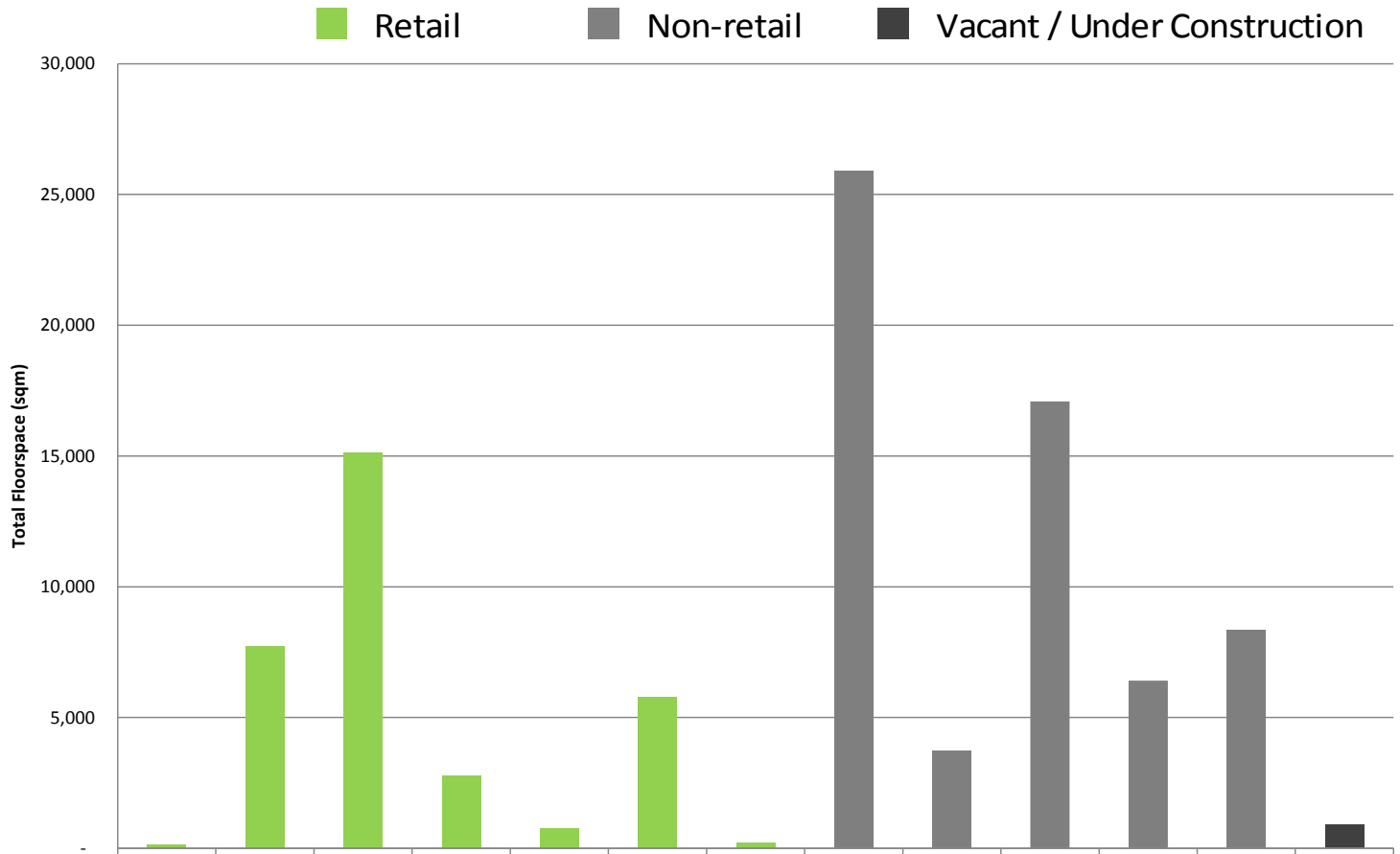
The proportion of retail and non-retail floorspace in Oxford Street reflects the average for the Eastern Suburbs with around 35 percent retail and 56 percent non-retail. The dominant retail type is clothing and footwear retailing, however office space is the predominant land use overall with more than 25,000 square metres of floorspace within the precinct (refer to Figure 55). Retail trade is the largest industry within this precinct (refer to Figure 56). The largest growth was experienced in retail trade and accommodation and food between 2006 and 2011.

FIGURE 54. BUSINESS ACTIVITIES ALONG OXFORD STREET, PADDINGTON



Source: SGS Economics and Planning, 2013

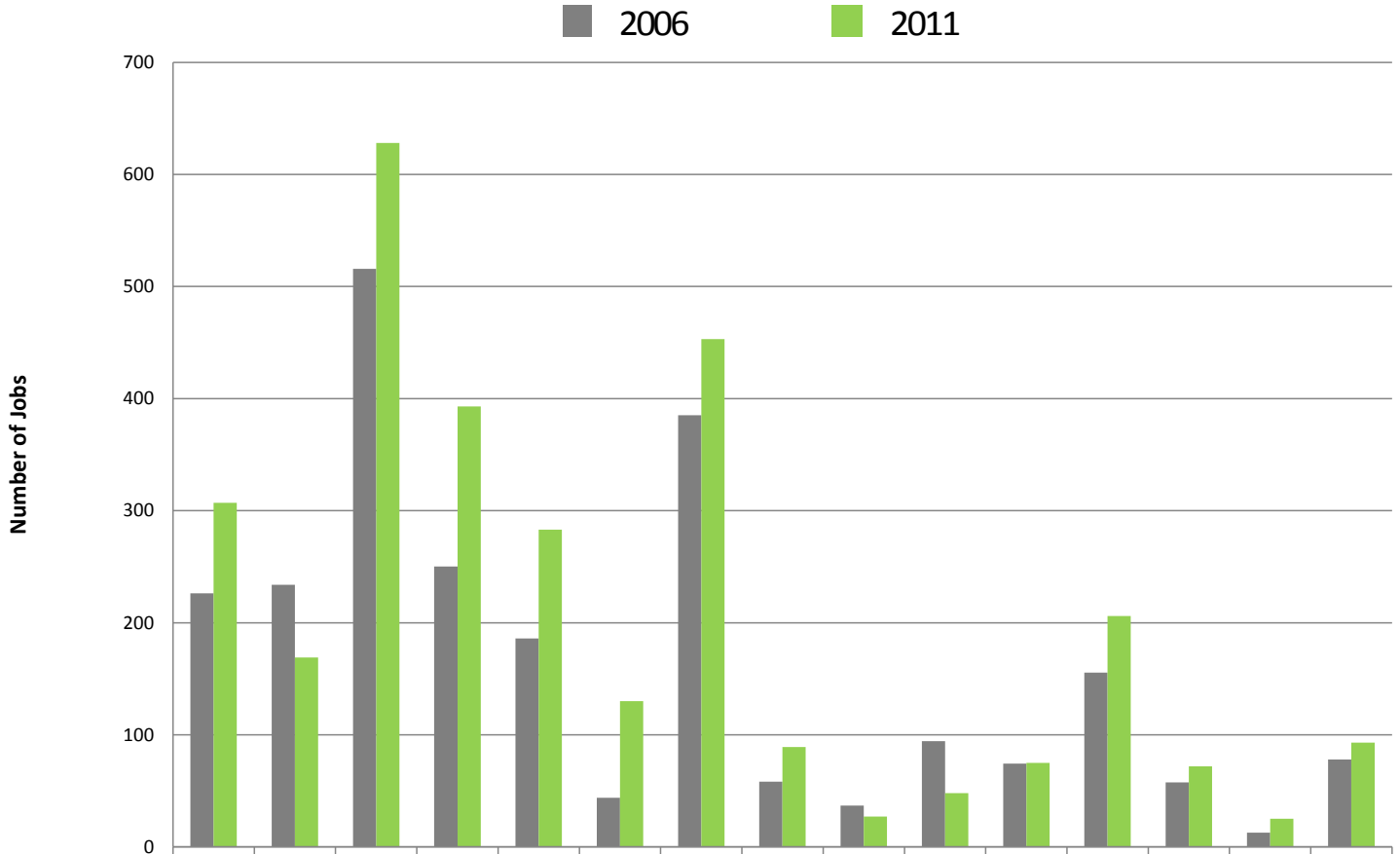
FIGURE 55. FLOORSPACE BY BLC, OXFORD STREET



	Full-line super	Restaurants café	Clothg footwr	Household	Other foods	Other retail	Other super	Offices	Local health & edu	Dispers local	Service retail	Vacant	Under construction
Oxford St	124	7,729	15,124	2,754	768	5,775	213	25,880	3,719	17,088	6,406	8,329	908

Source: SGS Economics and Planning, 2013

FIGURE 56. EMPLOYMENT BY INDUSTRY, OXFORD STREET 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Oxford Street - 2006	226	234	516	250	186	44	385	58	37	94	74	155	58	13	78
Oxford Street - 2011	307	169	628	393	283	130	453	89	27	48	75	206	72	25	93

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

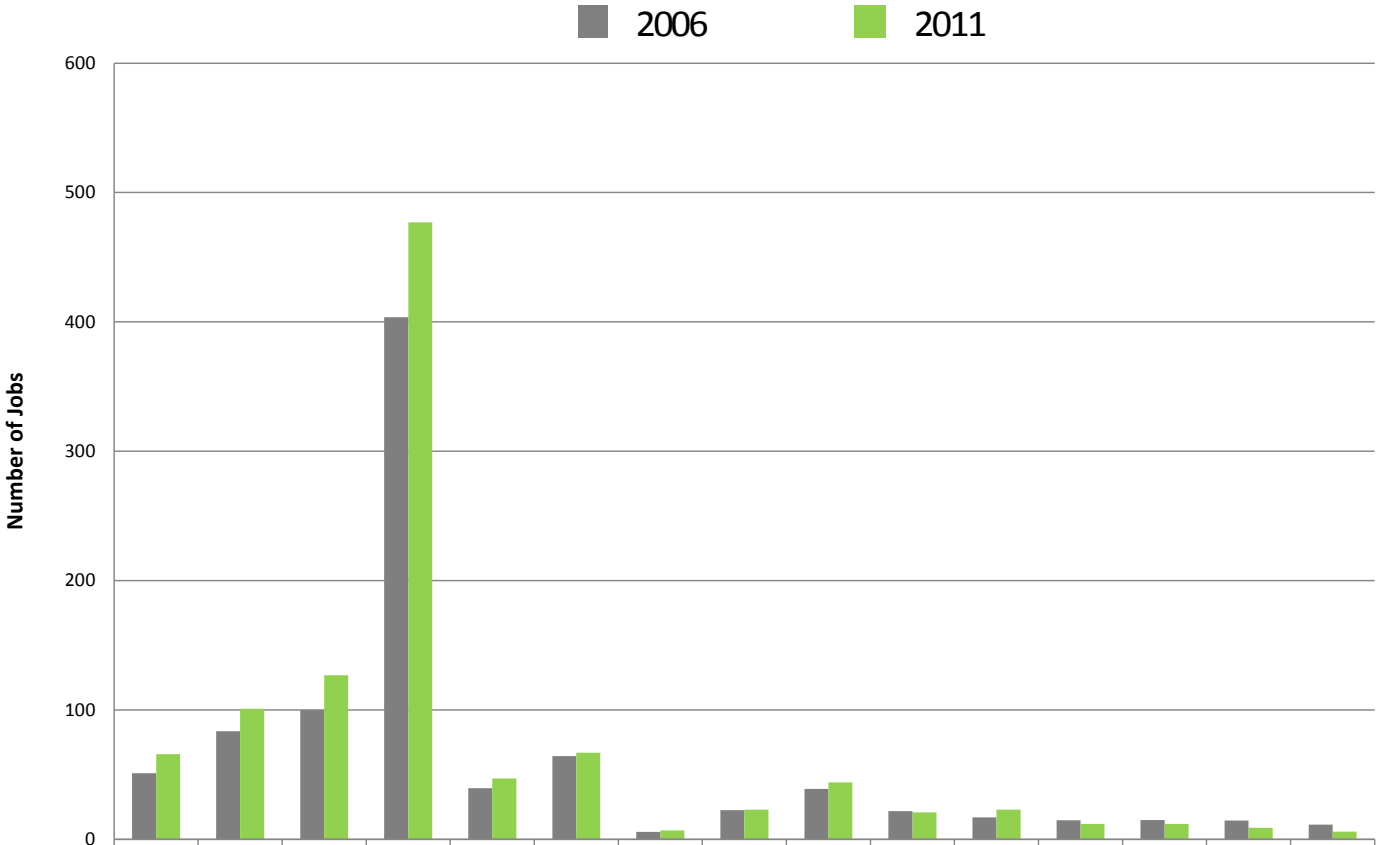
6.8 Coogee Beach

Coogee Beach, in Randwick LGA, is a popular destination for residents and tourists and contains a concentration of accommodation, cafes and foods. In terms of employment, growth has been in retail trade and accommodation and food which are both the major industries of employment (refer to Figure 58).

FIGURE 57. COOGEE BEACH RETAIL PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 58. EMPLOYMENT BY INDUSTRY, COOGEE BEACH 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Coogee - 2006	51	84	100	404	40	64	6	23	39	22	17	15	15	15	12
Coogee - 2011	66	101	127	477	47	67	7	23	44	21	23	12	12	9	6

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

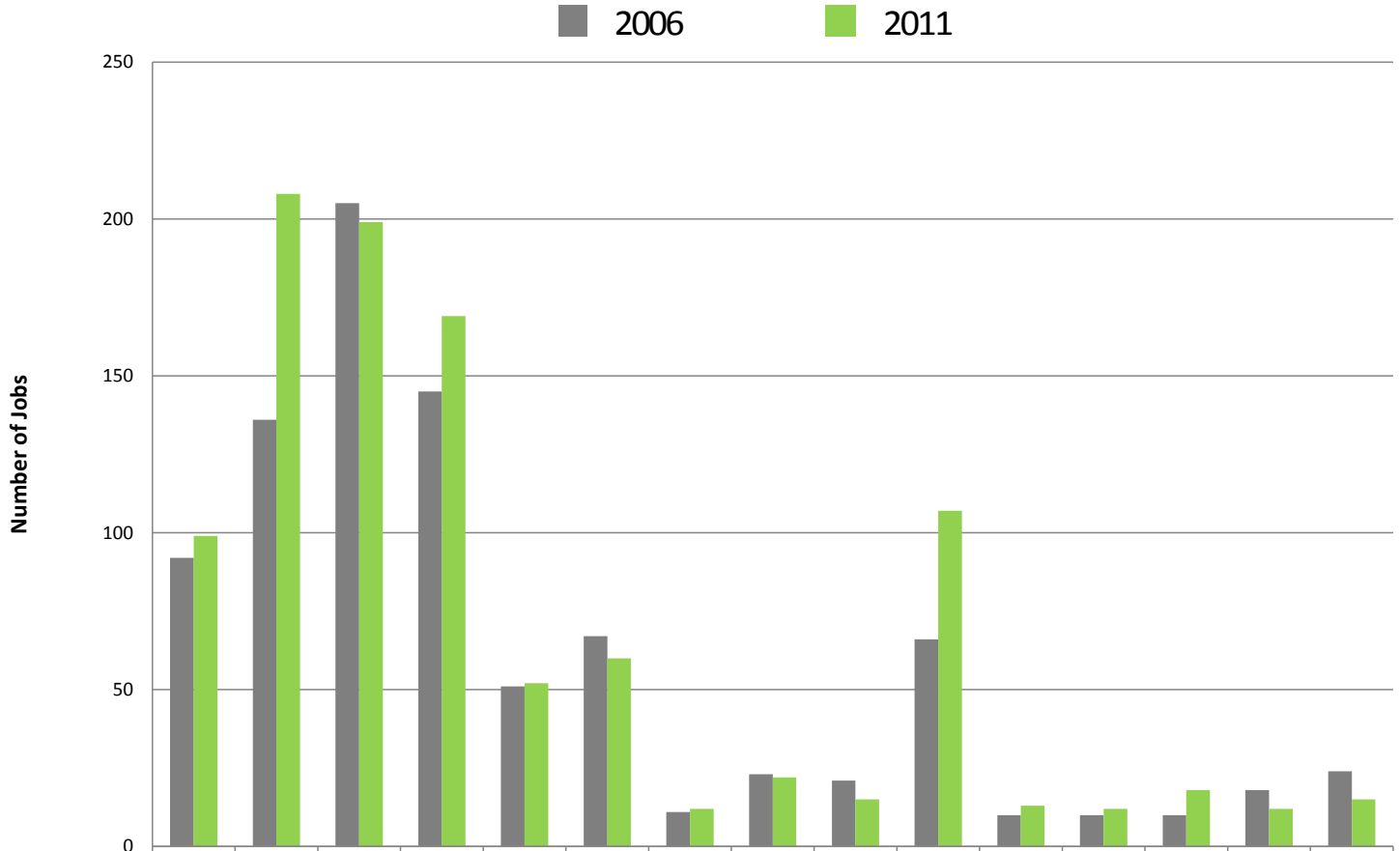
6.9 Kensington

Kensington town centre, in Randwick LGA, is a north/south retail strip on Anzac Parade, with a business zone stretching from Carlton Street (north) to Todman Avenue (south). There are a high proportion of retail and food service jobs within this town centre, however retail experienced a decline in jobs between 2006 and 2011 (refer to Figure 60).

FIGURE 59. KENSINGTON RETAIL AND COMMERCIAL PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 60. EMPLOYMENT BY INDUSTRY, KENSINGTON 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Constru ction	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Kensington - 2006	92	136	205	145	51	67	11	23	21	66	10	10	10	18	24
Kensington - 2011	99	208	199	169	52	60	12	22	15	107	13	12	18	12	15

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.10 Kingsford

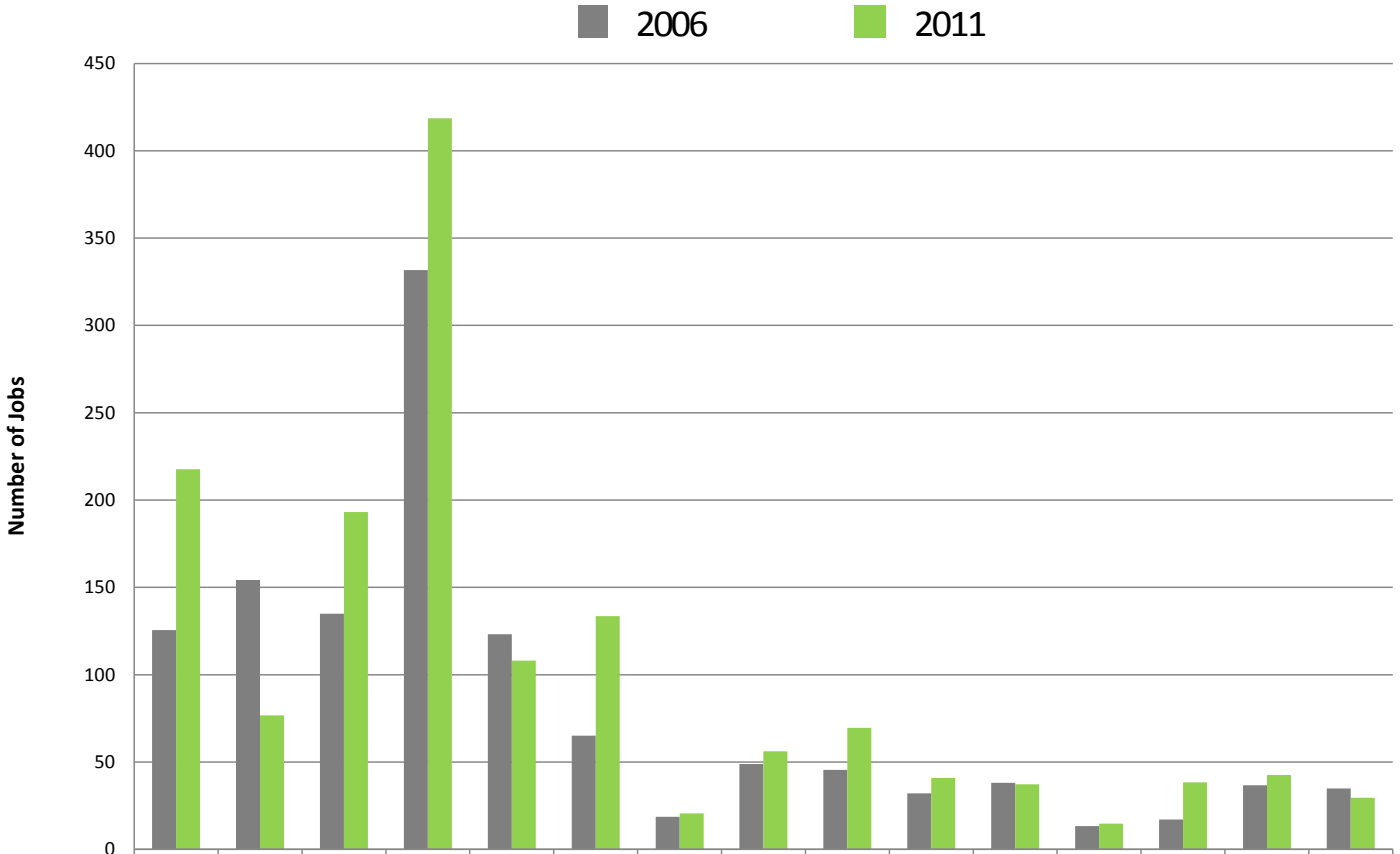
Kingsford is a village centre located along Anzac Parade to the south of UNSW (refer to Figure 61). The precinct contains a concentration of accommodation and food service jobs associated with the concentration of restaurants and bars (refer to Figure 62) and there has been growth within this industry sector since 2006.

While there are a variety of businesses, the centre is particularly characterised by a large number of Asian restaurants. Most buildings along the Anzac Parade frontage are mixed-use, with commercial activities taking place mainly on street-level and residential dwellings above. This commercial strip has one IGA supermarket and a number of bank branches. The strip is generally popular at night due to the mix of eating options.

FIGURE 61. KINGSFORD RETAIL AND COMMERCIAL PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 62. EMPLOYMENT BY INDUSTRY, KINGSFORD 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Kingsford - 2006	126	154	135	332	123	65	19	49	46	32	38	13	17	37	35
Kingsford - 2011	218	77	193	419	108	134	21	56	70	41	37	15	38	43	30

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

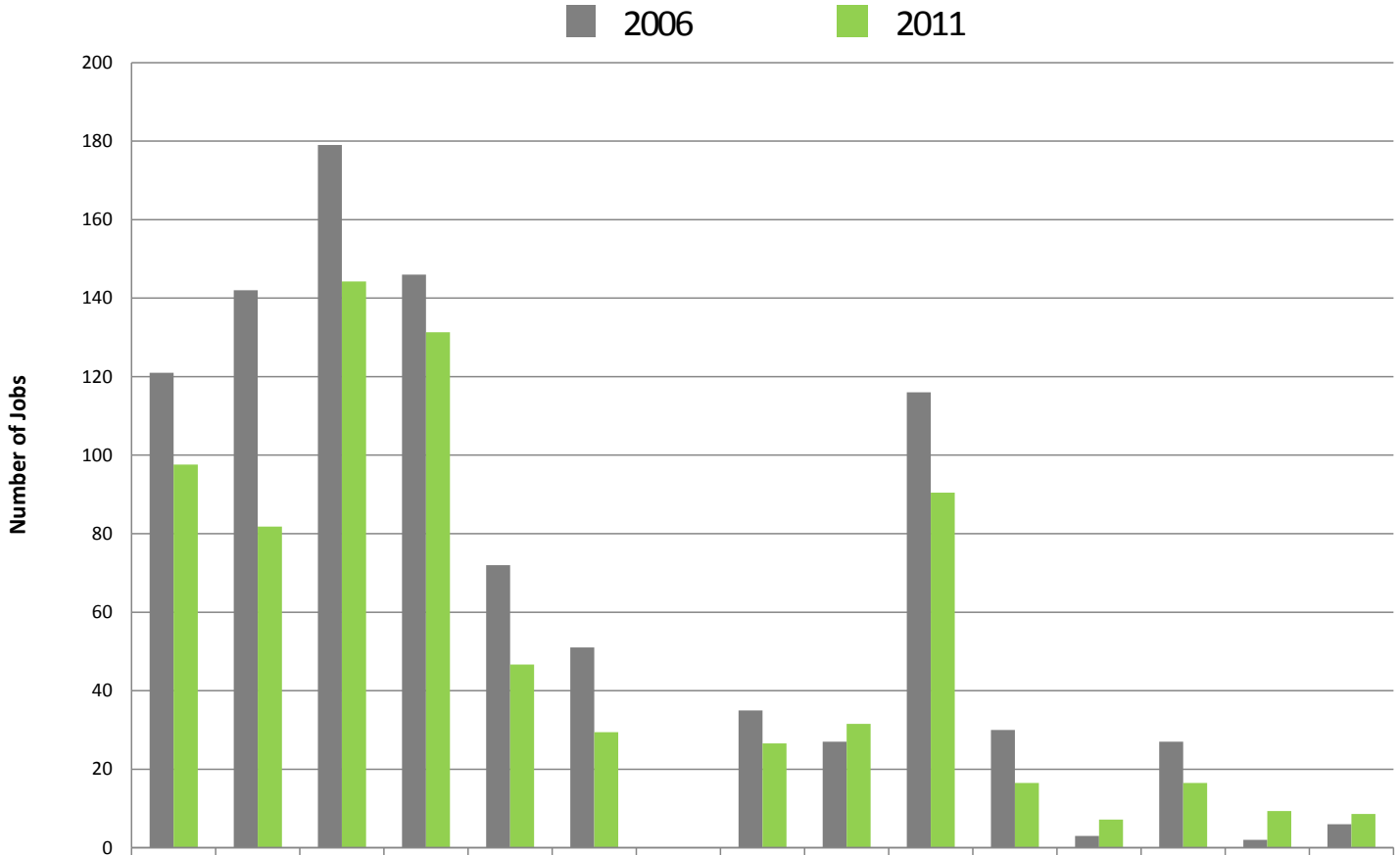
6.11 Rose Bay

Rose Bay is a village located along New South Head Road in Woollahra LGA (refer to Figure 63). There are a range of jobs located in this precinct including retail, health, accommodation and food services and professional services (refer to Figure 64). Almost all key industries within Rose Bay have experienced a contraction in employment from 2006 to 2011, except rental and real estate.

FIGURE 63. ROSE BAY RETAIL AND COMMERCIAL PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 64. EMPLOYMENT BY INDUSTRY, ROSE BAY 2006-2011



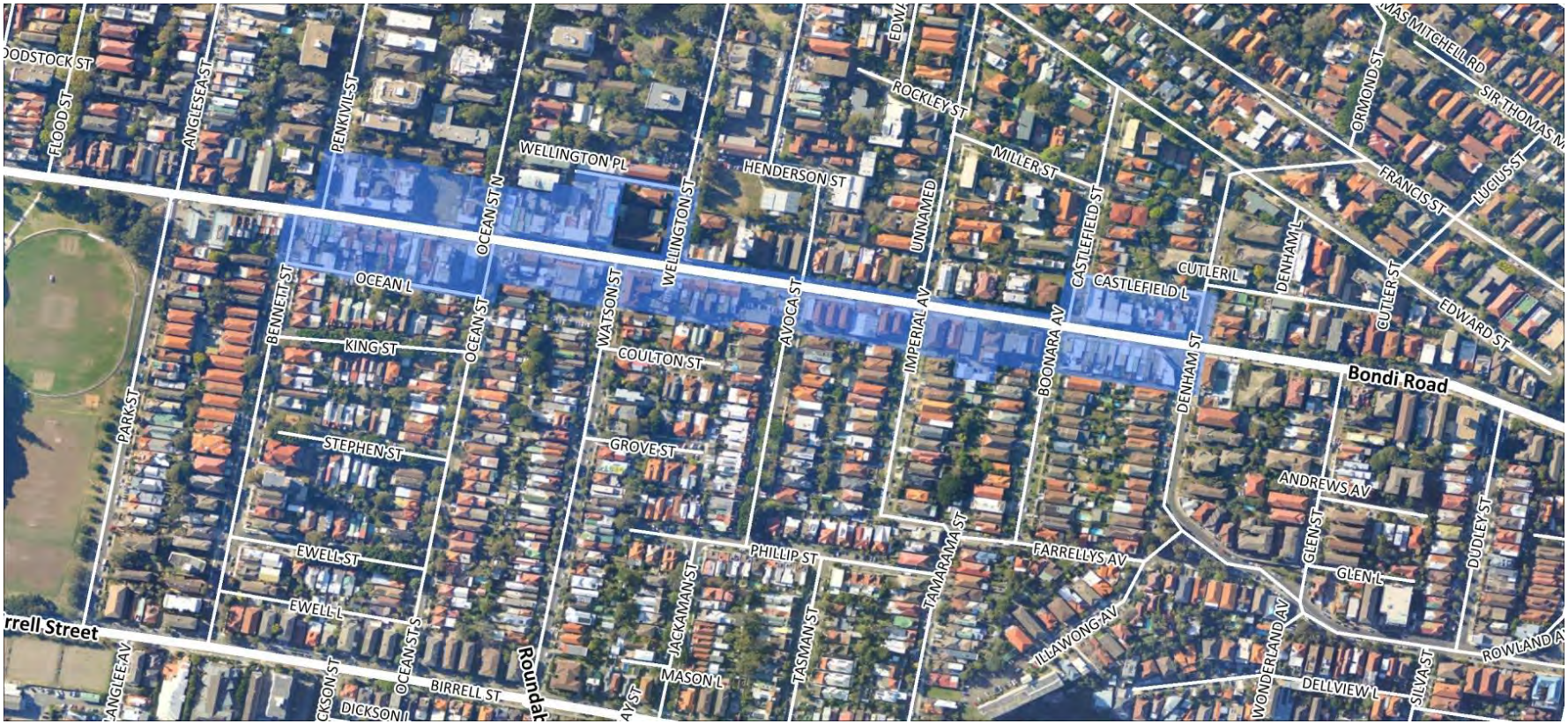
	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Rose Bay - 2006	121	142	179	146	72	51	0	35	27	116	30	3	27	2	6
Rose Bay - 2011	98	82	144	131	47	29	0	27	32	90	17	7	17	9	9

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.12 Bondi Road

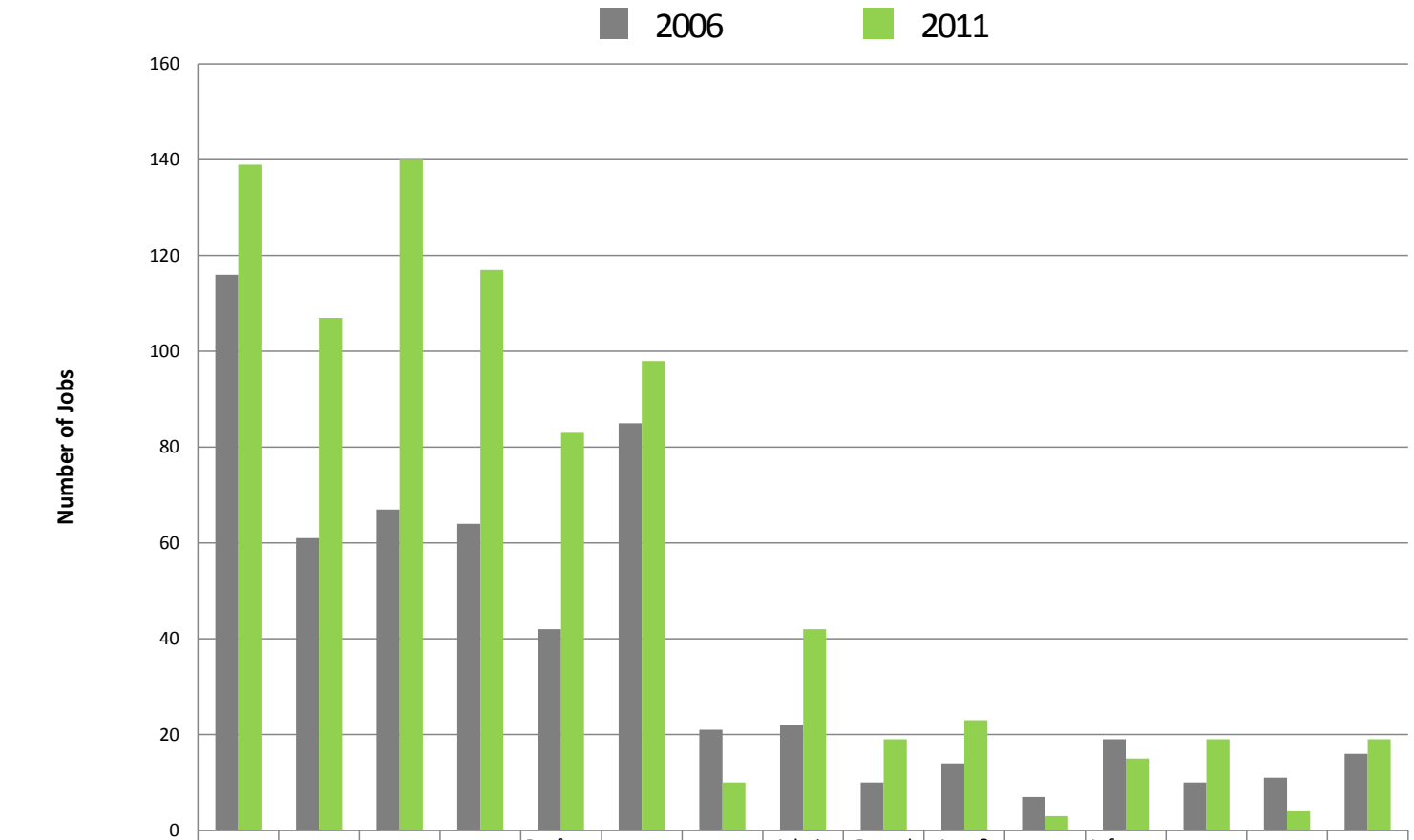
Bondi Road, Waverly LGA, is a small neighbourhood precinct of strip retail in Bondi (refer to Figure 65). There is a concentration of retail and food service jobs within this precinct accompanied by health care and professional service jobs. Strong growth was experienced in retail and food service jobs between 2006 and 2011, particularly in the supermarket and liquor retailing.

FIGURE 65. BONDI ROAD SHOPPING PRECINCT



Source: SGS Economics and Planning, 2013

FIGURE 66. EMPLOYMENT BY INDUSTRY, BONDI ROAD 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Bondi Road - 2006	116	61	67	64	42	85	21	22	10	14	7	19	10	11	16
Bondi Road - 2011	139	107	140	117	83	98	10	42	19	23	3	15	19	4	19

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.13 Matraville

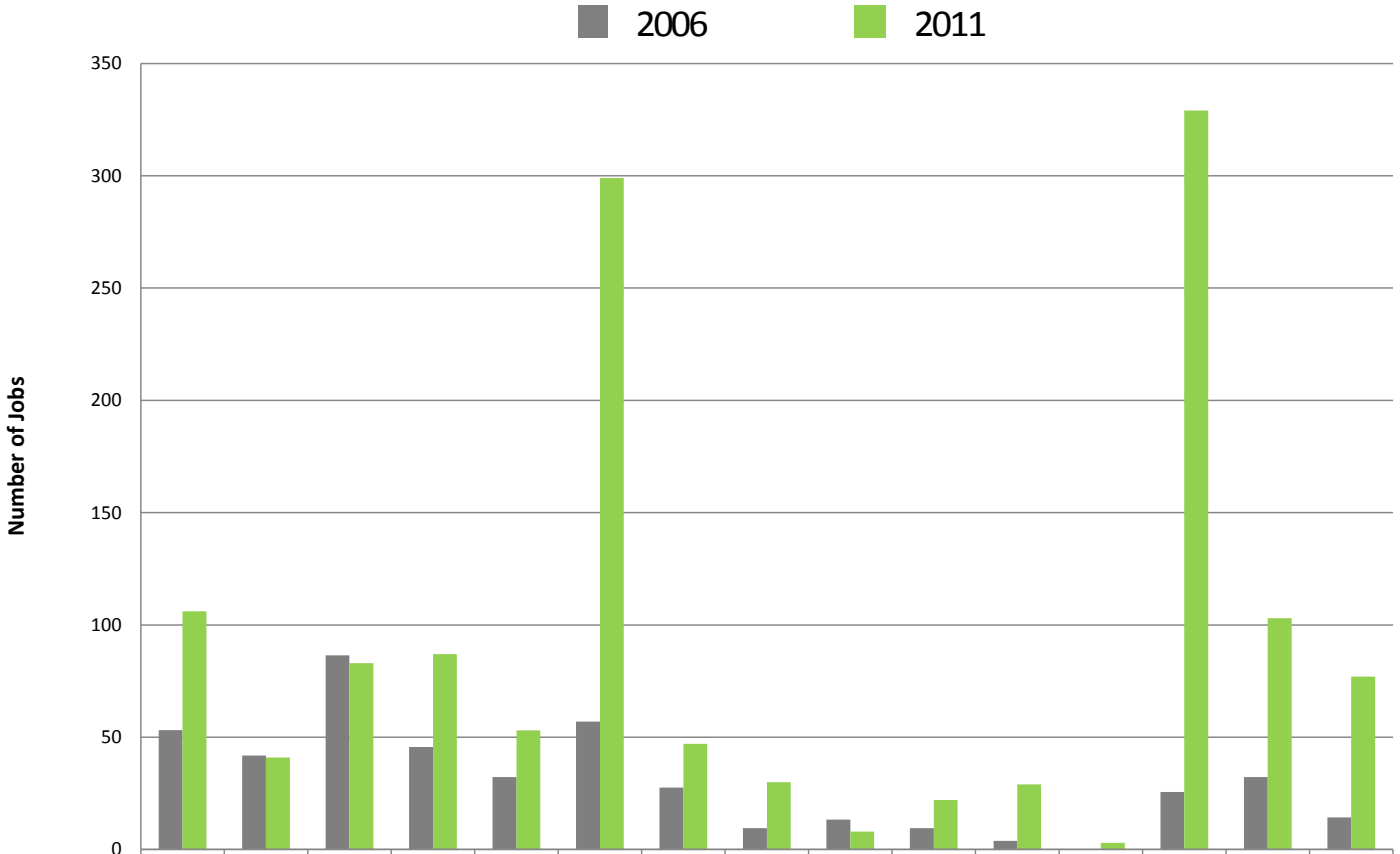
Matraville is a small village located along Bunnerong Road in Randwick LGA (refer to Figure 67). Within this precinct there is a concentration of retail and accommodation and food jobs. Both industries experienced a decline between 2006 and 2011 (refer to Figure 68).

Aside from retail and food services, there is a range of jobs located in this precinct including health care, public administration and wholesale, which have experienced a positive growth in employment since 2006.

FIGURE 67. MATRAVILLE SHOPPING PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 68. EMPLOYMENT BY INDUSTRY, MATRAVILLE 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Matraville - 2006	53	42	86	46	32	57	28	10	13	10	4	0	26	32	14
Matraville - 2011	106	41	83	87	53	299	47	30	8	22	29	3	329	103	77

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

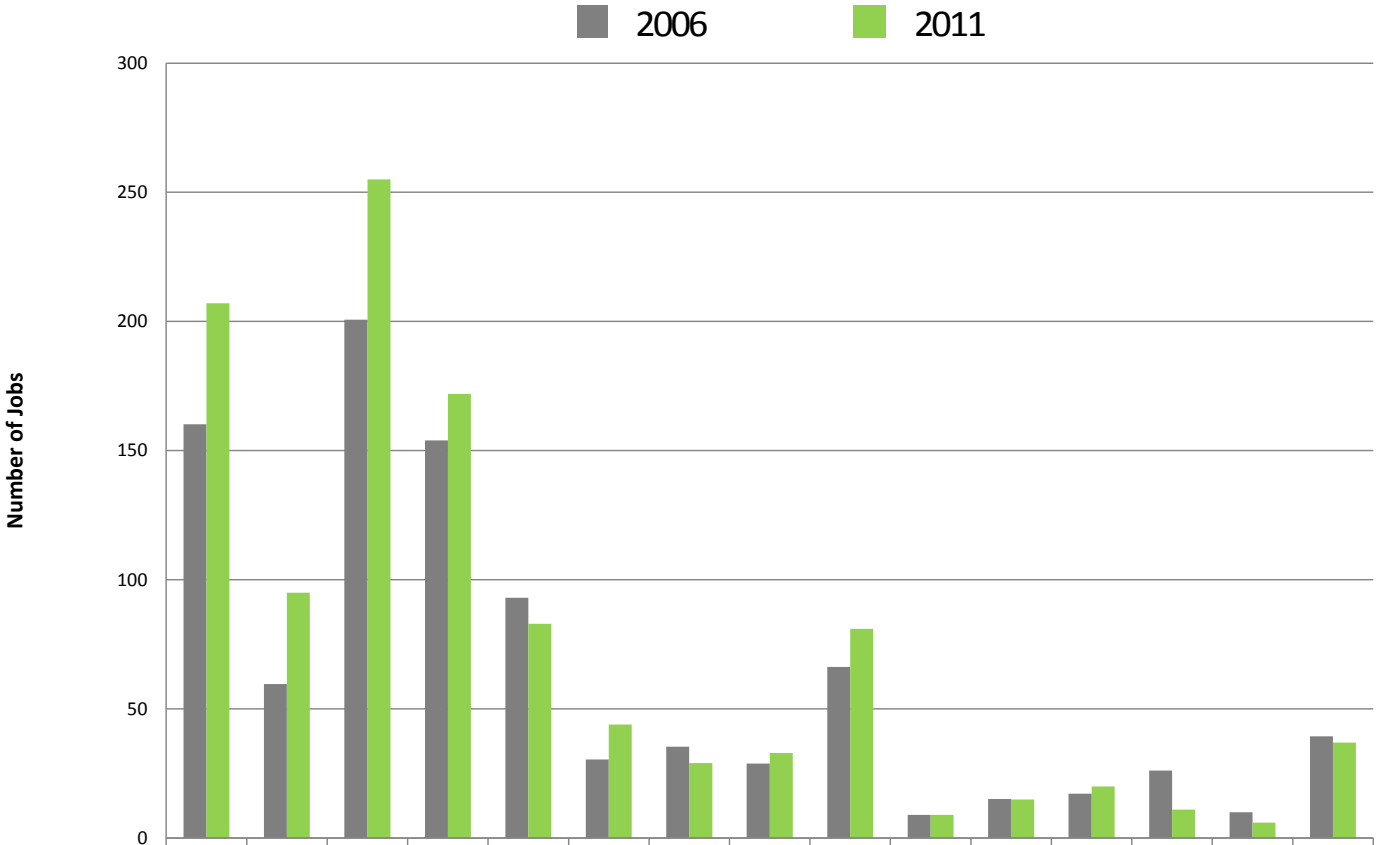
6.14 Queen Street, Woollahra

Queen Street is a small village located in Woollahra LGA. The precinct contains a range of jobs in retail, health, accommodation and food services, with growth occurring in all these industries between 2006 and 2011 (refer to Figure 69).

FIGURE 69. QUEEN STREET WOOLLAHRA RETAIL AND COMMERCIAL PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 70. EMPLOYMENT BY INDUSTRY, QUEEN STREET 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess-ional services	Construc tion	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans-port	Whole-sale
Queen Street - 2006	160	60	201	154	93	30	35	29	66	9	15	17	26	10	39
Queen Street - 2011	207	95	255	172	83	44	29	33	81	9	15	20	11	6	37

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

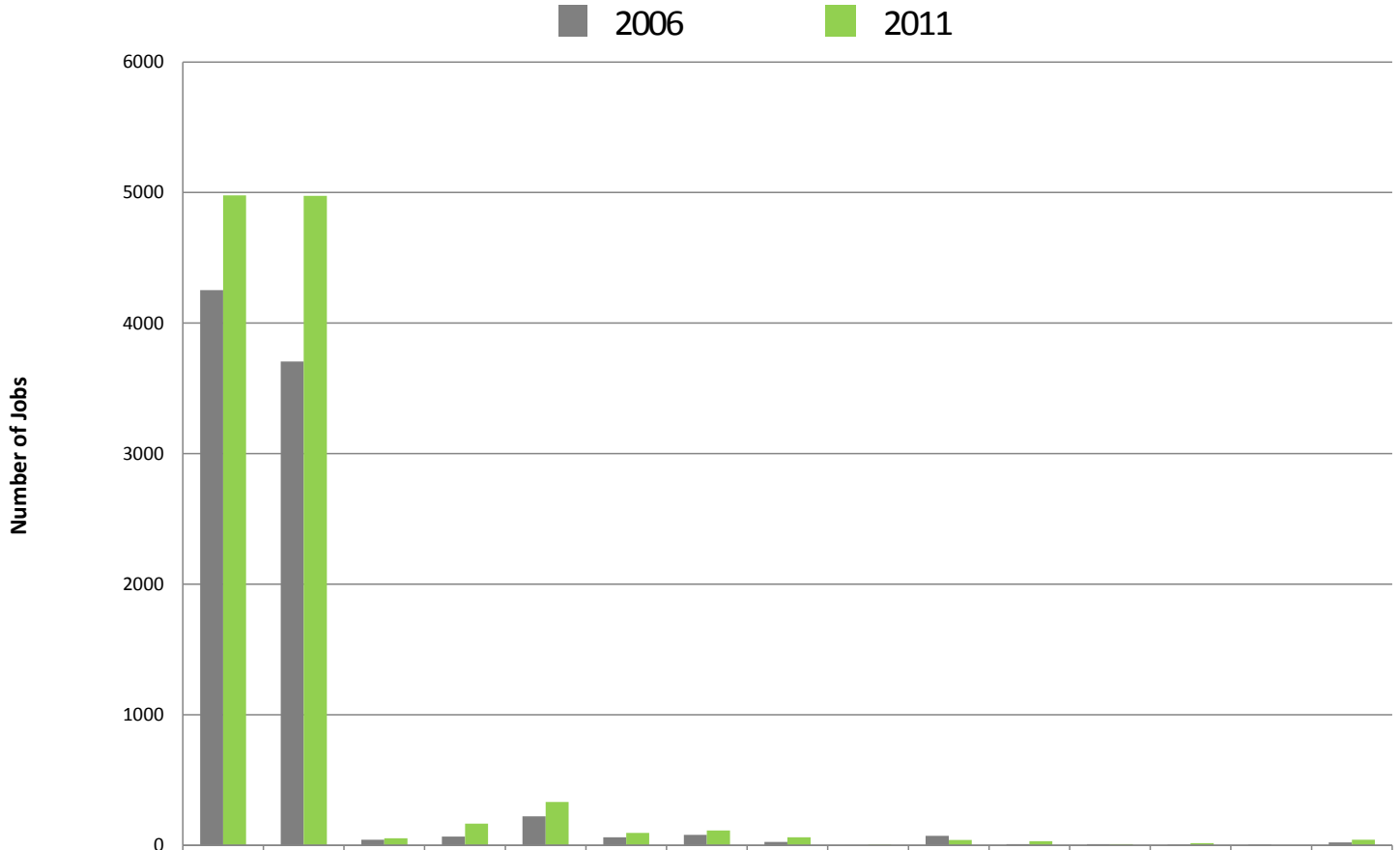
6.15 Randwick Health and Education

The Randwick Health and Education Precinct is a specialised centre in Randwick LGA where there is a concentration of education and health-related institutions and businesses including the University of NSW and Prince of Wales Hospital, Royal Hospital for Women and the Children's Hospital (refer to Figure 71). According to the *draft Metropolitan Strategy for Sydney to 2031*, the centre is expected to accommodate additional 6,000 jobs by 2031. As highlighted in Figure 72, there is a significant concentration of health and education jobs and this has been growing.

FIGURE 71. RANDWICK HEALTH AND EDUCATION PRECINCT

Source: SGS Economics and Planning, 2013

FIGURE 72. EMPLOYMENT BY INDUSTRY, RANDWICK HEALTH AND EDUCATION 2006-2011



	Health care	Educati on	Retail	Accom. Food	Profess -ional services	Constru ction	Public admin	Admin & support	Rental & real estate	Arts & recreati on	Fin. services	Informa tion & media	Manufa cturing	Trans- port	Whole- sale
Randwick H&E - 2006	4253	3706	44	68	223	63	80	27	3	73	9	9	6	7	23
Randwick H&E - 2011	4979	4974	55	166	332	96	115	63	6	42	33	10	18	0	44

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

6.16 Port Botany and Environs

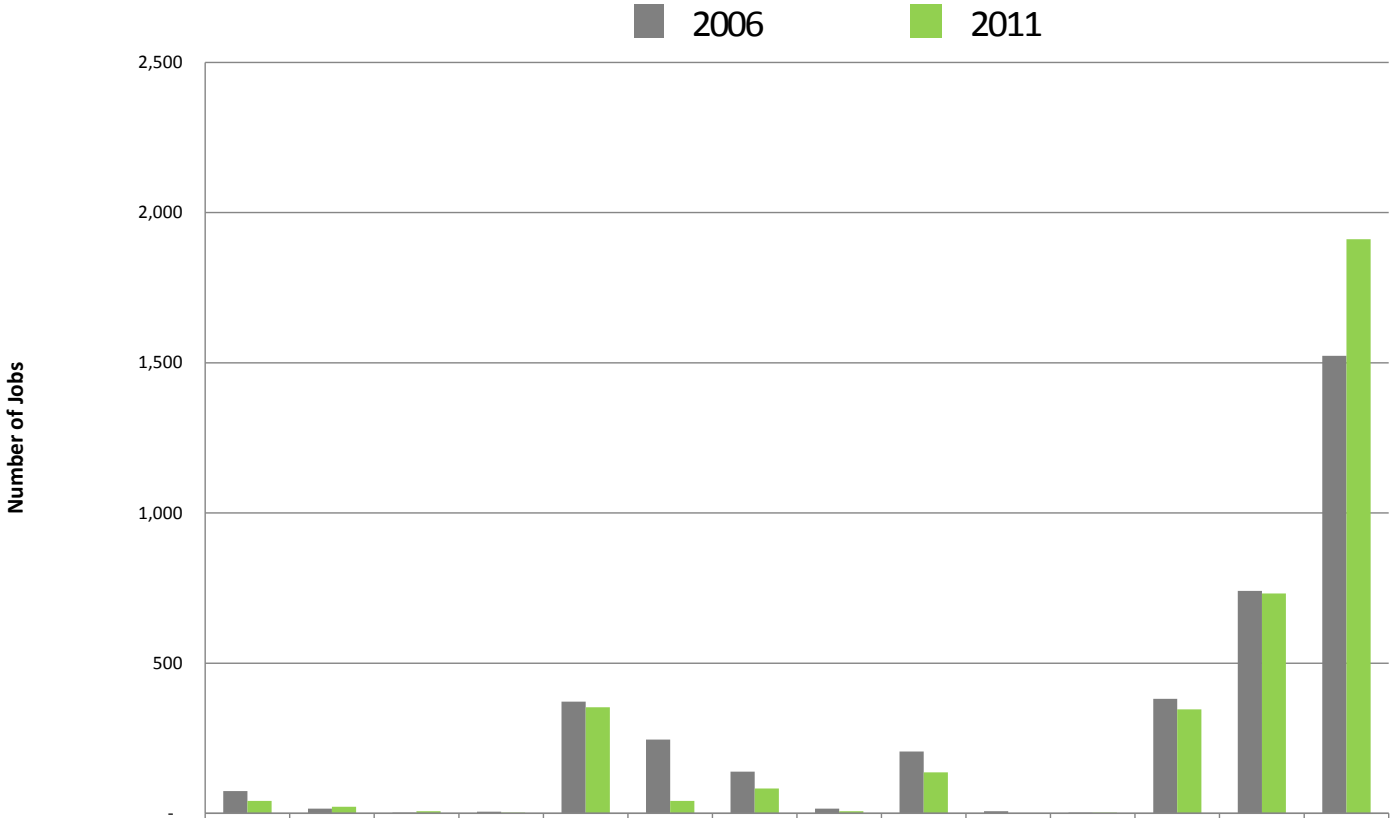
Port Botany and Environs comprises the Port facilities and the adjoining industrial lands in both Randwick and Botany LGAs. The precinct was identified as a specialised centre in the *Draft Subregional Strategy.* Employment in the region is less dense than the Randwick Health and Education Precinct and is also more distant from dense residential settlements. However, the precinct is well serviced by a good network of State roads linking the industrial lands to other parts of Sydney (including the CBD), which facilitates quite efficient transport of goods to and from the Port. The adjoining industrial lands also provide a location for local light and freight and logistics industries.

The part of the precinct that falls within the Randwick LGA is illustrated in Figure 73. According to the BTS Journey to Work data, this part of the specialised centre has a high concentration of transport and manufacturing jobs.

FIGURE 73. PORT BOTANY AND ENVIRONS – RANDWICK PART ONLY

Source: SGS Economics and Planning, 2013

FIGURE 74. EMPLOYMENT BY INDUSTRY, PORT BOTANY AND ENVIRONS 2006-2011



	Retail	Accom. Food	Health care	Education	Public admin	Profess-ional services	Admin & support	Rental & real estate	Construction	Arts & recreation	Fin Services	Wholesale	Manufacturing	Trans-port
Port Botany - 2006	74	16	3	6	372	246	139	16	206	7	3	381	741	1,523
Port Botany - 2011	42	22	7	3	353	42	83	7	137	-	3	346	732	1,911

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013

7 RETAIL FLOORSPACE PROJECTION

7.1 Retail Gravity Model

The SGS Retail Gravity Model distributes the available retail expenditure using a gravity distributional mechanism. The Model looks at the likelihood or propensity of a particular person to gravitate towards a retail centre within a defined retail system and estimates how much of a person's household goods retail expenditure will be spent at a particular centre based on two opposing forces:

- **An attracting force** – if all retail centres were at your doorstep people will still have a preference to visit one centre over the other. This is a result of floorspace (as shoppers tend to enjoy greater variety and choice), the quality of the retailers, the price, the supplementary businesses (for example cinemas, entertainment) and so on.

- **A detracting force** – this is generally represented as how far away the centre is. Given the associated costs of travel (all other things equal between two centres) a shopper will try and shop at the closer centre.

These two forces determine the market pull of a particular centre which is then used to determine how much of each resident's retail expenditure (that is, market share) will be spent at that particular centre. For a group of residents within the same Travel Zone (TZ), the market pull of a centre is calculated as follows:

$$\text{Market Pull} = \frac{\text{Attraction Force}}{\text{Detracting Force}}$$

$$= \frac{('Attractiveness'\ of\ the\ centre) * (Floorspace\ of\ the\ centre)}{(Travelling\ time\ from\ the\ customer\ to\ the\ centre)^2}$$

As described above, the "attractiveness" measures of a wide range of factors that make a shopper prefer one centre over another. All these factors are captured in the actual current performance of the centre.

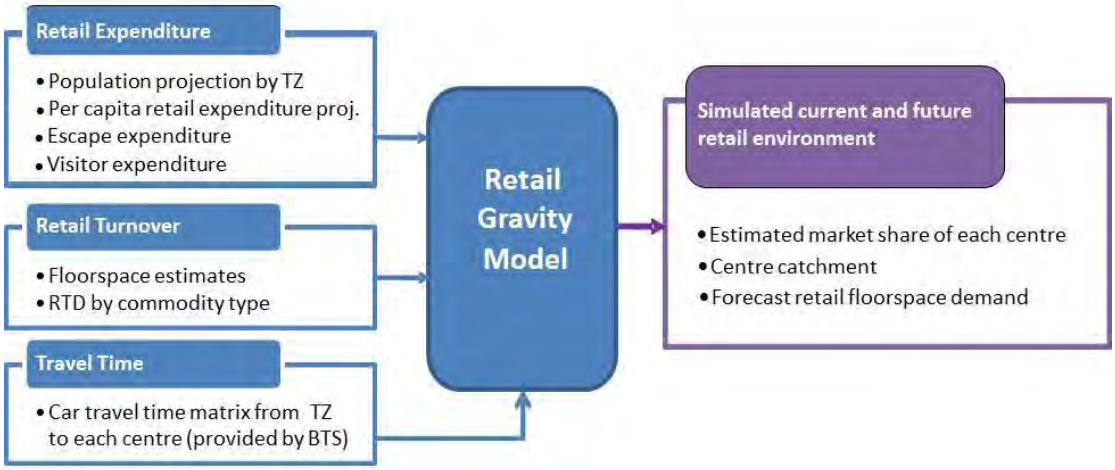
The market share, or per cent of expenditure that is likely to be spent at a particular centre, is then calculated as follows:

$$\text{Market Share} = \frac{(Market\ Pull\ of\ Centre\ X)}{Sum\ of\ (Market\ Pull\ to\ all\ Centres\ within\ the\ Model)}$$

As opposed to making assumptions to try to directly calculate the relative "attractiveness" of each centre, the 'attractiveness' of a centre is determined within the model, using the estimated retail turnover as a basis and working backwards to find the "attractiveness" value at the present time.

The model inputs and outputs, in the context of the current study, are summarised in Figure 75.

FIGURE 75. MODEL INPUTS AND OUTPUTS



Source: SGS, 2013

In this study the small neighbourhood centres were excluded from the retail calculations. The model included the following centres:

Major Centre:
- Bondi Junction (major centre)

Town Centres:
- Bondi Beach (town centre)
- Double Bay (town centre)
- Randwick Junction/The Spot (town centre)
- Maroubra Junction (town centre)
- Edgecliff (town centre)

Villages:
- Oxford Street, Paddington (village)
- Coogee Beach(village)
- Kensington (village)
- Kingsford (village)
- Rose Bay (village)

Small Villages:
- Bondi Road (small village)
- Matraville (small village)
- Queen Street, Woollahra (small village)

7.2 Model Inputs

Resident retail expenditure

Population forecast

Table 20 shows a 10-year population forecast for the Eastern Suburbs. This is based on the *DP&I 2010 Interim Population Projections*, which was used by BTS to prepare their *Small Area Population Forecasts*. According to the DP&I, the resident population in Eastern Suburbs is forecast to grow at an Annual

Average Growth Rate (AAGR) of 0.68% from 2011-2021. This is slower than the observed growth rate (1.1%) in NSW from 2006 to 2011[30].

TABLE 20. POPULATION EASTERN SUBURBS, 2011-2021

Year	Indicator
2011	261,100
2021	279,350
Difference (Persons)	18,250
Difference (%)	6.99%
AAGR	0.68%

Source: Department of Planning and Infrastructure and SGS Economics and Planning Calculations, 2013

Resident Income Profile

The resident retail expenditure has been based on a per-capita basis derived from the national average and adjusted for the income profile of households living in the Eastern Suburbs.

The following table compares the weekly household income profile of the Eastern Suburbs with the national average.

TABLE 21. PROPORTION OF HOUSEHOLDS IN EACH WEEKLY INCOME BRACKET 2011

Area	Low Income Range	Second Income Range	Third Income Range	Fourth Income Range	Upper Income Range
	$0-$599	$600-$999	$1,000 - $1,499	$1,500 - $2,499	$2,500 or more
Australia	23.7%	18.1%	16.8%	21.6%	19.8%
New South Wales	24.2%	17.8%	16.1%	20.8%	21.1%
Eastern Suburbs	18.1%	12.2%	13.2%	19.0%	37.5%

Source: ABS Census, 2011

It shows that the Eastern Suburbs has a much higher proportion of households in the 'upper' income band and a lower proportion in the 'lower' income band than the national average. Higher average incomes imply a higher than average per capita expenditure on retail goods and services.

Per-Capita Retail Expenditure Forecast and Income-Based Adjustment

Next, the income distribution at the Eastern Suburbs has been applied to the 2009/2010 National Household Expenditure Survey data (by income bracket and retail type) to derive expenditure at the local level. The average expenditure at the national level is then compared to the average of the derived expenditure at the local level. This forms the basis for the variation in expenditure (by retail type) between Australia and the Eastern Suburbs.

Using time series data in the ABS Retail Turnover quarterly release, per-capita national retail expenditure by retail type has been extrapolated to derive projected five-yearly national forecasts from 2016 to 2042. The average variation in expenditure (by retail type) between Australia and the Eastern Suburbs is then applied to the national retail forecast to derive precinct level projections.

As an example of the outcome of this process, the table below shows the per-capita expenditure comparison for 2016. The 'Total' column in Table 22 shows that, on average, each Eastern Suburbs resident is estimated to spend around $13,290 on retail goods and services in 2021. This is about $1600 higher than the average spending of residents nationally. For this assessment, it should be noted that all values are in 2012 dollars.

[30] ABS (2013) Census of Population and Housing

TABLE 22. PER CAPITA RETAIL EXPENDITURE 2021, IN 2012 DOLLARS

Area	Super markets	Other Food	Depart. Stores	Clothing	Household Goods	Other Retail	Hospitality & Services	Total
Australia	$3,759	$844.95	$766	$870	$2,094	$1,612	$1,610	$11,557
NSW	$3,759	$845	$755	$866	$1,939	$1,470	$1,537	$11,172
Eastern Suburbs	$4,135	$929	$905	$1,054	$2,444	$1,879	$1,945	$13,290

Source: SGS, 2012 based on ABS Retail Trade time series

Total Retail Expenditure Forecasts

The following table shows the projected expenditure by retail category[31] of residents at Eastern Suburbs from 2011 to 2021. By 2021, the total retail expenditure generated by residents within the Eastern Suburbs is forecast to reach approximately $3.71 billion, which is 19 percent higher than the total resident expenditure available in 2011.

TABLE 23. TOTAL RESIDENT EXPENDITURE BY COMMODITY TYPE, IN 2012 DOLLARS (MILLION)

Year	Super market	Other Food	Depart. Stores	Clothing	Household Goods	Other Retail	Hospitality & Services	Total
2011	$970.8 M	$213.1 M	$247.4 M	$261.7 M	$542.0 M	$442.4 M	$433.7 M	$3,111.2 M
2016	$1,105.0 M	$252.6 M	$250.9 M	$281.3 M	$617.8 M	$508.2 M	$504.6 M	$3,520.4 M
2021	$1,155.1 M	$259.6 M	$252.9 M	$294.3 M	$682.6 M	$524.9 M	$543.3 M	$3,712.7 M
AAGR (2011-2021)	1.8%	2.0%	0.2%	1.2%	2.3%	1.7%	2.3%	1.8%

Source: SGS Economics and Planning Calculations

Escape expenditure

Of the total retail expenditure generated by the local residents, some proportion is likely to be spent at the centres outside the Eastern Suburbs (i.e. the leakage). This leakage has been estimated by examining the origin patterns of the shopping and social/recreation trips that leave the Eastern Suburbs.

The following table shows that, on average, 23 percent of the shopping trips and 25 percent of the social/recreation trips originated from the Eastern Suburbs leave the region. These are weighted average of the proportion of escape trips originated from each LGA within the Eastern Suburbs. The resident population in each LGA has been used as the weighting.

TABLE 24. PROPORTION OF THE SHOPPING AND SOCIAL/RECREATION TRIPS THAT LEAVE THE EASTERN SUBURBS, BY ORIGIN

Origin	Shopping trips	Social and recreation trips
Randwick	29%	28%
Waverley	12%	20%
Woollahra	20%	21%
Weighted Average of the above	23%	25%

Source: SGS calculations based on the data from the BTS Household Travel Survey, 2013

As shown in Table 25, we have applied the 23 percent to the total resident retail expenditure in Food and Clothing to estimate the likely escape expenditure.

[31] Note that since the national forecasts are by retail type, we apply the average variation in expenditure by type to derive local forecasts.

Due to the limited bulky goods retailers within the Eastern Suburbs, most of the resident expenditure in Household Goods is likely to be spent at the adjacent locations outside the Eastern Suburbs, including the Supa Centre Moore Park and bulky goods clusters along the O'Riordan Street in Alexandria.

As a result, the estimated escape expenditure in Household Goods represents the difference between the total turnover of Household Goods (see later sections) and the resident retail expenditure available within the Eastern Suburbs.

In addition, the percentage of the escape expenditure in Hospitality and Services is estimated based on the halved share of social/recreation trips that leave the Eastern Suburbs (i.e. 24.5%/2=12%).

TABLE 25. ESCAPE RETAIL EXPENDITURE BY COMMODITY TYPE, IN 2012 DOLLARS

Year	Food	Clothing	Household goods	Other Retail	Hospitality and services	Total
% escaped	23%	23%	67%	0%	12%	1.9%
2011	$272 M	$79 M	$450 M	$0 M	$52 M	$853 M
2016	$312 M	$84 M	$505 M	$0 M	$61 M	$962 M
2021	$325 M	$87 M	$552 M	$0 M	$65 M	$1,030 M

Source: SGS calculations based on the data from the BTS Household Travel Survey, 2013

Visitor Retail Expenditures

The Eastern Suburbs features some of the most spectacular beaches and tourism attractions in Sydney, which are also adjacent to a number of the retail centres. Therefore, in addition to the retail expenditure generated by the local residents, the region would attract a considerable amount of retail expenditures from intrastate, interstate and international visitors.

The table below shows that the domestic and overseas visitors generated around $7.5 billion retail expenditure within the Sydney Tourism Region in 2010/11.

TABLE 26. TOTAL VISITOR EXPENDITURE WITHIN SYDNEY TOURISM REGION, IN 2012 DOLLARS (MILLION)

	Domestic (including day and overnight visitors)	Overseas visitors	Total visitors
Food and drink	$1,799	$3,024	$4,823
Shopping	$1,094	$1,595	$2,689
Total retail expenditure (A)	$2,893	$4,618	$7,511

Source: Tourism Research Australian, 2010/11

Due to the lack of available local tourism statistics, we have attributed a proportion of the total visitor expenditure within the Sydney Tourism Region (TR) to the Eastern Suburbs. This proportion is estimated based on the share of visitor trips from outside Sydney TR that entered the Eastern Suburbs.

Based on the *2010/11 BTS Household Travel Survey*, around 3.8 percent of the domestic visitor trips and 5.2 percent of the international visitor trips to the Sydney TR would enter the Eastern Suburbs. It should be noted that the International Visitor Survey undertaken by Tourism Research Australia may provide a better estimate of the visitors nights stayed by international visitors at Eastern Suburbs, due to its larger sample size. This survey does not measure the number of visitor trips, which has been used to proportion the visitor expenditure within the Sydney Tourism Region to Eastern Suburbs.

Applying these percentages to the total visitor expenditure within the Sydney TR suggests that the Eastern Suburbs would capture $349 million retail expenditure generated by the domestic and international visitors every year. The calculation is shown in the table below.

TABLE 27. ESTIMATED VISITOR RETAIL EXPENDITURE PER ANNUM WITHIN THE EASTERN SUBURBS, IN 2012 DOLLARS (MILLION)

		Domestic (including day and overnight visitors)	Overseas visitors	Total
Total expenditure within the Sydney Tourism Region	(A)	$2,893	$4,618	$7,511
% of total visitor trips that entered the Eastern Suburbs	(B)	3.8%	5.2%	
Total retail expenditure within the Eastern Suburbs	(A)/(B)	$109	$240	$349

Source: SGS estimate, 2013

In order to understand the tourism expenditure at an individual centre, we have distributed the total visitor expenditure in the Eastern Suburbs to various centres, based on the following two factors:

- The number of persons employed in the accommodation industry within and around each centre, and
- The size of the centre.

Table 28 shows the estimated visitor expenditure by centre. It is estimated that Bondi Junction is likely to capture close to 40 percent of the total visitor expenditures spent within the Eastern Suburbs.

TABLE 28. ESTIMATED VISITORS EXPENDITURE BY CENTRE, IN 2012 DOLLARS (MILLION)

Centre	Total visitor expenditure
Bondi Road	2.5 M
Bondi Beach	88.9 M
Bondi Junction	134.6 M
Coogee Beach	36.9 M
Double Bay	11.4 M
Edgecliff	0.2 M
Kensington	1.4 M
Kingsford	23.6 M
Maroubra Junction	6.0 M
Matraville	0.0 M
Oxford Street	10.7 M
Queen Street Woollahra	4.1 M
Randwick Junction/The Spot	26.6 M
Rose Bay	1.2 M
Watsons Bay	1.1 M
Total	349.3 M

Source: SGS estimates, 2013

'Injection' from Sydney residents outside the Eastern Suburbs

The Eastern Suburbs is a popular shopping destination for not only domestic and international visitors but also the residents living outside the Eastern Suburbs. The expenditure generated by residents from outside the Eastern Suburbs is estimated based on the following equation:

$$\textit{Expenditure injection to the Eastern Suburbs} = \textit{Turnover of retail centres in Eastern Suburbs} - \textit{Visitor retail expenditure} - \textit{Resident retail expenditure} + \textit{Escape resident expenditure}$$

All the variables in the equation (which are also inputs to the Gravity Model) above have been discussed in the earlier sections, except the centre turnover, which is discussed below.

Retail Floorspace by Centre

For all the audited retail centres, the retail floorspace has been sourced directly from the land audit data.

However, where a centre has not been audited in this study, the ABS Place of Work data and a series of floorspace per job benchmarks are used to estimate the amount of retail floorspace within that centre.

The ABS Place of Work (POW) data provides employment data by 4-digit ANZSIC industry at the Destination Zone (DNZ) level. Using the retail employment data within the relevant DNZs, we have estimated the jobs by retail BLC in each centre[32].

The benchmarks used to convert jobs to floorspace are provided in the table below. These ratios have been developed by SGS, using the previous land audit data.

TABLE 29. ASSUMED BENCHMARKS— FLOORSPACE PER JOB

Retail categories	Floorspace per job ratio
Supermarket	30 m²
Other	39 m²
Department Stores	57 m²
Clothing	40 m²
Household goods	30 m²
Other Retail	57 m²
Hospitality	30 m²

Source: SGS, 2013

Table 30 shows the estimated retail floorspace for the selected centres. By far, the largest centre is Bondi Junction with more than 164,000 square metres of retail floorspace, followed by Randwick Junction/The Spot and Oxford Street.

TABLE 30. ESTIMATED RETAIL FLOORSPACE BY CENTRE AND COMMODITY TYPE

Centre	Food	Clothing	Household goods	Other Retail	Hospitality	Total
Bondi Road	3,180 m²	321 m²	360 m²	1,995 m²	2,790 m²	8,646 m²
Bondi Beach	3,686 m²	4,942 m²	793 m²	3,643 m²	15,098 m²	28,161 m²
Bondi Junction	22,928 m²	45,641 m²	24,333 m²	43,993 m²	27,276 m²	164,171 m²
Coogee Beach	1,857 m²	642 m²	210 m²	2,337 m²	5,580 m²	10,626 m²
Double Bay	2,915 m²	8,935 m²	1,334 m²	2,706 m²	7,579 m²	23,469 m²
Edgecliff	3,564 m²	521 m²	600 m²	1,710 m²	1,110 m²	7,505 m²
Kensington	438 m²	241 m²	3,120 m²	1,767 m²	1,530 m²	7,096 m²
Kingsford	1,677 m²	201 m²	1,560 m²	3,591 m²	8,130 m²	15,159 m²
Maroubra Junction	9,831 m²	608 m²	278 m²	7,120 m²	7,047 m²	24,883 m²
Matraville	468 m²	0 m²	630 m²	1,995 m²	1,140 m²	4,233 m²
Oxford St	1,104 m²	15,124 m²	2,754 m²	5,775 m²	7,729 m²	32,488 m²
Queen Street Woollahra	1,722 m²	4,130 m²	930 m²	4,446 m²	3,540 m²	14,768 m²
Randwick/The Spot	6,682 m²	3,306 m²	1,051 m²	8,835 m²	16,758 m²	36,633 m²
Rose Bay	2,643 m²	481 m²	1,140 m²	4,332 m²	3,570 m²	12,166 m²
Watsons Bay	117 m²	0 m²	0 m²	171 m²	2,730 m²	3,018 m²
Total	62,813 m²	85,093 m²	39,093 m²	94,415 m²	111,607 m²	393,021 m²

Source: SGS Economics and Planning calculations, 2013

[32] A concordance between the retail BLCs and 4-digit ANZSIC industries: http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0Explanatory%20Notes1May%202013?OpenDocument

Turnover Estimates by Centre

To estimate the retail turnover by commodity type within each centre, we have applied a set of different retail turnover densities (RTDs) to the floorspace estimates above.

The RTD is a measure for the trading performance of a retail centre and is expressed as dollars per square metre of retail floorspace. To estimate the centre-specific RTDs across a range of commodity types, we have used the following sources:

- Shopping Centre News Magazines, including *2013 Big Guns*, *2012 Little Guns* and *2012 Mini Guns*
- Shopping Centre Council Database, 2010
- Urbis Retail Averages, and
- Floorspace vacancy rate (an indicator for the centre performance).

The following table shows the average of those RTDs that have been applied to floorspace in various centres. However, it is important to note that each centre's RTD is different; for example, we have used much higher RTDs for Bondi Junction than that for the Randwick Royal Shopping Centre.

TABLE 31. AVERAGE RETAIL TURNOVER DENSITY ACROSS THE RETAIL CENTRES, IN 2012 DOLLARS (PER SQM)

	Retail Turnover Density (Weighted by Floorspace)
Supermarket	$14,720
Other Food	$11,554
Department Stores	$4,258
Clothing	$6,637
Household goods	$5,963
Other Retail	$6,955
Hospitality	$8,949

Source: SGS estimates based on various published retail data, 2013

Table 32 shows the estimated turnover by centre and commodity which is the result of multiplying the floorspace by centre's RTD.

TABLE 32. ESTIMATED CENTRE TURNOVER, IN 2012 DOLLARS (MILLION)

Centre	Food	Clothing	Household goods	Other Retail	Hospitality	Total
Bondi Road	$27.5	$1.3	$1.6	$13.3	$19.4	$63.0
Bondi Beach	$31.5	$20.1	$3.5	$24.2	$105.0	$184.3
Bondi Junction	$388.8	$357.4	$142.3	$282.4	$336.0	$1,507.0
Coogee Beach	$16.7	$2.6	$0.9	$15.5	$38.8	$74.6
Double Bay	$26.5	$36.4	$5.9	$18.0	$52.7	$139.5
Edgecliff	$32.0	$2.1	$2.7	$11.4	$7.7	$55.9
Kensington	$4.9	$1.0	$12.4	$11.3	$12.9	$42.5
Kingsford	$17.8	$0.9	$6.2	$23.0	$68.5	$116.4
Maroubra Junction	$140.0	$4.1	$1.6	$53.1	$52.9	$251.7
Matraville	$4.7	$0.0	$2.5	$12.8	$9.6	$29.6
Oxford St	$11.2	$64.3	$11.0	$37.0	$65.1	$188.6
Queen Street Woollahra	$17.5	$17.6	$3.7	$28.5	$29.8	$97.1
Randwick/The Spot	$79.0	$15.4	$5.2	$51.3	$152.5	$303.2
Rose Bay	$23.6	$2.0	$5.1	$28.8	$24.8	$84.2
Watsons Bay	$1.2	$0.0	$0.0	$1.1	$23.0	$25.3
Total	$822.9	$525.0	$204.6	$611.6	$998.7	$3,162.9

Source: SGS Economics and Planning calculations

Travel time matrices

The travel time matrix is sourced from the Bureau of Transport Statistics and has been used in the Gravity Model to determine the travel time from the travel zone where the local resident lives to the retail centres.

7.3 Retail centre catchment

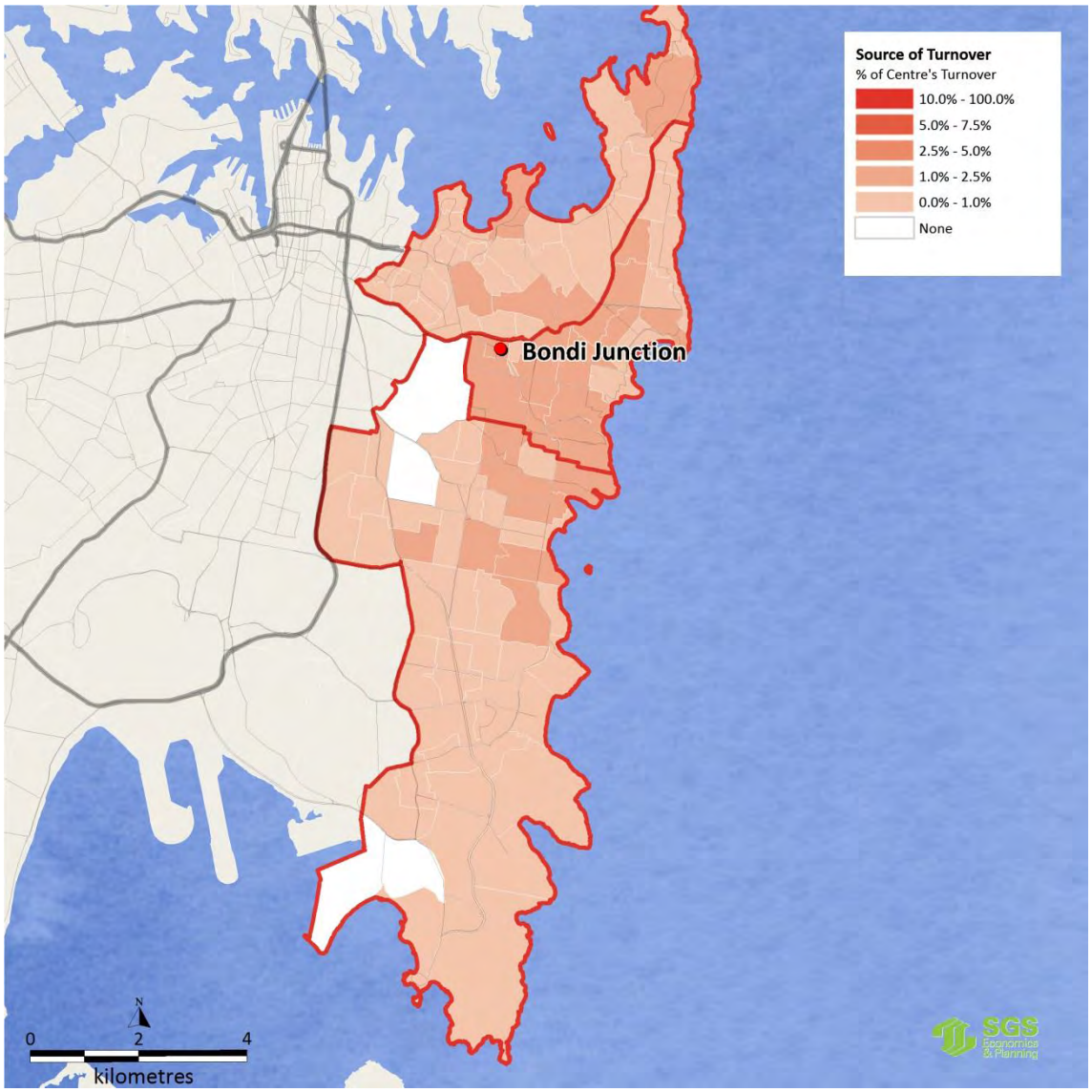
Using the inputs described in the previous section, the current retail environment in the Eastern Suburbs is simulated in the Gravity Model. The simulated retail environment specifies the market share of each retail centre (that is how much of the resident retail expenditure in each TZ is spent at each centre), which is then used to draw the centre catchment.

For example, Figure 76 and Figure 77 illustrate the origin of resident retail expenditure at Bondi Junction and Maroubra Junction, in terms of the percentage of total centre's turnover.

As expected for a major centre, Bondi Junction has a very broad trade area, which covers most parts of the Woollahra and Waverly LGA as well as the northern part of the Randwick LGA. The TZs within these areas also contain a relatively even share of the resident retail expenditure in Bondi Junction.

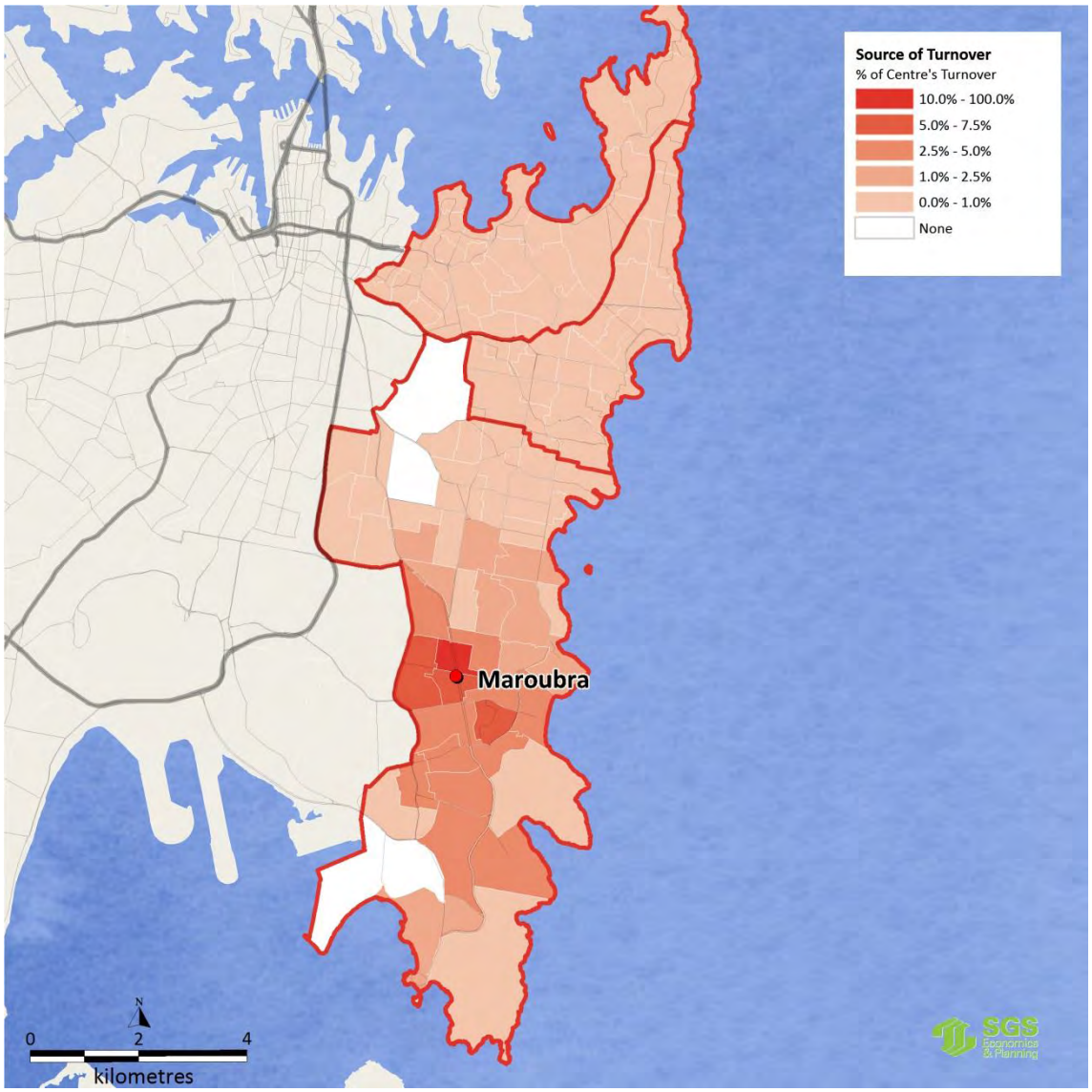
On the other hand, Maroubra Junction has a relatively local catchment and the majority of resident retail expenditure in the centre is sourced from the South Randwick area. In particular, expenditure comes from surrounding areas such as Maroubra North, Maroubra, Maroubra West and Matraville. Further away from Maroubra Junction, there are lower proportions of resident retail expenditure being captured by the centre. For instance, the map shows that a relatively small proportion of total retail turnover in Maroubra Junction is sourced from the TZs in the suburbs of Kingsford and Randwick, as residents living in these areas would spend most of their retail expenditure at Randwick Junction/The Spot or the Kingsford centre.

FIGURE 76. SOURCE OF TURNOVER, ALL COMMODITIES— BONDI JUNCTION



Source: SGS Economics and Planning calculations

FIGURE 77. SOURCE OF TURNOVER, ALL COMMODITIES— MAROUBRA JUNCTION



Source: SGS Economics and Planning calculations

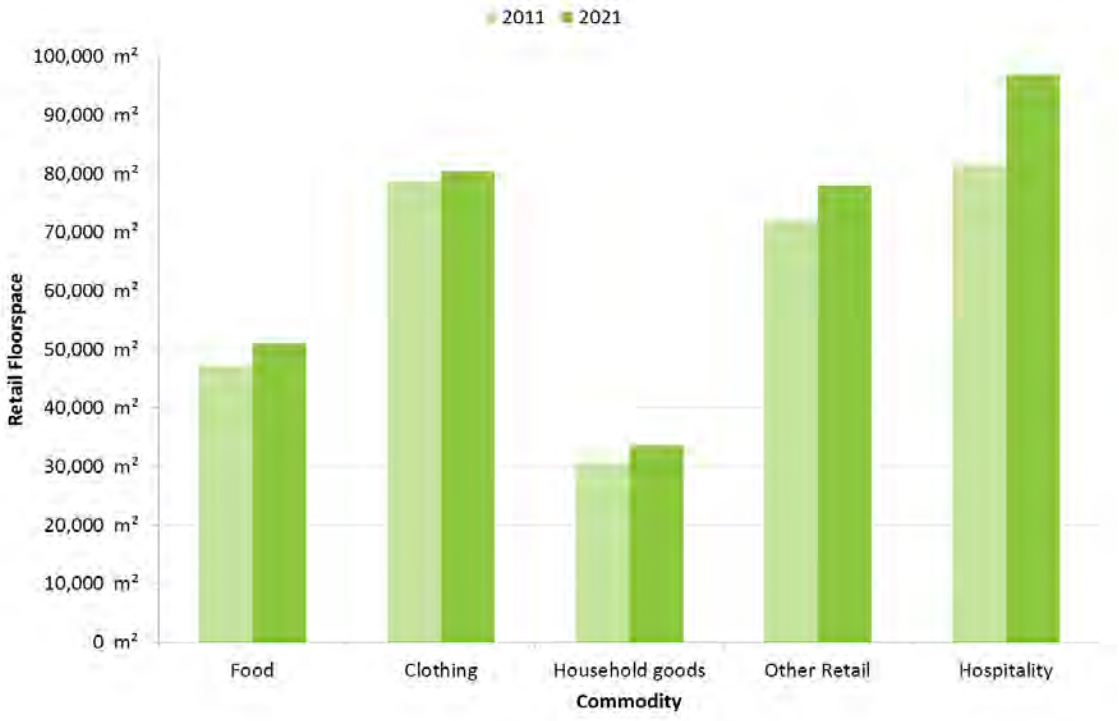
Note that the catchment maps for all six retail centres audited in this study are included in Appendix 2. These maps also indicate the estimated source of retail turnover by commodity type in each of the six centres.

7.4 Future Floorspace Requirements

Having estimated the catchment of each of the selected retail centres, we were able to forecast the growth in the retail expenditure 'pool' available to each centre. The projected retail expenditure by commodity type has been used in conjunction with the indexed RTDs[33] and current actual floorspace to arrive at estimates of retail floorspace demand by commodity type for the selected centres in the Eastern Suburbs.

The following chart shows the demand for retail floorspace (by commodity group) in the largest six centres (Bondi Beach, Bondi Junction, Double Bay, Maroubra Junction, Oxford St and Randwick Junction/the Spot) for the period between 2011 and 2021. It is estimated that the demand for hospitality floorspace would register the highest growth. This will be followed by other retailing. Note that the amount of retail floorspace in 2011 in the chart below does not take into account the vacant floorspace.

FIGURE 78. FUTURE DEMAND FOR FLOORSPACE BY COMMODITY— SELECTED CENTRES



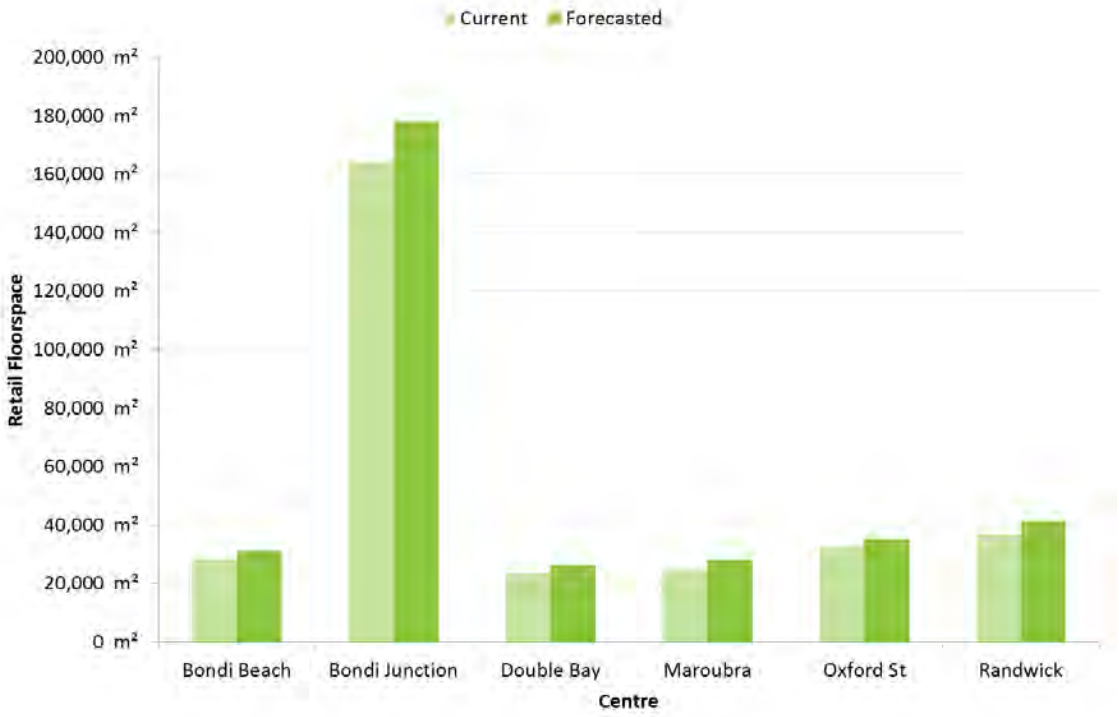
Source: SGS Economics and Planning, Based upon the SGS Retail Model

In addition to forecasting demand by commodity group, we have forecast future demand for retail floorspace in the individual centres. This forecast is based on the assumption that the current market share of each centre would be perpetuated into the future.

Table 33 and Figure 79 show the retail floorspace forecast to 2021. According to this forecast, the demand for retail floorspace at Bondi Junction will increase by more than 13,700 square metres by 2021, whereas the other major retail centres are expected to experience a relatively moderate growth. In fact, the projected growth in retail demand for both Oxford Street and Double Bay can be easily accommodated by the current vacancy in both centres.

[33] It is assumed that the RTD in various centres would grow in 2012 dollars at a rate of 1% per annum.

FIGURE 79. RETAIL FLOORSPACE FOR SELECTED CENTRES— CURRENT VS FORECASTED IN 2021



Source: SGS Economics and Planning, Based upon the SGS Retail Model

TABLE 33. FUTURE FLOORSPACE DEMAND FOR SELECTED CENTRES, 2021

	Current (excluding vacant floorspace)	Forecasted	Increase
Bondi Beach	28,161 m²	31,079 m²	2,918 m²
Bondi Junction	164,171 m²	177,902 m²	13,731 m²
Double Bay	23,469 m²	26,400 m²	2,930 m²
Maroubra Junction	24,883 m²	28,042 m²	3,158 m²
Oxford St	32,488 m²	35,274 m²	2,786 m²
Randwick Junction/the Spot	36,633 m²	41,284 m²	4,651 m²

Source: SGS Economics and Planning, Based upon the SGS Retail Model

8 EMPLOYMENT FORECAST

First, this section documents the assumptions and method used by BTS to prepare their small area employment projection for the Eastern Suburbs. Any major projects that are likely to contribute to future employment generation in Eastern Suburbs are then described where information is publicly available.

Lastly, we have discussed the implications of the boarder trends and drivers (see section 2) for future employment in the Eastern Suburbs, especially in the major industry sections such as retail, health and education.

8.1 BTS employment forecast

Method

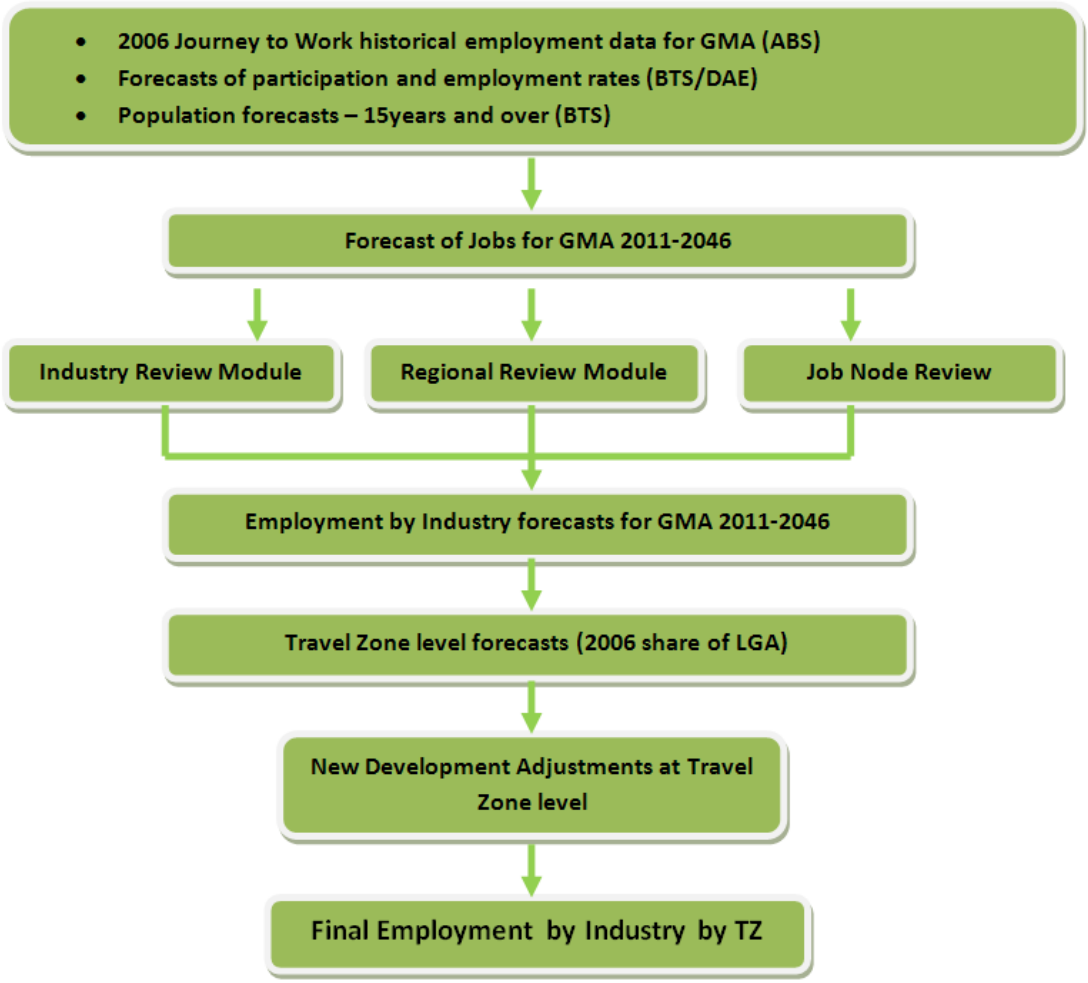
The August 2012 Release of Employment Forecasts for the GMA produced by the Bureau of Transport Statistics (BTS) provides forecasts for jobs in the GMA. Data obtained from a variety of different sources has been used by the BTS Small Area Employment Forecasting Model (SAEFM) to develop a set of industry projections for Sydney GMA at the 'travel zone' level. Some of these include:

- Australian Bureau of Statistics (ABS) Census data
- BTS August 2012 Release Population forecasts (based on Department of Planning and Infrastructure's 2010 Interim Population Projections), and
- BTS August 2012 Release Workforce Forecasts.

Each industry has a set of employment projections for the short (2011) and long term (2046) on available information and analysis. The first step in the employment forecasting estimation is to determine the total jobs in the GMA for each forecast year. The Industry Review Module, the Regional Review Module and the Job Node Review Module are used to disaggregate the total employment projections to produce employment forecasts by industry, which are then distributed to the BTS travel zones.

The final step in the employment forecasting process involves reviewing the travel zone level trend based forecasts, and adjustments are made to account for planned major developments which are expected to bring about significant employment change. It is important to note that although no adjustments were made to travel zones in the Randwick, Waverley and Woollahra LGAs, forecasts for two travel zones in the neighbouring SLA of Botany Bay were revised upwards to account for expected growth in employment as a result of Port Botany expansion. These developments include the Discovery Cove Industrial Park and Caltex Sydney Terminal. Industrial developments in the East Sub-Region will have direct impact for future employment generation in the Eastern Suburbs.

FIGURE 80. BTS EMPLOYMENT PROJECTION METHOD



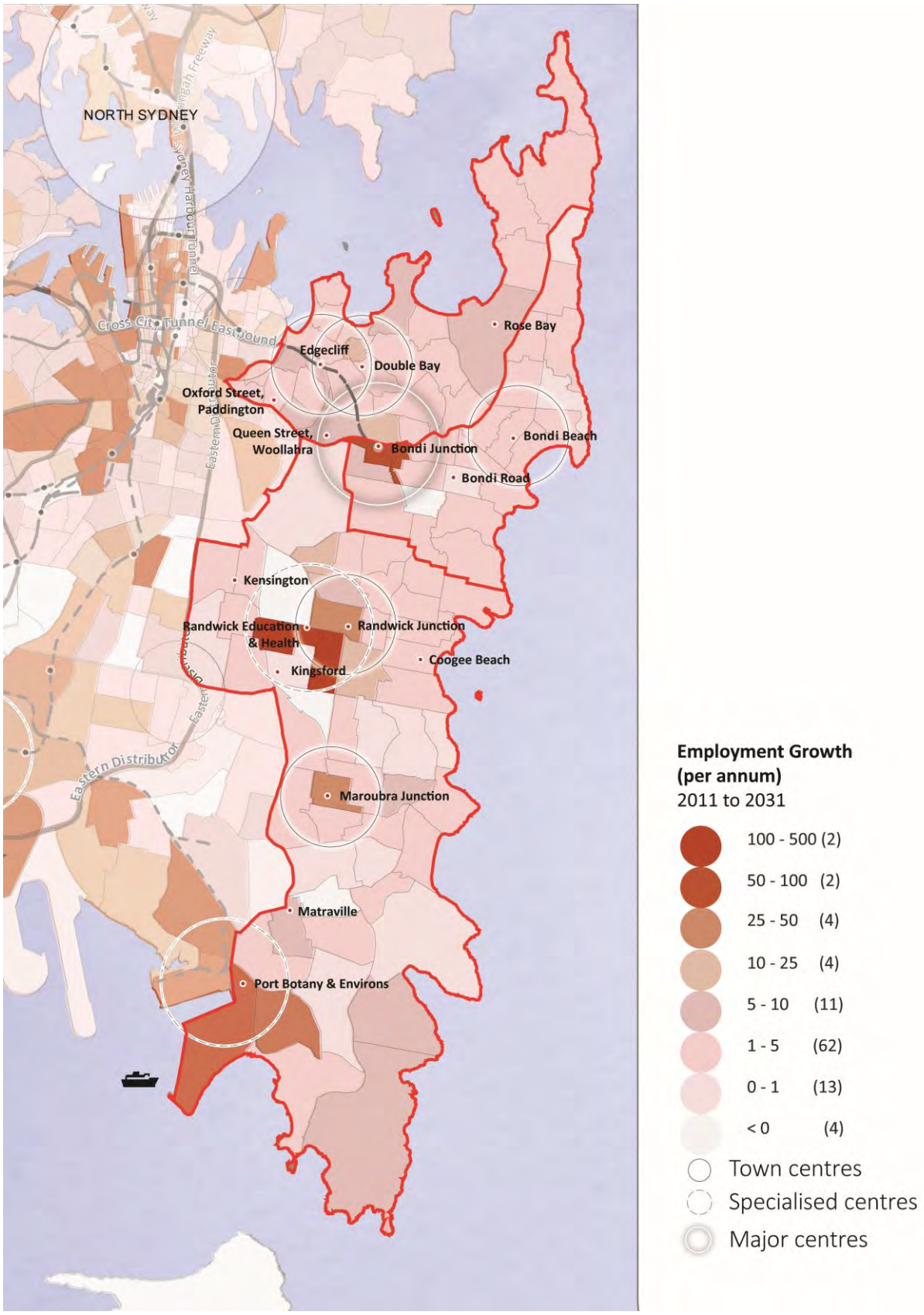
Source: BTS Small Area Employment Forecast Technical Paper, 2012

Employment forecast by TZ

The map below illustrates the average annual employment growth for the travel zones within the Eastern Suburbs as well as those in the neighbouring areas.

Compared to the Sydney CBD, the employment growth in the Eastern Suburbs is expected to be moderate, with an increase of around 20,000 jobs (or 1% per annum) over 20 years. Within the region, most of the job growth is forecast to occur within the major and specialised centres.

FIGURE 81. FORECAST EMPLOYMENT GROWTH PER ANNUM



Source: SGS Economics and Planning calculations, using 2012 Bureau of Transport Small Area Employment Forecast

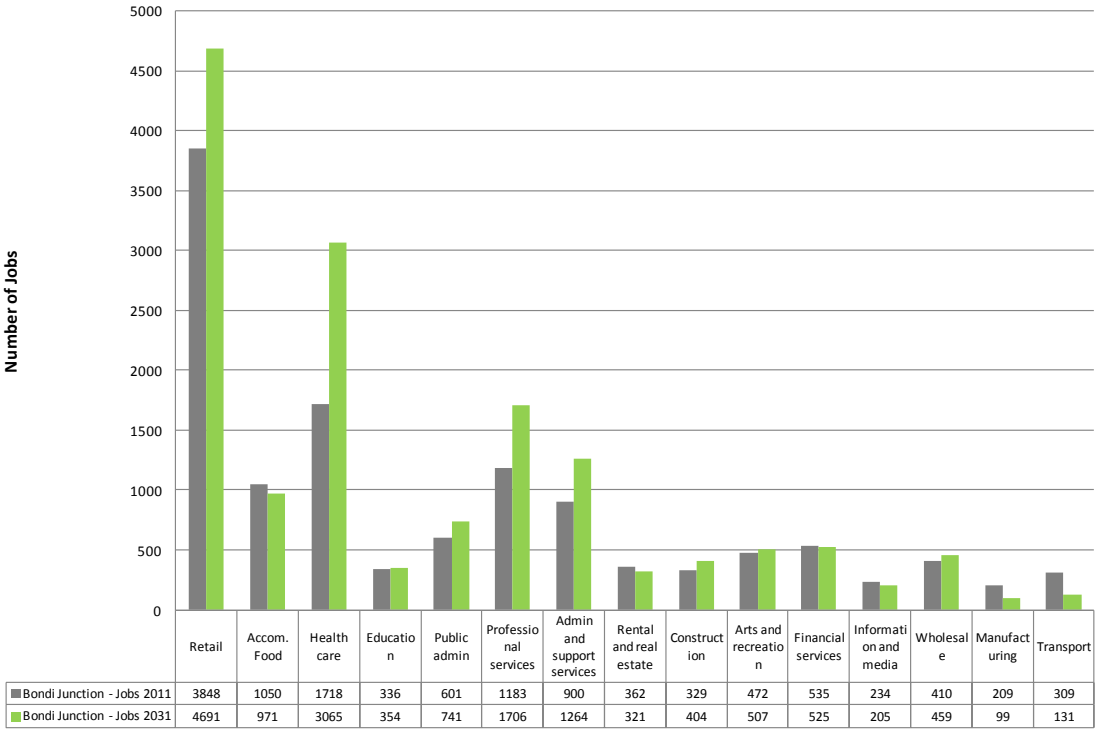
Employment forecasts for key employment precincts

Based on the TZ-level employment forecasts, we have estimated job growth by industry in the three main precincts within Eastern Suburbs, including Bondi Junction, Randwick Health and Education and Port Botany and Environs (only the part in Randwick LGA).

Figure 82, Figure 83 and Figure 84 show a continuation of the historical strong job growth in major industries of Eastern Suburbs, such as health, education and retail. The forecast employment growth for both Bondi Junction and Randwick Health and Education precincts is expected to exceed the job target identified in the *draft Metropolitan Strategy for Sydney to 2031*.

On the other hand, the manufacturing jobs within the Port Botany and Environs are forecast to experience a decline in line with the historical trend observed between 2006 and 2011.

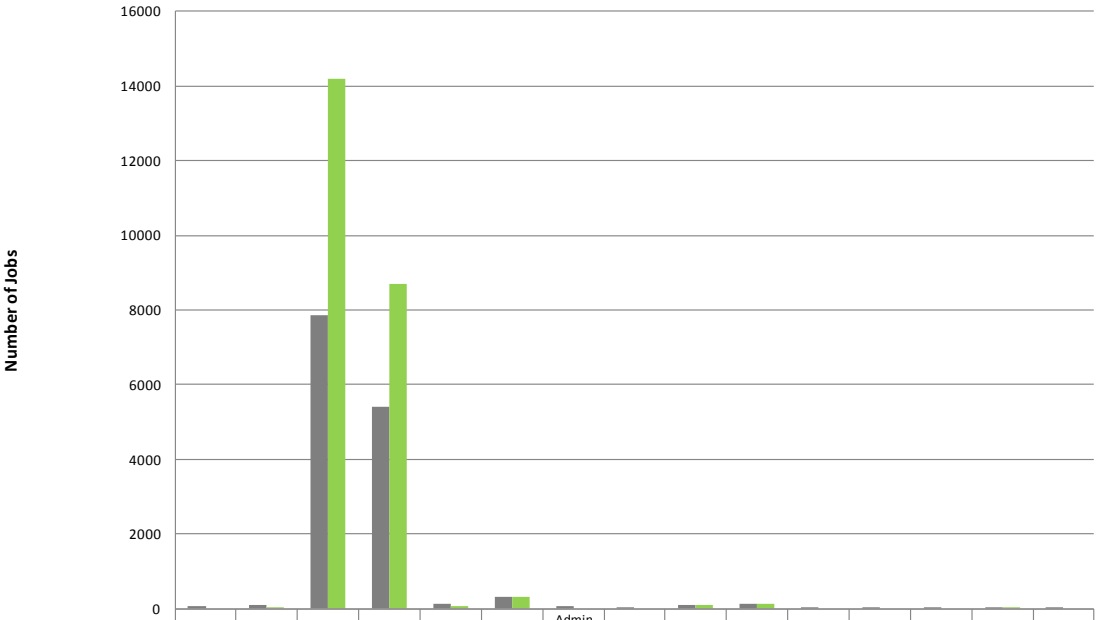
FIGURE 82. EMPLOYMENT FORECAST BY INDUSTRY, BONDI JUNCTION 2011-2031



	Retail	Accom. Food	Health care	Education	Public admin	Professional services	Admin and support services	Rental and real estate	Construction	Arts and recreation	Financial services	Information and media	Wholesale	Manufacturing	Transport
Bondi Junction - Jobs 2011	3848	1050	1718	336	601	1183	900	362	329	472	535	234	410	209	309
Bondi Junction - Jobs 2031	4691	971	3065	354	741	1706	1264	321	404	507	525	205	459	99	131

Source: SGS Economics and Planning calculations, using 2012 Bureau of Transport Small Area Employment Forecast

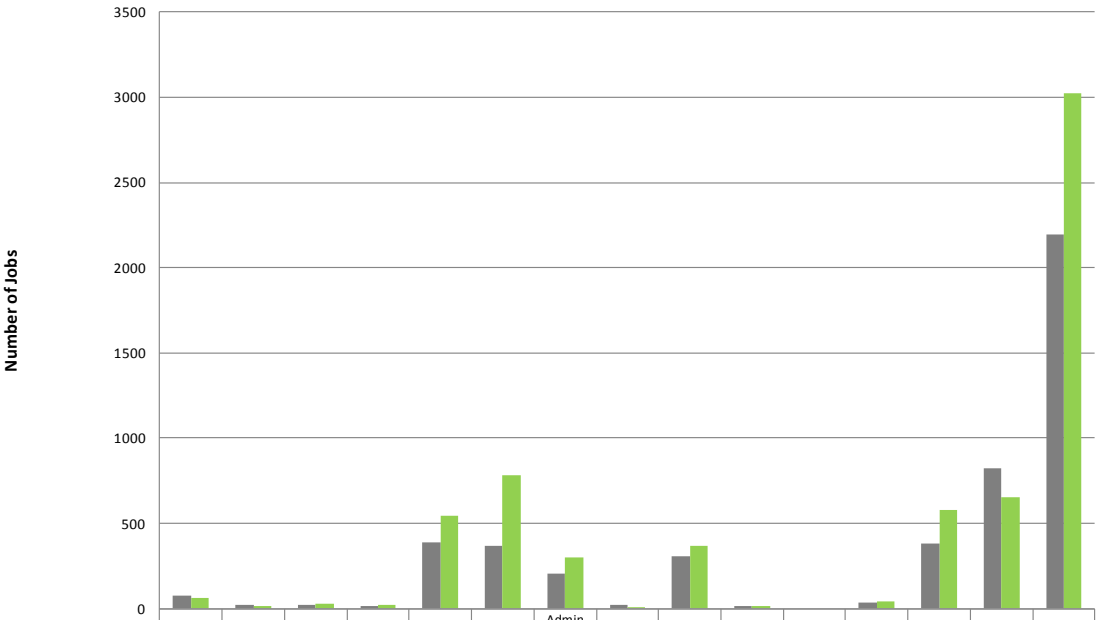
FIGURE 83. EMPLOYMENT FORECAST BY INDUSTRY, RANDWICK HEALTH AND EDUCATION 2011-2031



	Retail	Accom. Food	Health care	Education	Public admin	Professional services	Admin and support services	Rental and real estate	Construction	Arts and recreation	Financial services	Information and media	Wholesale	Manufacturing	Transport
Randwick H&E - Jobs 2011	48	108	7867	5413	127	307	50	3	102	126	22	9	27	5	2
Randwick H&E - Jobs 2031	0	9	14197	8687	74	299	0	0	91	120	0	0	0	6	0

Source: SGS Economics and Planning calculations, using 2012 Bureau of Transport Small Area Employment Forecast

FIGURE 84. EMPLOYMENT FORECAST BY INDUSTRY, PORT BOTANY AND ENVIRONS (PART WITHIN RANDWICK LGA) 2011-2031



	Retail	Accom. Food	Health care	Education	Public admin	Professional services	Admin and support services	Rental and real estate	Construction	Arts and recreation	Financial services	Information and media	Wholesale	Manufacturing	Transport
Port Botany - Jobs 2011	71	20	22	16	386	367	207	18	306	12	0	31	377	821	2195
Port Botany - Jobs 2031	61	12	29	22	545	781	302	9	368	13	0	44	578	650	3023

Source: SGS Economics and Planning, 2013 using Bureau of Transport Statistics Journey to Work data, 2013
Note these only accounts for the jobs in the part of the Port Botany and Environs precinct that falls within the Randwick LGA.

8.2 Major projects

The major planned development projects that will contribute to employment generation in the Eastern Suburbs are now examined. Developments in the Randwick Education and Health Specialised Centre will play a key role for generating jobs in the study area.

Randwick Education and Health Specialised Centre

The Randwick Education and Health Specialised Centre (precinct) is a major employment hub in the north of the Randwick LGA. The precinct is anchored by the University of New South Wales (UNSW), Prince of Wales Hospital, Royal Hospital for Women and the Children's Hospital. This precinct is a part of the 'Global Economic Corridor' (as expanded in the draft metropolitan strategy) with significant 'knowledge clusters' and provides concentration of economic activity. The precinct accounts for almost 40 percent of jobs within Randwick City. Employment growth is expected to continue, especially in the education and training, and health care and social assistance sectors with ageing population and advances in health research and treatment.

Key trends that will facilitate economic and employment growth in the precinct include (Randwick City Council, 2010):

- UNSW campus will strengthen its role in education and research. Improving access to higher education will extend demand for university services and accommodation. Approximately 140,000 to 200,000 square metres of additional floorspace will be required for health and education campuses.

- Randwick Health Campus will strengthen its role in health services, teaching and research. Health-care services will benefit from synergies offered by location near existing health services. Approximately 30,000 sqm of additional floorspace will be required for associated health services around the Health Campus.

- Intensification of activity in the Central Area of the precinct for education, health and research uses.

- Increasing health/medical and research activities along Barker Street and High Street (East) will continue to support long term growth for health, education and research employment in the precinct.

- The West End and East End of the precinct can provide for cultural, recreational, leisure and retail/café uses. Furthermore, redevelopment of Royal Randwick Racecourse will also allow for a broad range of uses on this High Street frontage.

FIGURE 85. RANDWICK EDUCATION AND HEALTH SPECIALISED CENTRE

Source: Randwick City Council, 2011

Redevelopment of Port Botany Container Terminal

Redevelopment of the Port Botany Container Terminal is another key project that will impact on employment growth in (and adjoining) the Sub-region (particularly in Botany Bay LGA). The project (which is accounted for by the BTS in its employment projections) involves expansion, redevelopment and automation of port facilities and will deliver safety improvements, increased capacity and increased productivity. Developments such as Discovery Cove Industrial Park and Caltex Sydney Terminal as a result of the Port Botany expansion will provide impetus for industrial businesses to locate in this precinct. This may have an adverse impact on employment in the Eastern Suburbs for industries such as transport, postal and warehousing, wholesale trade and other services.

Proposed Light Rail project

The Long Term Transport Master Plan proposes a number of changes to improve access at Circular Quay, including a light rail line to run from Circular Quay to the Eastern Suburbs via the CBD. The CBD and

South East Light Rail project to extend along George and Alfred Street will reduce demand for bus services. The CBD bus network will be overhauled and integrated with the proposed light rail network. Investment in the light rail project by the NSW Government will support employment growth in the Eastern Suburbs.

The proposed project would be built through Sydney CBD to Randwick and Kingsford to reduce congestion and revitalise the city. Aside from the transport benefits, light rail can also assist in improved urban and economic outcomes.

The sub-section below provides a broad overview of benefits that flow from light rail, since a business case for CBD and South East Light Rail is yet to be developed. The summary includes a case study of Melbourne which demonstrates the potential impact on level and type of employment in a light rail corridor.

In many parts of the world, light rail has delivered the following benefits:

- **Increased residential densities and urban renewal:** New developments and greater population densities can make areas near light rail more vibrant and active. Light rail infrastructure provides a sense of permanence, encouraging developers to invest in new commercial, mixed use and residential projects.
- **Increased tourist branding:** Light rail can add to a city's branding and tourism potential. There are many examples both nationally and internationally where cities have taken advantages of traditional and new light rail networks as a tourism offer. Melbourne's tourist tram is an attraction on its own; it provides a free city circle service to tourists and locals alike in a restored Melbourne tram carriage. San Francisco's tram network is famous throughout the world; much of the city's tourism offer focuses on this infrastructure.
- **Cost competitiveness:** Development of light rail is cost competitive as it is built using the existing road network. By using pre-existing infrastructure, costs such as reclaiming land and the construction of roads and tunnels are minimised.
- **Increased pedestrian circulation:** Some cities have geographical disadvantages in effectively circulating the population from one side of the CBD to another. Cities such as Sydney are elongated, and require the use of public transport to move people up and down the length of the CBD. The proposed light rail can effectively perform this function. Light rail can also help to activate different parts of the CBD that are not easily walkable from central locations.

In addition to the benefits described above, introduction of light rail can also impact the structure of an economy and generate employment along the corridor, in particular in the business service sector.

The Department of Transport (WA) commissioned SGS to undertake the Urban Economic and Property Assessment for the Perth Metropolitan Area Express. The project involved analysis of potential employment impacts of the proposed light rail project.

Table 34 presents a summary of research findings from a case study on the impacts of light rail along a combined Lygon Street and Nicholson Street tram corridor in Melbourne. The results suggest employment in Business Services (including Professional, Scientific and Technical services, financial services, Real estate services etc.) is expected to increase along light rail corridors as connectivity to the CBD increases.

This is also driven by firms searching for less expensive land elsewhere. In the case study undertaken in Melbourne, we have found that many industrial firms have departed from the inner suburbs and relocated to industrial estates on the fringe of the city. The higher land values in the inner suburbs resulting from the light rail would be directly influenced by the improved accessibility to the city. This however, only appears to occur within the first 4-5 kilometres of the CBD with reductions in employment further along the corridor, as illustrated in the table below.

TABLE 34. ESTIMATED BUSINESS SERVICES JOBS IN LIGHT RAIL CORRIDOR IN MELBOURNE

Distance (km) to CBD	1996	2001	2006	2011	AAGR (96-11)
2.5	1,119	1,220	1,381	1,647	2.6%
4.5	854	910	884	978	0.9%
6.5	349	340	222	217	-3.1%
8.5	116	111	67	18	-11.7%
Total	2,439	2,581	2,554	2,860	1.1%

Source: SGS calculations based on 2011 Census

Urban Activation Precincts

The Eastern Suburbs encompasses two of the eight Urban Activation Precincts recently announced by the NSW Premier, as an important component of a package of wider housing delivery and job initiatives. These Urban Activation Precincts aim to deliver more homes in places with access to infrastructure, transport, services and jobs. The two Urban Activation Precincts in the Eastern Suburbs include Randwick and Anzac Parade South.

The Randwick Urban Activation Precinct encompasses a vibrant community that includes the University of New South Wales, Prince of Wales Hospital, Randwick Children's Hospital, Randwick Racecourse and the National Institute of Dramatic Art.

The introduction of light rail is a catalyst for urban renewal in this precinct. The Randwick precinct includes the local centres of Kingsford, Kensington and Randwick and encompasses the light rail routes to both Randwick and Kingsford. Investigations are focussing on areas within a five-minute walk (400m radius) of the proposed light rail stops.

The Anzac Parade South Urban Activation Precinct covers areas within a 10-minute walk (800m radius) of four key areas – Maroubra Junction, Duffys Corner, Malabar and Little Bay, as well as the whole length of the Anzac Parade corridor south of Kingsford.

Growth in these precincts is aimed at creating new jobs, increased housing choices, enhanced public spaces and improved transport connections and providing more people with the opportunity to live, work, be educated, shop and socialise in the one area.

However, little information is publicly available regarding the likely employment generation of these precincts.

8.3 Implications of broad trends and drivers

Key trends and drivers identified in Section 2 that will influence industries in the region are:

- Growth of online retail
- Ageing population
- Growing demand for education services and education exports, and
- Declining trends in tourism.

Retail

The growth of online retail will continue to put pressure on the local retail sector in the Eastern Suburbs. However the influx of international retailers into Australia, and the strong position of Westfield Bondi Junction in the 'Big Gun' sector of retail will continue to support local retail employment. Cafes, restaurants and bars that are part of the service retail sector, and retailers who offer unique products are unlikely to be influenced by the growth of online retail. Proposed developments around the Royal

Randwick Racecourse, in the West End and East End precincts of the Randwick Education and Health Specialised Centre, will provide further employment opportunities in retail, cultural and recreational businesses. BTS forecast growth of an additional 3,992 retail trade jobs at an average annual growth rate of 1.66 percent to 2036 in the Eastern Suburbs. Most of this growth is anticipated to occur in the Waverley LGA, due to concentration and growth of retail businesses in the Bondi Junction precinct.

Health and education

The ageing population over the next two decades will continue to create strong demand for health-related services in the Eastern suburbs. Population forecasts (DP&I 2010 Interim Population Projection) for the Eastern Suburbs suggest that rate of growth for 65+ residents will be higher than the rate of overall population growth (1.4 per cent per annum compared to 0.60 per cent). This ageing population will support employment in the healthcare and social assistance sectors, as it is a population driven industry. Furthermore, the clustering of health and education related businesses in the precinct due to 'magnet infrastructure' will provide a platform for further growth of employment in these sectors. BTS forecast strong growth in healthcare and social assistance and education and training sectors in the Eastern Suburbs, particularly Randwick LGA to 2036. Healthcare and social assistance employment is expected to grow by 9400 (or 1.7 percent per annum) in the Eastern Suburbs. Randwick LGA is expected to accommodate most of this growth (by around 8800 employees or 2.1 per cent per annum). Employment in Randwick Education and Health Precinct is also expected to grow strongly in line with Australia's growing education services exports.

Tourism

Employment in the tourism sector is likely to face challenges in the future in light of recent trends. Subdued economic growth and relatively high Australian dollar have influenced both international visitation numbers as well as travel patterns of Australian residents. Furthermore, there has been a decline in accommodation establishments in the Eastern Suburbs between 2007 and 2010. Therefore this industry will need to adapt to changing consumer preferences, and position itself to capitalise from developments around Royal Randwick Racecourse to ensure it maintains local employment.

An economic positioning statement will be prepared (separate document) that will identify a framework for the next stage, the preparation of strategies for economic development.

9 KEY FINDINGS & STRATEGY FRAMEWORK

9.1 Key findings

In conclusion, information from the economic profile for the Eastern Suburbs identifies a number of key characteristics of economic activity:

- The education and health care industries have high employment, high growth and high specialisation.
- Eastern Suburbs residents are characterised by high household incomes and high levels of tertiary education.
- The Eastern Suburbs has a low level of self-containment with high leakages within the professional and financial service industries out of the region (including to the Sydney CBD).
- The Eastern Suburbs benefits from a high degree of accessibility to jobs, particularly via car, and further increases in accessibility when the light rail link is completed.
- The major industries of employment within the Eastern Suburbs (finance, health care, education, retail and administration and support services) are also the largest contributors to wealth generation in this region.

In addition, BTS forecasts that employment in the Eastern Suburbs is expected to experience a moderate growth of around 20,000 jobs (or 1% per annum) over 20 years. This job growth is forecast to occur within a number of major and specialised centres. The main precincts within the Eastern Suburbs for job growth include Bondi Junction, Randwick Health and Education and Port Botany and Environs (only the part in Randwick LGA).

The region has historically strong job growth in major industries such as health, education and retail and this pattern is projected to continue.

The forecast employment growth for both Bondi Junction and Randwick Health and Education precincts is expected to exceed the job target identified in the *draft Metropolitan Strategy for Sydney to 2031*. On the other hand, the manufacturing jobs within the Port Botany and Environs are forecast to experience a decline in line with the historical trend observed between 2006 and 2011.

In addition, key trends and drivers that would affect future employment growth in the region are:

- Growth of online retail
- Ageing population
- Growing demand for education services and education exports, and
- Declining trends in tourism.

These characteristics and projections for employment, as well as the projections for additional retail centre floorspace demand, should be considered in the preparation of an economic positioning statement for the Eastern Suburbs. This economic positioning statement will be able to identify economic development projects that will benefit the Eastern Suburbs region as a whole.

9.2 Strategy framework

The framework for economic development can be structured based on the range of potential 'roles' for local government in achieving economic development. In addition a framework would seek to achieve a range of transformational actions for the regional economy as well as those that reinforce and strengthen existing businesses and employment hubs.

Competitive advantage

Historically, regions and nations depended on comparative advantage. Comparative advantage depends on cost advantages and proximity to raw materials and infrastructure relative to other localities or regions. With reduced trade barriers, more labour-intensive, lower-technology production is taking place in countries with an abundance of low-cost labour, whilst advanced economies with higher labour costs, and more developed skills and physical capital, concentrate on the production of high-value, knowledge-based goods and services. For most industry sectors, this has led to a shift to competitive advantage. Competitive advantage is crucial to the production of these high-value, knowledge-based goods and services. It places an emphasis on efficiencies in the means of production, with a focus on 'value factors' related to performance and quality. These value factors include research and development, labour productivity, technology, skills base, quality of life, and social capital.

Regions and localities require a number of 'pre-conditions' for competitiveness, and hence local economic prosperity:

- Efficient and effective infrastructure including good physical and functional links that support social, cultural and economic interaction and exchange
- A quality living environment
- An appropriately skilled and flexible workforce
- Connectedness between members of local value chains, i.e. Strong links between business, government, research and learning institutions to support innovation, and
- A supportive governance structure including ready access to business support services.

To function and develop, local economies need a wide range of capital inputs, an enabling and competitive environment, and markets for the sales and exchange of ideas, products, goods and services. Regions and localities can fulfil these requirements in several ways. These include:

- Improving the efficiency and effectiveness of transactions
- Increasing population
- Increasing consumption
- Value adding to production, services and logistics systems
- Closing the waste cycle and converting waste to resources, and
- Increasing exports and reducing imports.

Framework for local government 'roles'

There are four basic 'roles' or economic development models that Local Government can adopt to encourage local economic development. Different councils may have different responsibilities. Hence council would not necessarily need to 'choose' any one of these types of roles and in fact, the best outcomes may be achieved with a mix of activities that cut across some or all of these broad classifications. The appropriate role depends on a number of factors such as pre-existing organisational relationships, the local industrial structure, the relative level of social and economic prosperity, identified priorities for the future, available funding for economic development initiatives and local personalities. The caveat to all of this is that the limited power and resources of local government can make it difficult to implement these roles.

In understanding these roles and functions, we can start to think about appropriate responses to the many issues and challenges currently facing the economic development of the Eastern Suburbs area.

- **Stimulator/Promoter**: This is where Council could take specific action to induce business creation or expansion. This can be undertaken through a branding and marketing role or by direct intervention to protect or support a particular industry sector. An example here could be using an underutilised Council building or land.
- **Facilitator**: This can take the form of providing an 'enabling' environment for local development by delivering a streamlined development approval process and by providing a clear policy statement focusing the Council's development objectives.
- **Co-ordinator:** Here, Council takes the role of co-ordinating the provision of infrastructure or services for which it is not directly responsible but which are required for new business development. This co-ordinating role would generally be undertaken in partnership with other government agencies, private sector representatives and / or community interest groups. For example, the Council's the role in assisting the co-ordination of the proposed light rail expansion to Randwick.
- **Entrepreneur/Developer:** Here, Council would become directly involved in development activities, either as a sole operator or in partnership arrangements with the private or public sector. The joint venture between Woollahra Council and Woolworths for the supermarket development in Double Bay is an example.

Economic development 'horizons'

The three Councils have set out economic development visions for the area in a number of documents. These include a range of actions to promote economic development. While it may be appropriate that Councils are ambitious in their policy making and have a view to the 'transformation' of the Eastern Suburbs economy, local economic development also requires a practical focus, with due emphasis on 'readily deliverable' projects.

Achieving 'visionary' as well as the 'pragmatic' economic development outcomes can be considered using a framework with three horizons (devised by Baghai, Coley and White 1999). Application of this framework, formulated for commercial business planning, to public policy will promote robust and sustainable city economies as it will simultaneously plan for three horizons or agendas.

- **First horizon**: The first horizon is concerned with protection of the enterprise's existing core business. The focus here is on cost control and ensuring that the current customer base is retained by continuing to offer reliable quality.
- **Second horizon**: In planning to the second horizon, the enterprise looks for ways to incrementally leverage its current core businesses to expand its customer base. This often involves diversification into related product streams, or providing value added services to existing products, such as improved after sales service. These improvements can be thought of as 'organic innovations'; 'building on what we know we do well'.
- **Third horizon**: Planning to the third horizon requires the enterprise to lift its sights to contemplate new opportunities which might be quite distant from current core business, but which draw on the competencies, skills and endowments which underpin current activities. This is the horizon where the enterprise seeks to 'reinvent itself'.

A business (or in this case city economy) which is preoccupied with the first horizon is likely to become moribund and wither, as competitors inevitably devise more compelling offers for their customer base. On the other hand, businesses which are caught up in only 'blue sky' thinking (horizon three) are likely to become vulnerable to challenge on the basics, losing the market share required to underwrite innovation projects. Thus all three horizons must be addressed for a healthy economic future, and all three horizons require equal weight even though they vary considerably.

These horizons have been proposed as part of the framework for economic development of the Eastern Suburbs. Readily achievable projects are typically concerned with protecting existing competitive

strengths, or with capturing near term diversification / value adding opportunities. They therefore fit the definitions for horizon 1 and horizon 2 initiatives. The more ambitious (usually, but not necessarily, longer term) initiatives amongst the Councils policies can be incorporated under horizon 3.

I the context of the Eastern Suburbs, horizon 1 initiatives may consolidate the Councils current economic performance and horizon 2 measures may tap into organic diversification opportunities to enhance this performance. However, horizon 3 strategies are required to be completed simultaneously to ultimately achieve a transformation into a superior economic performance category.

9.3 Economic positioning & strategic directions

The current strategy framework at the metropolitan level focuses on growing the economy by supporting and strengthening existing employment areas (centres, industrial lands and specialised precincts) improving social equity and environmental sustainability by improving and increasing housing choice and providing more efficient and reliable public transport. This means ensuring capacity at existing employment precincts for future commercial development, identifying areas for higher density residential development and lobbying for improved public transport services, such as the light rail extension.

Economic growth is likely to be concentrated in the Specialised Centres and Major Centres identified in the Draft Metropolitan Strategy – in the industrial lands around Port Botany, the precinct incorporating UNSW and the Randwick Hospital Campuses, the precinct surrounding the Bondi Junction Major Centre, and along the Anzac Parade Corridor.

The current economic profile sees the Eastern Suburbs playing an important role in the Sydney metropolitan economy. The area includes three significant economic nodes:

- **Randwick health and education precinct**. The region surrounding the University of NSW (UNSW) and Randwick Hospitals (including Prince of Wales Hospital, Prince of Wales Private, and Royal Hospital for Women and the Children's Hospital) is also identified as a specialised centre. An additional 6,000 jobs by 2031 is proposed by the Draft Metropolitan Strategy.
- **Bondi Junction**. Bondi Junction is identified as the Major Centre for the East Subregion. An additional 2,000 jobs by 2031 is proposed by the Draft Metropolitan Strategy.
- **Port Botany and environs**. Major gateway infrastructure and considerable freight and logistics business cluster designated as a specialised centre with an additional 4,000 jobs, by 2031, in the draft Metropolitan Plan.

When thinking of the local economy and employment, it is useful to separate economic activity into 'local population related activity' and 'strategic activity'. Local population related activity is closely linked to the growth (or decline) of local resident numbers. Local retail activity is the most obvious example, where retail businesses grow or shrink depending on the level of population (and thus expenditure) within a local catchment area. Strategic activity is more closely linked to the existence of strategic assets and infrastructure and these activities tend to serve a very broad (i.e. not strictly local) catchment. Heath and education are the obvious strategic industries in the Eastern Suburbs and here a range of business activities are linked to the existence of the University and Hospital.

The education and health care industries have high employment, high growth and high specialisation within the Eastern Suburbs. Health care and education are the two major industries of employment within the Eastern Suburbs, accounting for 34 percent of jobs within the Eastern Suburbs. The dominance of health care and education is evident in comparison to the broader Sydney metropolitan area where health and education only account for around 19 percent of jobs. Both health and education experienced significant growth in the Eastern Suburbs between 2006 and 2011 of 15-20 percent. Health and education are projected to continue to experience the strongest in employment between 2011 and 2031 in the Eastern Suburbs of around 46 percent and 35 percent, respectively. However, the projected job growth rates in these main industries are lower compared to those for the Sydney GMA.

The major industries of employment within the Eastern Suburbs are also the largest contributors to wealth generation in this region. Finance, health care, education, retail and administration and support services are the largest contributors from a value-adding perspective. As indicated by the regional multipliers, every extra dollar of output produced in Financial and Insurance Services is likely to generate around $1.1 in wages, salaries and supplements, and gross operating surplus across all sectors in Eastern Suburbs. This shows that these industries not only contribute to the largest proportion of jobs within the Eastern Suburbs but also to the wealth generation within the regional economy. While the bulk of this employment type will naturally gravitate to CBD locations (which can clearly be seen in self-containment patterns for the Eastern Suburbs), there are opportunities to cater for resident workers in these sectors who work from home or operate home businesses.

Given the high level of specialisation in health and education, the strong national growth in these industry categories, and the obvious strategic in assets in the existing of the University and Hospital, these are good targets for future growth. Both are also significant drivers of local economies development with the ability to act as catalysts for the local economy.

While strategic industries have great importance for local economic development, local population-driven activity should not be neglected. A growing population will require growth in local retail and services in accessible locations. There is also cross-over with strategic activities in some cases. Tourist trade is a good example, where the provision of retail and services responds to both local resident needs and the needs of visitors from outside the region.

The concept of the four roles for Local Government in local economic development and the 'three horizons' approach to balancing visionary and pragmatic strategies have been used as the framework for future economic development strategy formulation.

The following matrix illustrate the strategic framework described earlier can be applied to formulate strategies.

TABLE 33. STRATEGIC DIRECTIONS MATRIX

LG ROLES	1ST HORIZON	2ND HORIZON	3RD HORIZON
Stimulator / promoter	Strategy 1 Strategy 2	Strategy 3	Strategy 4
Facilitator		Strategy 5	Strategy 6
Co-ordinator		Strategy 7	
Entrepreneur / developer			Strategy 8

A range of strategic directions for Eastern Suburbs have been identified below. . These are not intended to be fully formed strategies and actions for the region but instead broad directions for strategies emerging from the economic profile. These could form a starting point for preparation of a strategy, and would require engagement with key regional stakeholders in their further development.

- Focus on supporting employment growth in strategic sectors such as education and health care, with links to Randwick education and health facilities.
- Support location of employment growth at key hubs including Bondi Junction, Randwick Health and Education Precinct and centres.
- Growth in retail floor space demand will be opportunity to reinforce convenient and high amenity centres.

- Attraction of tourist and visitor expenditure in the region based on location and environment should be further investigated.
- Capture greater share of employment in financial and insurance sector by promoting local opportunity for home business and home based workers, convenient access for regional offices to the CBD and seek potential price and amenity advantages over other non-CBD locations.
- Protect employment at existing major employment hubs, including Port Botany and environs

It should be noted that a number of these may be currently being addressed in one or all of the Eastern Suburbs LGAs. But these provide the basis for further strategy development and joint action from the three eastern Suburbs Councils.

APPENDIX 1 – BLC DESCRIPTIONS

BLC Code	BLC Name	Descriptions	Example Uses/S
Retail			
S	Full-line Supermarket		Coles, Woolworth, IGA, Franklins, Foodworks, etc
OS	Other Super		Harris Farm, other groceries
OF	Other Food		Butcher, bakery, liquor etc.
DS	Departmental Stores		David Jones, Myer
DDS	Discounted Department		Kmart, Big W, Target, etc
CF	Clothing & Footwear		
HH	Household Goods		Harvey Norman, furniture shops
OR	Other Retail		Newsagency, bookstores, sports/camping, CD store, toys/game, pharmacies
RC	Restaurants & Cafes		Cafes, restaurants, and takeaway Food Services
Non Retail			
O	Offices	Office buildings that are independent (i.e. are not ancillary to another use on site) and likely to accommodate a significant number of administration staff	Banks, Architectural Surveying Services
LSI	Light Service Industrial	Car service and repair; joinery, construction and building supplies; and domestic storage. Typically does not interfere with the amenity of the neighbourhood via pollution.	Automobile Repairs Plumbers Building supplies Panelbeaters
LHE	Local Health and Education	Smaller scale education or health uses such as schools, training centres, community college, aged care facilities, day surgery	Nursing homes Training centres Pre, Primary schools Sports and Recreational Services Secondary Schooling
DL	Dispersed Local	Social and community services, trades construction, other 'nomads'	Police/ Fire/Ambulance Services Childcare Religious Services Veterinarians, doctors, physios, chiros, dentists etc Funeral Services Cultural and Community Services (Libraries, Museums, Parks and Gardens) Accommodation

SR	Service Retail	Accountants Real Estate Agent Hairdressing and Beauty Services Diet and Weight Reduction Centre Operation Laundry and Dry-Cleaning Services Other Personal Services n.e.c.
Other		
V	Vacant	Includes all vacant offices, retail, and dispersed buildings
Carpark		

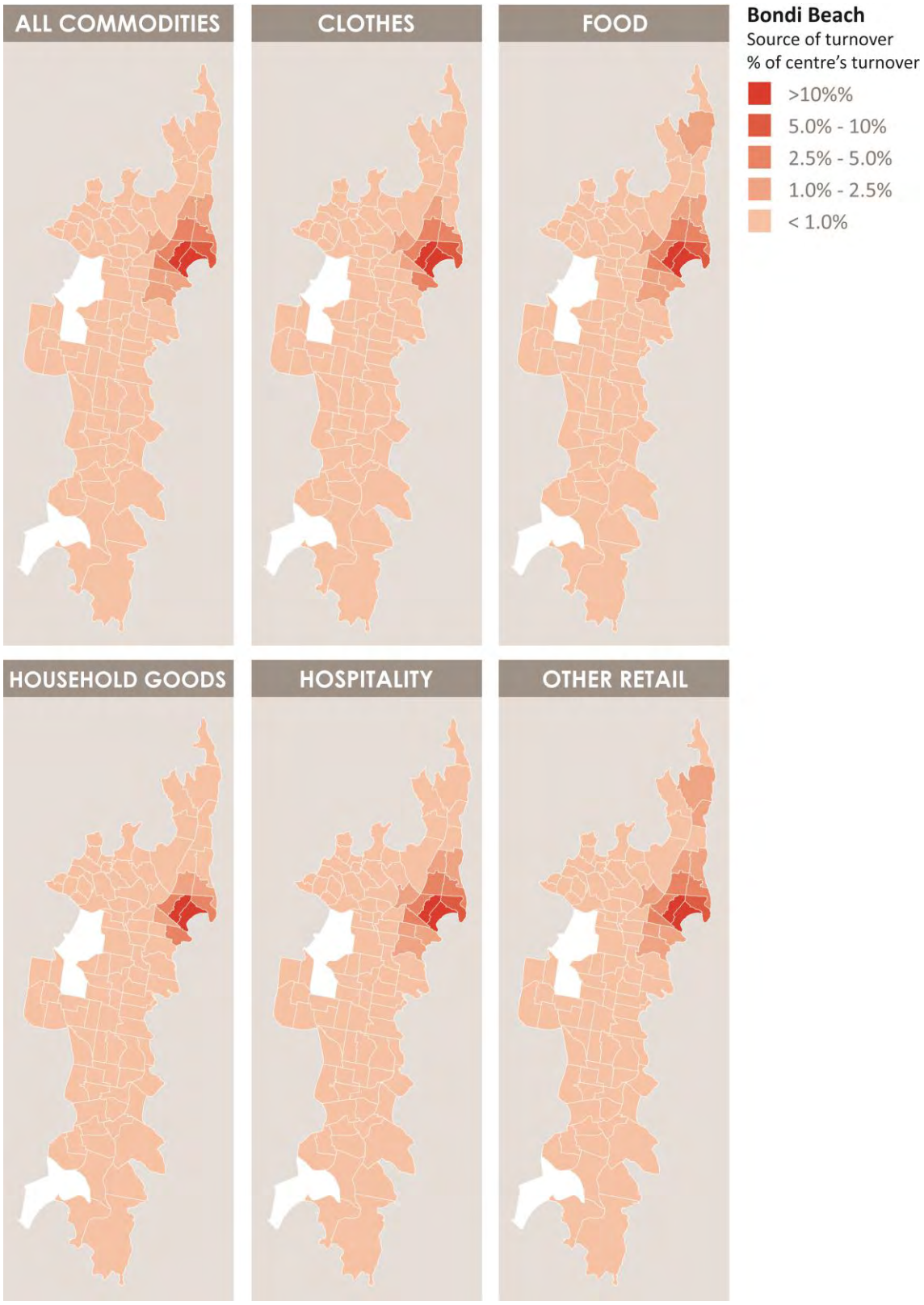
APPENDIX 2 - ORIGIN OF RETAIL TURNOVER OF THE MAIN CENTRES

The maps in this section illustrate the origin (as % of the centre's turnover) of resident retail expenditure by commodity type and total expenditure in the following audited centres:

- Bondi Beach
- Bondi Junction
- Double Bay
- Maroubra Junction
- Oxford St, Paddington
- Randwick junction and the Spot

Bondi Beach

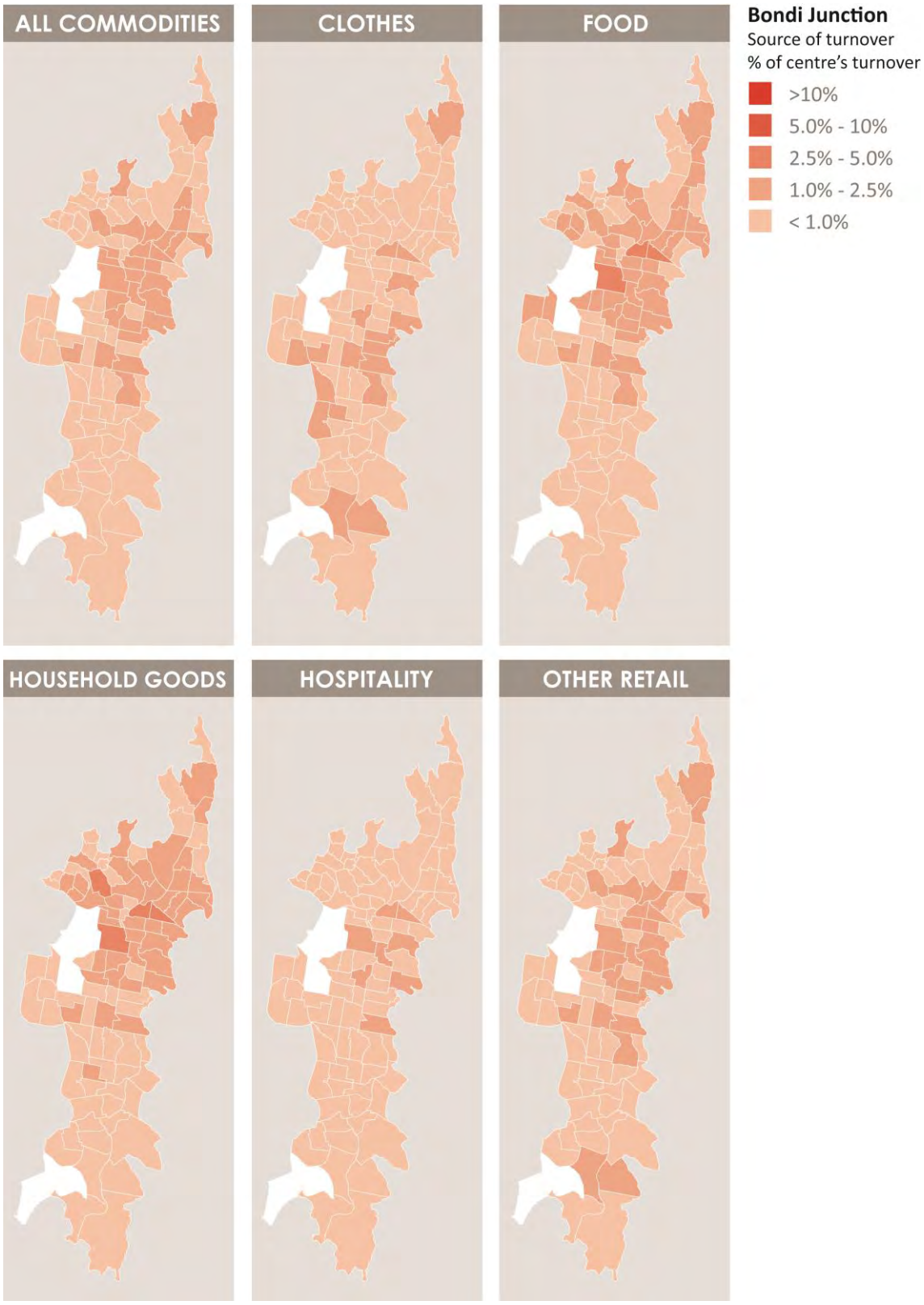
FIGURE 86. SOURCE OF TURNOVER — BONDI BEACH



Source: SGS Economics and Planning calculations

Bondi Junction

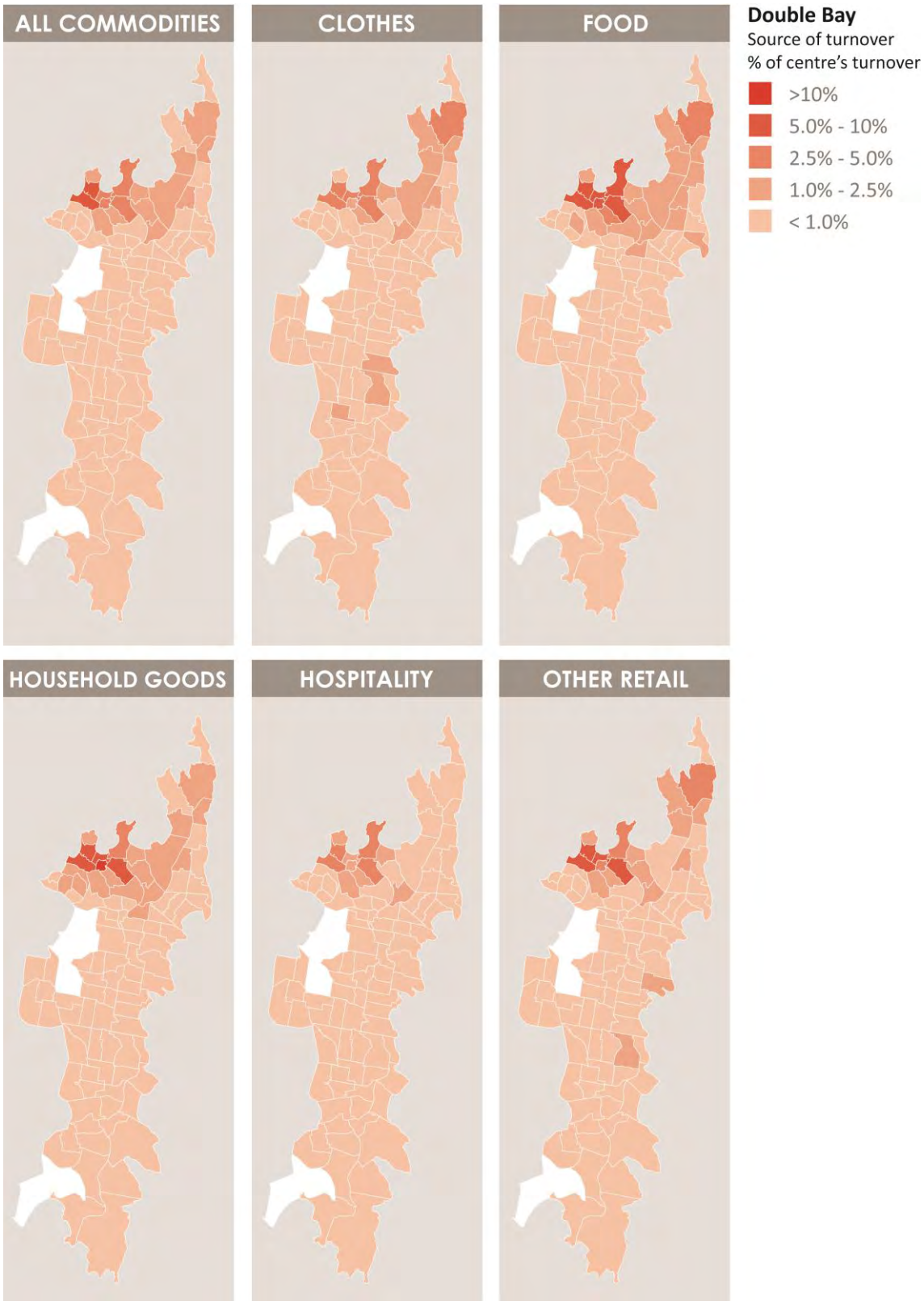
FIGURE 87. SOURCE OF TURNOVER— BONDI JUNCTION



Source: SGS Economics and Planning calculations

Double Bay

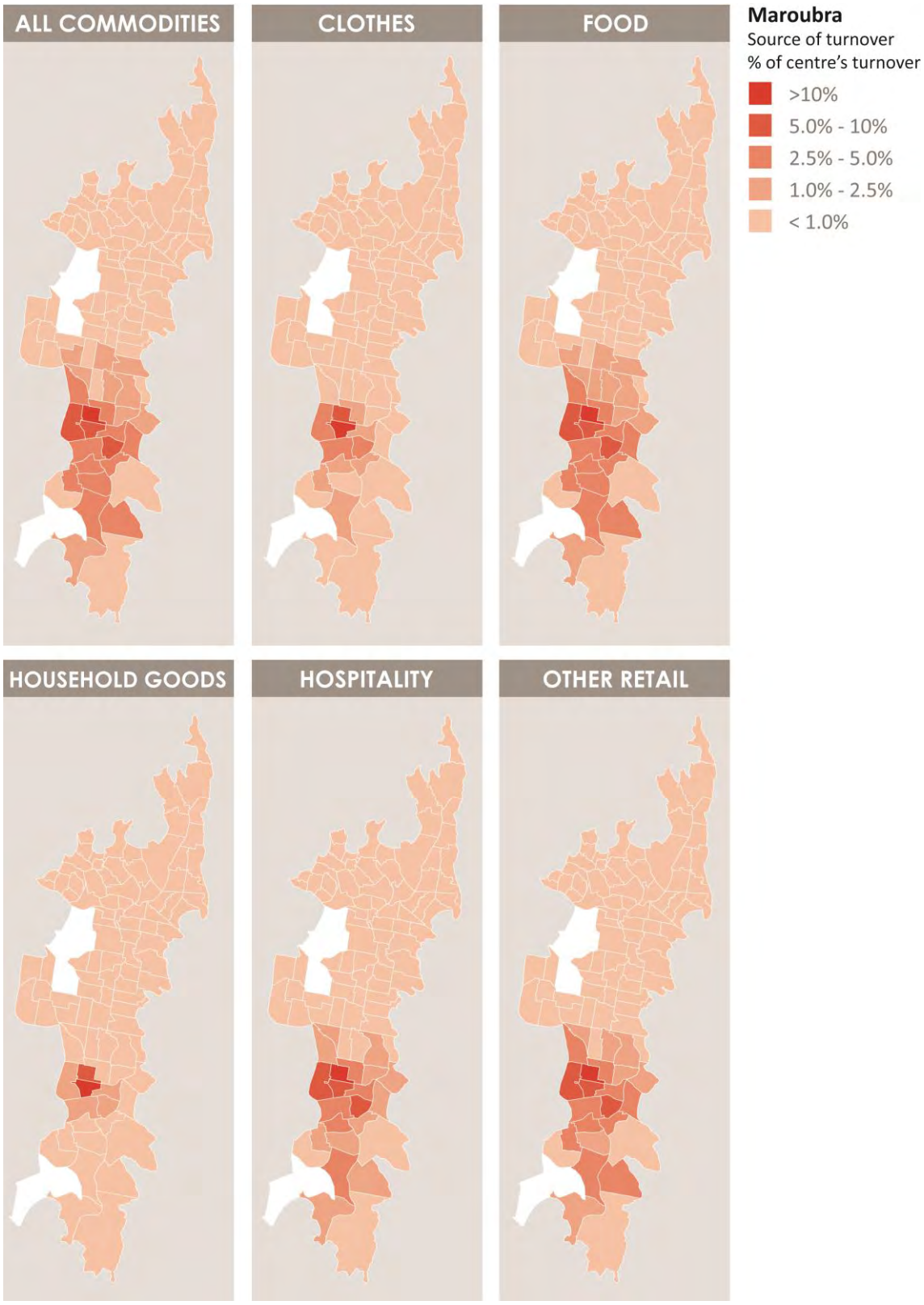
FIGURE 88. SOURCE OF TURNOVER — DOUBLE BAY



Source: SGS Economics and Planning calculations

Maroubra Junction

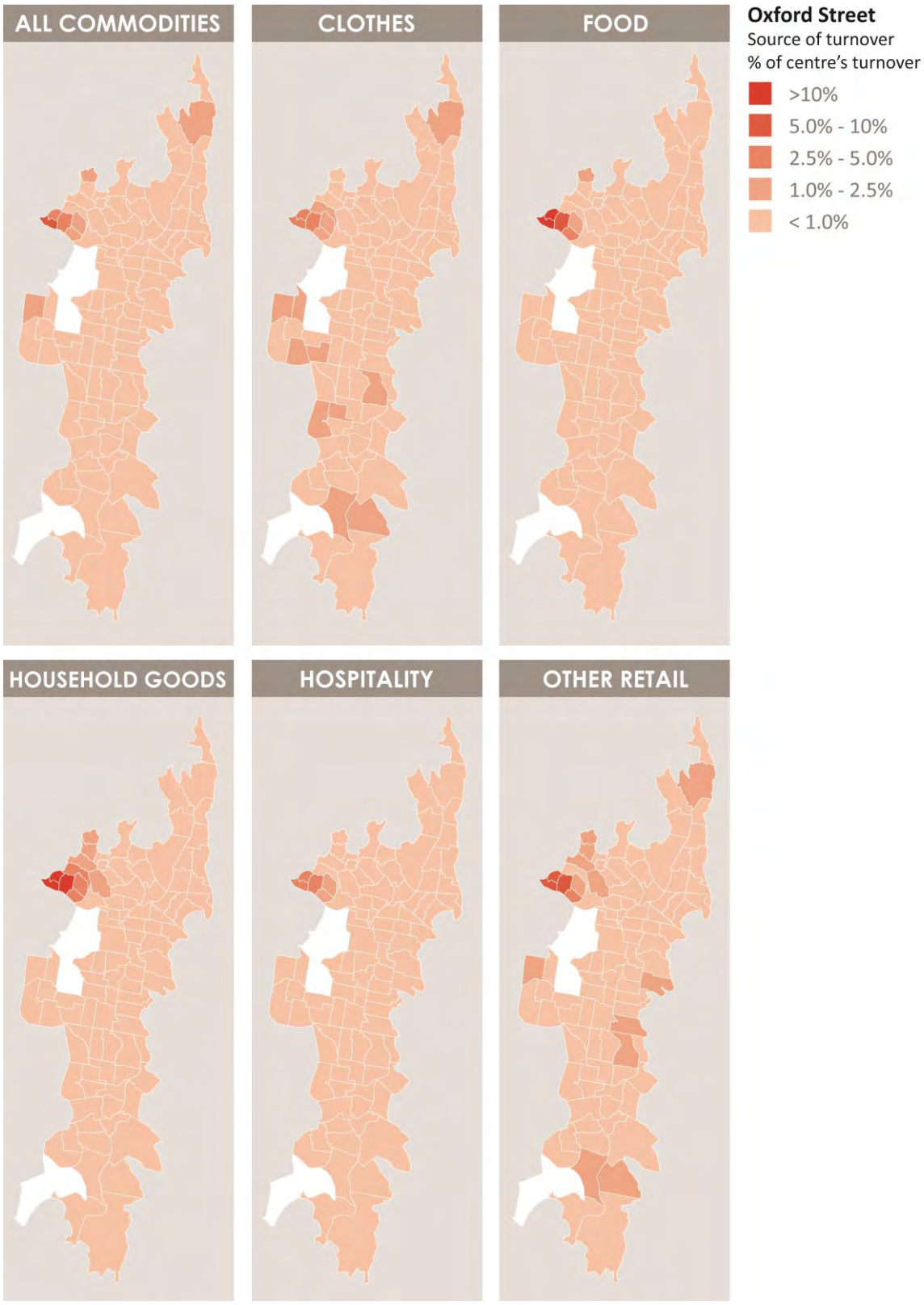
FIGURE 89. SOURCE OF TURNOVER — MAROUBRA JUNCTION



Source: SGS Economics and Planning calculations

Oxford Street

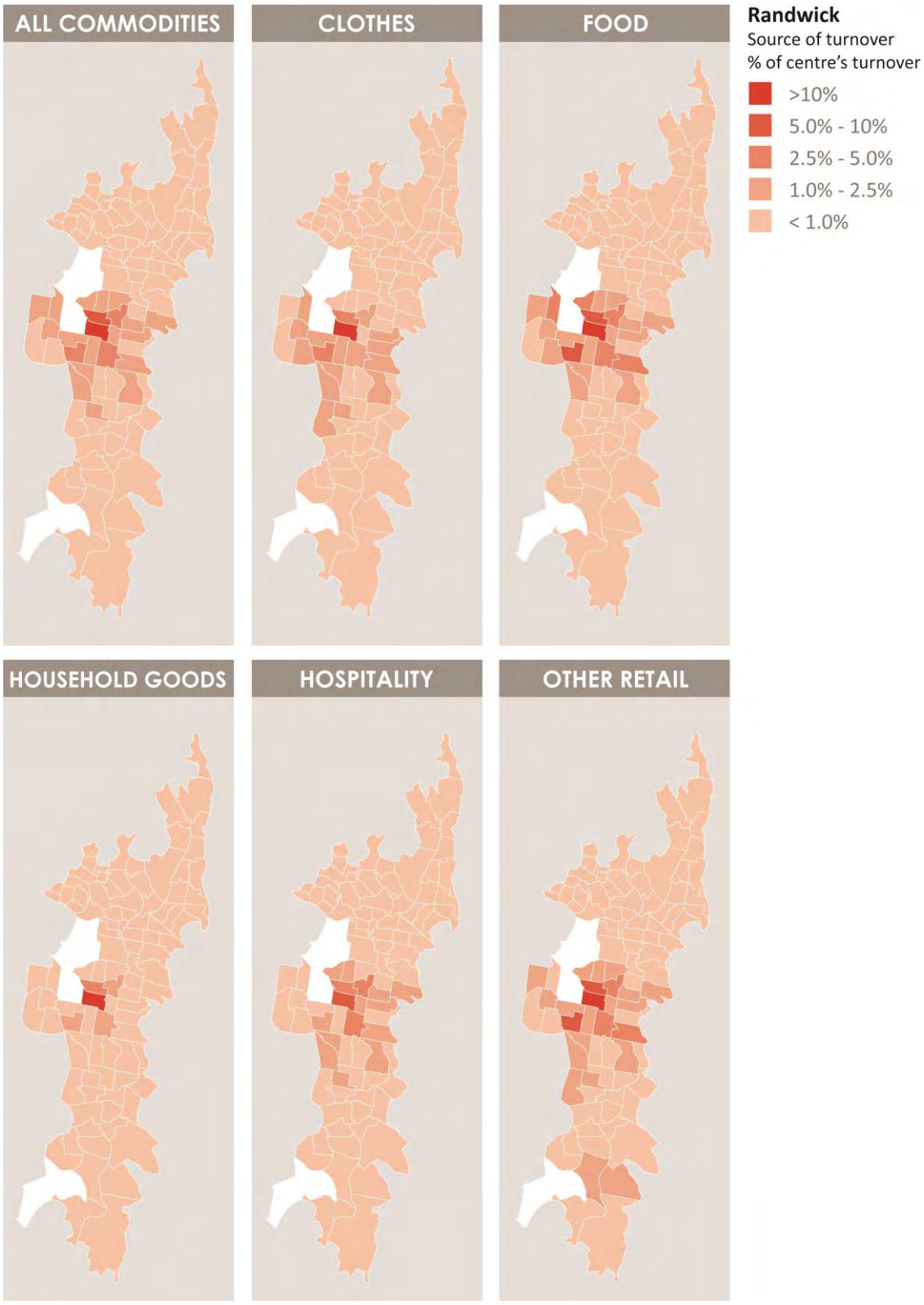
FIGURE 90. SOURCE OF TURNOVER — OXFORD STREET



Source: SGS Economics and Planning calculations

Randwick

FIGURE 91. SOURCE OF TURNOVER — RANDWICK/THE SPOT



Source: SGS Economics and Planning calculations

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