



Committee
for
Sydney

ARUP

Commission into the Future of Sydney CBD

Movement, workplace and productivity

Phase two summary



Welcome

At this pivotal time for our city's future, the Committee for Sydney and Arup have brought together some of Sydney's leading thinkers to convene a Commission into the Future of Sydney CBD.

This report outlines findings and thoughts from phase two of the Commission into the future of Sydney CBD, as identified by our Commissioners, testimonial response and early research.

Acknowledgement of Country

The Commission acknowledges the Gadigal of the Eora Nation, the traditional custodians of Country on which the Sydney CBD stands.

We acknowledge and pay our respects to Elders past, present and emerging.

Phase 1
Challenges and opportunities

Phase 2
Movement, workplace and productivity


Phase 3
Learning, living and culture

Phase 4
Sustainable urban form, planning and liveability

Testimonials

+ Interim workshops, supporting research and data analysis

Commissioners


Phase 5
Actions and recommendations for a global and vibrant CBD

To find out more about the Commission visit sydney.org.au/FutureSydneyCBD

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About phase two

Phase two of the Commission focused on deeper exploration of movement, workplaces, and productivity in the CBD. The Commission explored trends in productivity, the economy, the role of the offices in the CBD, commercial and retail work and the supporting transport, logistics and infrastructure for the CBD to function.

This phase summary outlines key findings, thoughts and emerging ideas.

Testimonials

The second of five Commission hearings was held on 24 March 2021 and testimonial responses were given by:

Lee Hatton

Executive Vice President
Afterpay

Michael Silman

Executive Director
and Project Director of
Macquarie's Metro Martin
Place development
Macquarie Group

Susan Lloyd-Hurwitz

Chief Executive Officer and
Managing Director
Mirvac

Kirk Conningham

Chief Executive Officer,
Australian Logistics
Council (ALC)

Rachel Smith

Interim Chief Executive
Officer and Director of
Policy and Advocacy
Australian Logistics
Council (ALC)

We asked our testifiers to provide insight and thinking into challenges they saw with Sydney CBD pre-COVID-19, trends they see impacting the long-term future of the CBD, and opportunities for movement, workplace and productivity. The Commissioners considered some initial recommendations which will be worked into a series of actions as we continue through to phase five of the Commission.

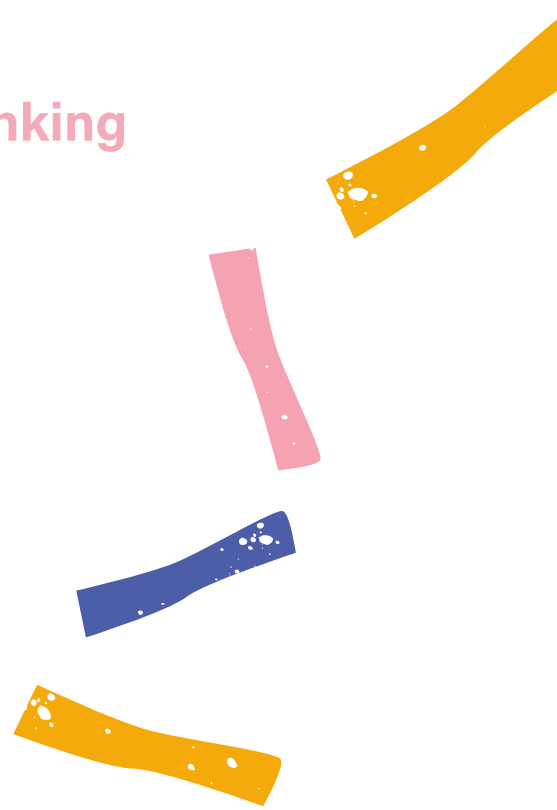
What we heard and what we are thinking

The testimonials for phase two supported the view of the Commission that Sydney CBD is the epicentre of our global city, a hub of employment, connection and activity.

The phase two findings also reinforced that not all impacts of COVID-19 are negative. While there are some challenging issues to address, there have also been some positive changes and outcomes as a result of the pandemic which will impact the long-term future of the CBD.

The Commission will explore these themes as it continues to work towards a series of recommendations for the future of Sydney CBD and supporting actions.

Read on to explore the insights from the second phase of the Commission into the Future of Sydney CBD.



Key themes

New ways
of working,
talent and
productivity

Ensuring and
growing
economic
prosperity

Property and
development —
reuse, re-purpose,
re-imagine and
diversify

The fast-changing
face of retail

Connection,
mobility and the
24-hour CBD

Logistics —
the lungs of
the CBD



1 New ways of working, talent and productivity

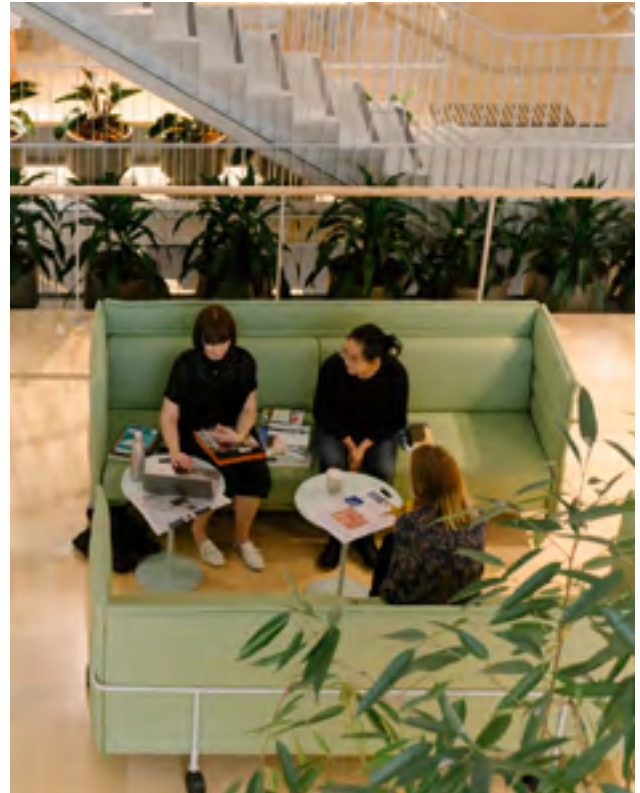
What is happening and what has changed?

Trends, disruptors and productivity

The emergence and uptake of technology trends alongside 'hybrid working,' a resurgence of people to the suburbs and regional areas are major disruptors to pre-COVID-19 businesses models. All these factors are impacting work, workplaces and the measure of productivity in the CBD.

Accelerated technology trends and uptake means that a lot of work-based activities previously done in offices are now better performed elsewhere (either physically at home or remotely), or can be completed by automated technology systems. In a report by McKinsey on remote working, the finance, management, professional services and information sectors have the highest potential for remote work¹. These industries collectively occupy a large proportion (40.7 %) of the Sydney CBD floor space².

According to the NSW 2021-2022 intergenerational report, productivity growth for the State is expected to average 1.2 per cent each year over the next 40 years³. The report also outlines that "while productivity is high in New South Wales, productivity growth has dropped below the OECD average (a grouping of 37 advanced economies) and the Australian average. Achieving a productivity growth rate of 1.2 per cent will be challenging and will require microeconomic reforms at the State and Commonwealth level, the development of world class infrastructure, an effective and adaptable education and training system, and the adoption of global and local technological innovations"³.



The flexible working model is the future, it has arrived, and it will dramatically re-shape the CBD.

Michael Silman

All the things that come from a multitude of 'weak ties' (in other words those ties with people we see on a regular basis but don't have strong affinity with) have evaporated from our economy. The 'weak ties' spark ideas, build trust and culture. 'Weak ties' have strength but they have been threatened by remote working.

Susan Lloyd-Hurwitz

¹ McKinsey, What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries, 2021

² City of Sydney, Floor Space and Employment Survey, 2017

³ NSW Government, 2021-22 NSW Intergenerational Report, 2021

Workplace imbalance

Local and global organisation surveys, including one by Employment Hero⁴, are suggesting an 'outstanding love from staff for the ability to work flexibly', 'have no commute' and 'save time.' While there are great benefits to the new ways of working, there are also challenges the CBD and staff are facing that need to be addressed.

Staff in offices have missed the ability to learn from each other, connect socially, celebrate, collaborate, and build relationships. A recent study by PwC highlights that the 'hybrid model' is challenging for younger and less experienced staff⁵.

The Commission heard supporting evidence for this in the testimonials. People who are established in their careers, with studies and separate spaces to work from at home, are benefiting from not commuting. In contrast, the early and mid-career employees in share houses, who are trying to build networks from a shared kitchen table are missing out on osmosis learning from being in a room with colleagues and around their team.

There is increasing concern also for the gender disparity effects of 'hybrid working' in workplaces and the impact on women in sectors that COVID-19 has hit hardest. Having reduced representation and physical presence of women in the workplace in the CBD can impact gender pay gaps, employment, promotion and wages.

In NSW, the gender pay gap is 13.4%⁶, with women working full-time earning an average of \$247.80 less than men per week⁷ and women being over-represented among lower paying industries⁶.

A study by McKinsey found that in many economies, the female workforce is more highly concentrated in occupational clusters like healthcare, food services, and customer service that have relatively low potential for remote work⁸. This means women in sectors more negatively affected by COVID-19 are at more risk of job loss, unemployment and financial hardship as a result.

Working from home has become working from anywhere. Working from anywhere is a spatial and social threat. There are different consequences now. For example there is a threat of re-gendering the workforce. Not having women in the office would be a massive step backwards and we need to think carefully about that.

Tim Williams

4 Employment Hero, A comprehensive remote working guide [in 2021], February 2021.

5 PwC, Changing Places: How hybrid working is rewriting the rule book, 2021

6 Workplace gender equality agency, Australia's Gender Pay Gap Statistics, February 2021

7 ABS, Average Weekly Earnings, Nov 2020

8 McKinsey, What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries, 2021



What we are thinking about

Retaining talent

One of the challenges highlighted in the phase one summary was attracting people back into the CBD and the opportunity to re-imagine our offices, retail and buildings to support more mixed use, collaborative environments which provide workers with a different offering from their home working environment.

The new 'hybrid' model of working means many knowledge workers in Sydney CBD now have more opportunity to choose where to work from and when. The CBD will continue to be a central place of meeting, but we need to think about how we retain talent in Sydney CBD (as well as more broadly across Greater Sydney) and ensure it is an attractive destination for workers to come to live, work and play.

So we are thinking:

- *What does success look like in the future CBD from a talent perspective?*
- *How do we ensure the CBD is a place to bring talent together that benefits workers, organisations and supporting CBD industries?*
- *What does the talent retention look like in a future 24-hour working CBD supported by Sydney Metro?*

The people sitting around the kitchen table in a share house, they are our future thinkers. They are our diverse young people we really want to engage deeply in our future CBD. We need to give them a place.

Ros Moriarty



Attracting and growing talent

Global cities are competing more than ever to attract and grow talent. People now have more options open to them than before and they're choosing where to live and work based on a new set of metrics, new attitudes to the workplace and altered priorities.

Before COVID-19, people were willing to move to Sydney for the work, high amenity, and lifestyle. Sydney CBD should continue to capitalise on this community, business, and government performance for global talent and investment and shore up its proposition to do so.

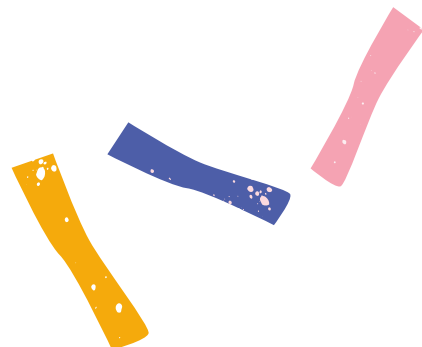
Attracting and bringing world experts here can unlock the potential of existing talented staff by helping to train them in the skills needed to develop world leading fintech, manufacturing and other industries.

So we are thinking:

- *How can the CBD attract more quality talent and build up Sydney as a global financial service and technology hub?*
- *What are the initiatives we need to drive Sydney's attractiveness and ensure Sydney is a top destination for high skilled workers?*
- *How can Sydney improve awareness of global talent visas and include flexibility for high-skilled visa holders?*
- *How does Sydney form stronger relationships with top talent and become an attractive destination for families?*
- *What changes should be made to taxation laws to attract and retain more international talent?*
- *How do we prepare for and re-skill existing workers for Sydney's new industries?*

For the global talent visa – we need better awareness that it exists. Its uptake remains low and in Silicon Valley we are just not seen as a top destination... For the first time in a long time, more highly skilled people are willing to return or relocate to Australia for the lifestyle.

Lee Hatton



Case study

London

The City of London Corporation and the City Property Association show that 89% of global institutional investors view London as having the best pool of talent for financial services in Europe⁹. London is often cited as a top location for internationally mobile and skilled people, and it offers the very best of professional courses and training for professionals across the financial and professional services sector, with the UK attracting 458,000 international students from 200 countries and 57% of London's workforce have obtained a degree¹⁰. Consequently, London is home to one of the most skilled workforces in the world. This is particularly true for the technology and financial sectors as London hosts more highly qualified Artificial Intelligence experts and software developers than any other European city¹⁰.

This highlights the importance of supporting academic institutions and education, focusing on national academic excellence and how enabling a highly skilled labor force can attract global talent and create a desirable working and learning location¹⁰.



Oslo

Despite the shock of the pandemic, Oslo has continued to evolve its innovation and start-up ecosystem over the last year with a focus on building home-grown tech firms faster than other cities in the region. There is growing evidence to suggest that these firms now also have access to more early stage funding, with new data also showing that the COVID-19 pandemic has helped to spur growth and recognition in many of Oslo's emerging specialisations in future industries, for example EdTech (e.g. Kahoot!), FinTech (e.g. Monner, Zwiipe), and MedTech (e.g. via UiO's SPARK programme)¹¹. Oslo's prioritisation of its start-up ecosystem demonstrates how developing an improved and efficient start up ecosystem can create more high valued jobs for international workers to occupy — attracting talent and spurring innovation.

⁹ City Property Association, City as a Place for People, 2018

¹⁰ The Global City, Tap into UK's wealth of Talent, 2021

¹¹ State of the City, Oslo: State of the City, 2021

What we are thinking about

Productivity and success

New ways of working change how productivity and economic success is measured — from where and to when.

The economic success of the CBD was previously measured by the congregation of productivity in one central place. Productivity is now spread across the city and state as people work from home and remotely. The Commission heard that this is not necessarily a bad thing but consideration needs to be made on the future definition and measurement of 'success.'

There is a really exciting future for our CBD... It is undergoing a dramatic re-shaping and with a focus on local amenity, walkability and an open-campus style city built on shared infrastructure, it has the potential to be a city for everyone.

Michael Silman

So we are thinking:

- *What happens when the workforce spends 50% of time at home and 50% at work in the CBD? How does this affect the measure of economic productivity in both locations?*
- *What is the long-term impact of work from home and work from anywhere on smaller businesses and retail in the CBD?*
- *How do we measure productivity in the future CBD and Sydney more widely?*
- *How do we define productivity and success for the types of industries who are supported by a mix of physical and digital working e.g universities? What does this mean for the mix of workforce in the future CBD?*



2 Ensuring and gaining economic prosperity

What is happening and what has changed?

Economic activity, disruption and planning

Pre-COVID-19, Sydney CBD was the major metropolitan hub of employment and economic activity — locally, regionally, and nationally.

Sydney CBD was seen as the premium driver to Sydney's growth but current political, technological, social and cultural trends have all challenged the economic future of the Sydney CBD. These trends have the potential to alter where and how the generation and distribution of wealth occur across Greater Sydney.

In 2019, around \$140 billion was generated within the City of Sydney area, representing over 7% of Australia's economy and 25% of NSW's GDP¹². Sydney's CBD is also home to Australia's workers of highest value at \$104 per hour per worker — higher than any other Australian centre of employment¹³. These numbers underscore the fundamental importance of the Sydney CBD as an economic engine, driving the NSW and Australian economies.

While the Sydney market was globally competitive, it housed a thin labour market which required more depth for attraction and retention of talent.

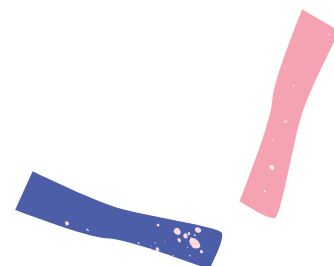
NSW's population is expected to increase by 40% over the next 40 years and the economy is projected to double to \$1.4 trillion by 2060-61 in today's dollars¹⁴. Productivity is also expected to remain the largest driver of economic growth in NSW over the next 40 years¹⁴. These future projections all demonstrate growth and a mounting pressure for planning and strategies to meet the demands of the expanding and diversifying population¹⁴.

Agglomeration vs 'hybrid working'

'Hybrid' and 'flexible' working is leading to a social and economic shift where 'working from home' and 'working from anywhere' are here to stay through digital enablement.

The CBD and Sydney's economy has benefited, like many cities, from the agglomeration of people — it was a place for meeting, bumping into each other and sharing ideas. The critical mass and agglomeration of skills, knowledge, inputs and markets in the CBD encouraged growth and innovation. The clustering of high-value businesses in the CBD helped boost the economic contribution of some sectors, partly because of the sheer concentration of employment, but also because of the productivity of these sectors. Some sectors had competitive advantages for businesses due to their proximity to other related businesses and the 'cross pollination' of ideas and activities.

The nature of 'hybrid working' is currently seen to be directly impacting some of these social and economic benefits. It also challenging the attraction of the CBD and its authority as the primary place of generation and declaration of corporate wealth. At the same time, we have an opportunity to consider the underutilised assets of the CBD and unlock the latent potential of its underlying attractiveness, while finding ways to innovatively build on its strength of form and setting.



¹² City of Sydney, Business and Economics, 2021

¹³ City of Sydney, Central Sydney Planning Strategy: 2016-2036, 2016.

¹⁴ NSW Government, 2021-22 NSW Intergenerational Report, 2021.

Local, state, and global relationships

Sydney CBD's economy has been seen to positively impact Greater Sydney, Newcastle and other regional areas in NSW. At the same time, the has CBD played a critical role in the national economy and the global perception of Australia.

The Commission heard that with trends in 'hybrid working', social behaviors and technology changing the way we live and work, the 'status quo' is unlikely to be restored in the CBD. The economy will likely transition as a result of industries changing.

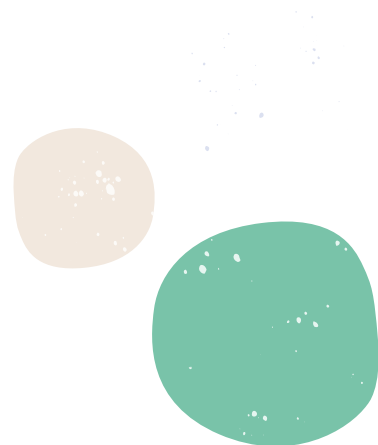
The future economic strength of Sydney CBD is uncertain due to these changing trends but while occupancy, rents and uses will likely change, it will not be unoccupied, just 're-occupied'. As this plays out we will likely see greater dispersion of economic drivers across Greater Sydney.

There is a growing sense that Sydney can be more than a 'recognisable' gateway to the rest of Australia. It can change its investment profile and grow new global connections for financial investment to become a financial-technological (fin-tech) centre. This can help place it in a more rarefied group of premium financial cities (such as Chicago and London), and rival Singapore and Hong Kong for investment and fin-tech leadership.

In a global context, the Commission heard that

Sydney's underlying natural attractiveness, diversity of people, structural strengths, low geo-political and sovereign risk and strong multi-polar economic and skills centres all bode well for the future city, the economy and investment. The challenge will be in the 'value add' and ensuring high paid jobs to attract quality talent.

Sydney is one of the world's most recognisable regional cities, but it has the potential to grow into one of the world's leading commercial centres.



The Sydney CBD is not going to be empty. It will be 're-occupied' and 're-churned'. The reinvention and the way in which landlords and market respond to this is the opportunity and we cannot say with any certainty what will, or should happen, yet.

Tim Williams

What we are thinking about

A global and economically prosperous CBD

The built reputation of the Sydney CBD is strong, but Sydney, like many cities globally, is adjusting to new forms of working and living. There is an opportunity going forward to continue to build the economic strength of Sydney but the CBD needs to be thought of in the context of 'Greater Sydney', rather than a standalone core.

While the CBD grapples with new challenges, questions arise as to whether a thriving Sydney CBD is fundamental to the future prosperity of Sydney, NSW and Australia? And what should the future definition of success should be?

Agglomeration might be difficult to achieve in 'long commute' cities, but it can be achieved in 'short commute' centres. As citizens around the world seek living and working centres that are local, walkable, connected and individual — Sydney is well placed to provide these. The CBD can lead the way for others rising centres across Greater Sydney and NSW. With stronger suburban centres and less need for daily commuting, a re-imagined CBD, that is better connected to its satellites can emerge as Sydney grows into a new age.

Sydney CBD retains an attractiveness, with its diverse economy and multicultural population, skilled workforce, security and abundant natural environment and waterway. What Sydney CBD needs moving forward is an ecosystem of more diverse thinkers, makers and creators to make Sydney CBD a prosperous place. The CBD needs to also be deliberate in identifying its global competitors and define its ambitions.

As the political world order and economic ties change, Sydney CBD can capitalise on its location, regionally and globally, for talent, investment, and opportunity.

So we are thinking:

- *If we leverage the built reputation of the CBD, what should economic success look like in 10 years and 20 years time?*
- *Is a prosperous Sydney CBD essential to lifting the global perception of our State and Nation for future investment, talent, and activity?*
- *What is the new formula that will enable Sydney CBD to be a more global economic city?*
- *What are the new economic drivers that will empower the CBD to be a major global city?*
- *Could we achieve all the outcomes we seek for a future CBD and increase the economic premium?*
- *What should the future Sydney CBD premium be and does the nation still need Sydney CBD to generate the same GDP?*
- *What does sustainable economic growth look like for the future CBD?*
- *Who are new entrants that will create an economically prosperous CBD?*
- *How do we ensure we have a whole 'ecosystem' of skills and talent in the future CBD — mixing PhD students with law firms, manufacturing, retail and others?*
- *How can we better understand our human capital, market it, hone it and match it to the best investors and customers to help our CBD grow as a global city?*



Sydney is one of the world's great cities and I think that with the right attitude, principles and right scope for what we see in the next 10 years, there is opportunity to revitalise that in a way other cities won't be able to.

Kirk Coningham

Sydney has the opportunity to move from a place of transactions to a global place of experiences.

Lee Hatton



3 Property and development — reuse, repurpose, reimagine, and diversify

What is happening and what has changed?

The Commission's phase one findings highlighted the challenge of high-priced property within the CBD pricing out diverse sectors such as the arts. The findings also highlighted the opportunity to diversify price points, diversify usage and create flexible leases to broaden the range of industries and demographics in the CBD.

Industry and tenancies

Pre-COVID-19, the 'CBD and Harbour' Village (as defined by the City of Sydney) was dominated by professional and business services and finance and financial services (40.7 % combined in 2017¹⁵) and the 'Chinatown and CBD South' Village (defined by City of Sydney) was dominated by food and drink, retail and personal services (38.3% combined in 2017¹⁵).

Changed working, living and retail patterns have changed the demand and usage of tenancies in the CBD.

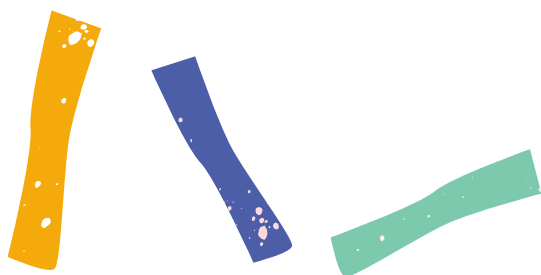
This creates opportunity for repurposing and reimagining spaces and buildings in the CBD. There is potential to diversify the types of industries in the CBD and create a new ecosystem of knowledge, services and amenity.



There will be a flight to quality over time and people are prepared to pay for it. People will be willing to pay for a better product and for buildings and precincts that offer a variety of amenities.

Existing lower quality assets are also likely to be repurposed within the CBD.

Michael Silman



¹⁵ City of Sydney, The changing face of business 2017, ArcGIS Data

Buildings, workplaces and sustainability

The Commission heard that businesses, retailers and developers are looking at how they might use their buildings and spaces differently in the future. The Commission also heard that businesses are choosing quality of space over quantity of space and there is a sustainability driver to reuse and repurpose existing infrastructure where possible.

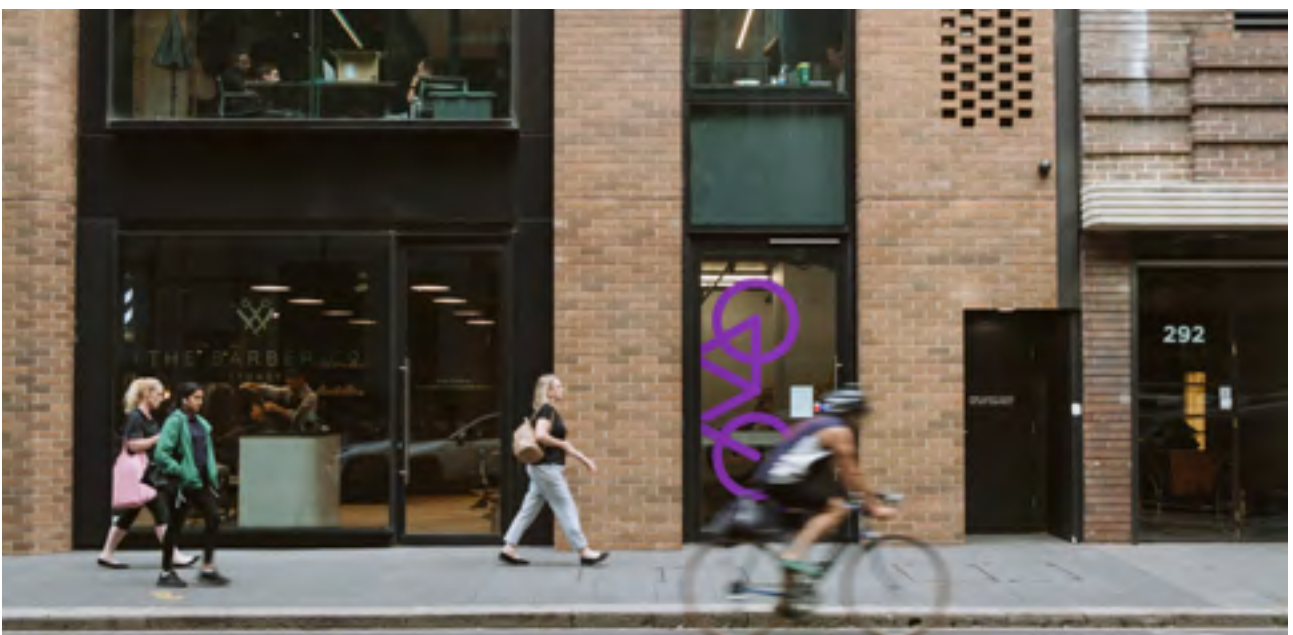
Waste is a key concern for the CBD and wider city. Circular economy solutions should help drive the future CBD development. It is likely that there will be a range of existing lower-class assets in the CBD which could be available for repurposing for different uses in the near future — one way the CBD can embrace circular development.

People want to live, work, play and shop in the same geographical area which is a huge opportunity for the future of Sydney CBD to embrace. Michael Silman suggests, the future will be less about 'individual buildings and company staff' and rather "organisations will move to a more 'open campus' style concept with more use of shared infrastructure".

Buildings and workplaces in the future CBD will need to support the changing nature of work, provide variety, be open longer and have shared amenities. It will be the role of the buildings and workplaces to be fit for purpose, adaptable over time, healthy and highly sustainable.

We won't be seeing great big open plan offices in the future. New buildings and workplaces will be all about learning centres, project rooms for co-creation, spaces for events and product launches, high quality touchless amenities.

Michael Silman



What we are thinking about

Diversifying industry through reimagined and repurposed spaces

The change in demand for tenancy and leases in the CBD provides an opportunity to create a more diverse ecosystem of users and industries who were previously not as prominent in CBD including designers, startups, education facilities and manufacturing.



Case study

Brooklyn

Over the last 10 years, Brooklyn has emerged as a leader in the innovation economy with growth in tech start-ups, creative companies and innovative manufacturing outpacing the rest of New York¹⁶. With thousands of new, well-paying jobs across Brooklyn, the drive in the innovation economy has helped diversifying the borough's economy and has given Brooklyn an important competitive advantage in areas of expected growth¹⁶. Additionally, the borough's growth of R&D centres and activity centres, including the NYU Tandon and New Lab, encourage innovation and diversification of industry by attracting businesses and talent, and help establish the borough as a foundational place for future innovation.

While there are challenges to overcome in relation to scale of growth and competition, there are great examples of diversity of industry working closely together. The Centre for an Urban Future Study identified that founders and entrepreneurs moved to Brooklyn for its comparatively affordable real estate prices and plentiful incubators and co-working spaces with diverse industries in close quarters¹⁶. The borough's apparent repurposing of space to prioritise the establishment of co-working space and R&D centres has helped spur more creative and diversified industry composition.

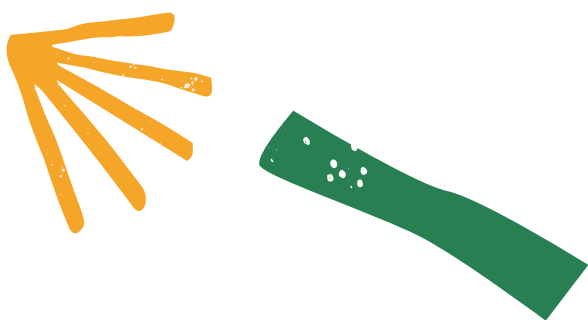
So we are thinking:

- *Who will use the future CBD and how do we support a more diverse mix of industry through policy, planning, strategy and investment?*
- *How does the CBD support flexible space leasing to maximise activity and allow experimentation while also minimising risk for occupiers?*
- *Where can we pilot the reimagining of spaces and/or buildings in the CBD for industries, other than professional and business services, to experiment, grow and prosper?*
- *What planning requirements need to be redesigned to support this new mix of industry and knowledge ecosystem?*
- *How do we encourage and support sharing of buildings and spaces for different audiences and users?*

¹⁶ Centre for an Urban Future, Growing and Diversifying Brooklyn's Innovation Economy, 2020

Buildings, offices and spaces for now and the future

There is a rise in importance and attraction to high performing assets that are distinctly different from the 'work from home experience.' The Commission is looking at how we re-think, re-conceptualise and repurpose buildings and spaces in the CBD to drive a sustainable and economically vibrant future for Sydney CBD.



We need to re-think,
re-conceptualise and repurpose
buildings and spaces in our cities.

Kirk Coningham

We have to completely reshape how we think about the circular economy. It's not enough to just divert waste from landfill, it's about how we create a circular economy and how we build back better as we go through the dramatic shifting of Sydney. It has to be done in a highly sustainable way — not just in relation to emissions but also in consideration for the health and wellbeing of occupants.

Susan Lloyd-Hurwitz

So we are thinking:

- *How can we encourage public and private sector to come together to imagine and curate a new CBD of mixed-use spaces through repurposed buildings?*
- *How could we incentivise the re-purposing of carpark in the CBD for different uses that support a sustainable and diverse future?*
- *What planning controls and regulations need to change for flexibility in uses to support the future CBD?*
- *What are the environmental credentials of 'well-designed' precincts, buildings and placemaking in the future CBD?*
- *Could incentives be increased for businesses that recognise Australia's pre-colonial history in their buildings and spaces?*
- *How can planning rules support assets to be repurposed to residential or creative industries?*

4 The fast-changing face of retail

What is happening and what has changed?

The experience and new offerings

The face of retail has changed from the traditional 'customer experience' model to a more 'experiential retail' focus in recent years.

While there are current challenges in retail, Lee Hatton (Executive Vice President, Afterpay), expects there to be a return in demand for bricks and mortar retail in the CBD over time.

Retailers are attracting customers through both a physical and online presence with roughly 70% of Afterpay sales spend on omnichannel merchants¹⁷.

Susan Lloyd-Hurwitz (CEO, Mirvac) told the Commission that she is seeing retailers with a physical and online store reporting approximately 200% more sales.

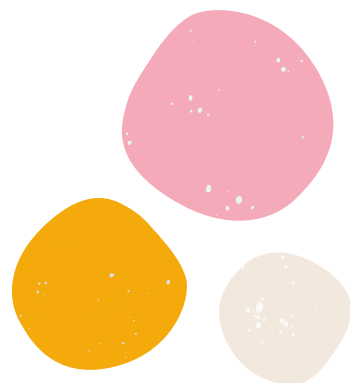
Pop-up stores are trending, and customers' expectations for instore experiences are evolving. Retailers are creating personalized experiences for customers through 'set designed,' leading architecture driven spaces and creative offerings – think Apple, Nike and FarFetch.

What many people have loved about the last year is the flexibility, autonomy and convenience of amenity near their home. This is expected to drive the transformation of retail in the CBD to be different from the suburbs, where a lot of the convenience retail will be done near the home and people will come into the CBD for experiences.

This idea of experiential retail also means the skills, training and education required from retail assistants are changing. The roles are transitioning from an 'assistant' style to an 'experiential expert' model with different skills and knowledge sought after.

The role of retail space is shifting from measure of value per m² to value of audience and the experience they create.

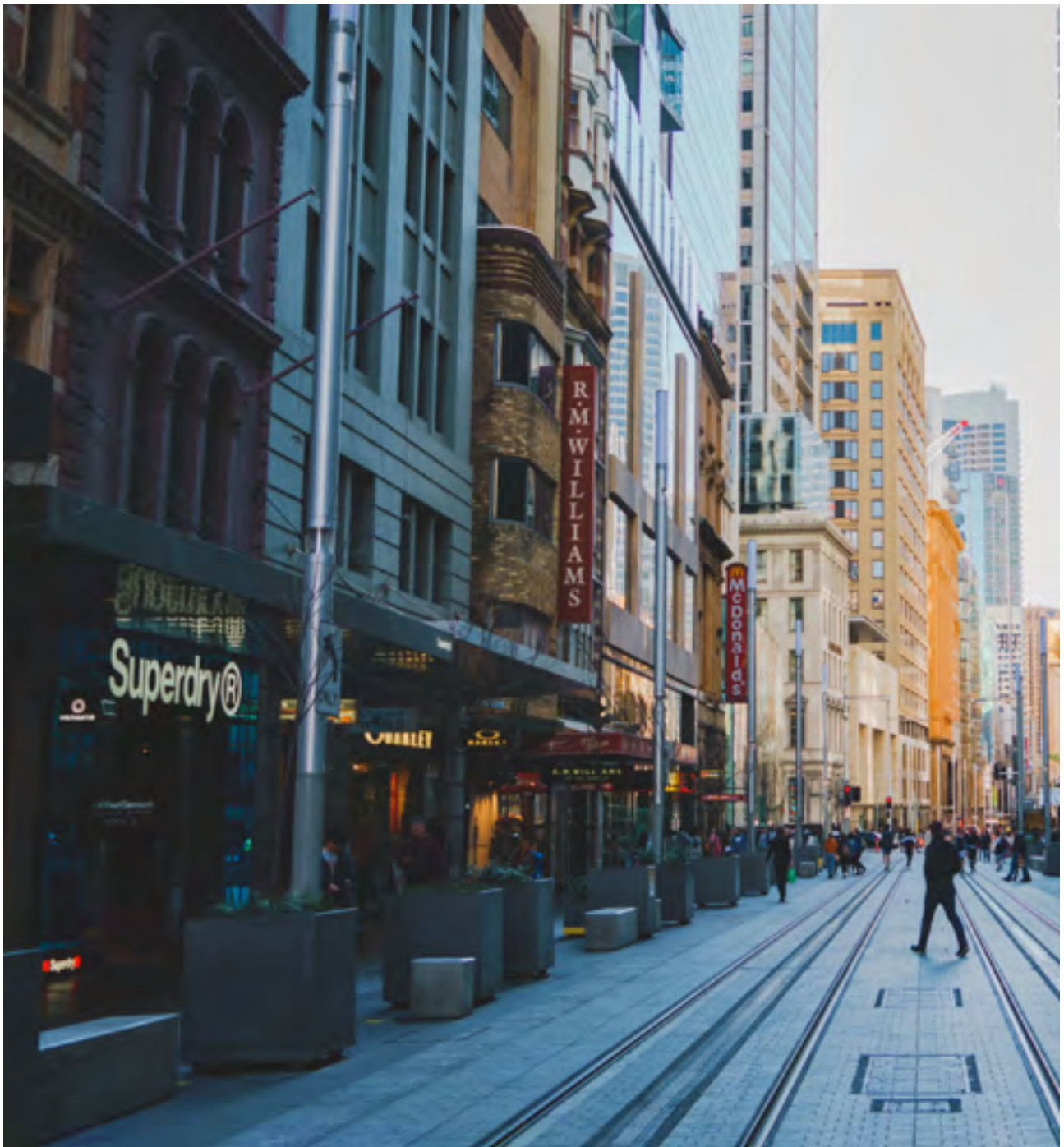
Susan Lloyd-Hurwitz



¹⁷ AfterPay, 2021

Retail in the CBD should be different.
It should be what people cannot get in
the suburbs.

Michael Silman



What we are thinking about

Flexibility

Traditionally leases in the CBD are long term which does not support the trending flexible, pop-up stores. The CBD needs landlords who offer short-term leases for these new initiatives to thrive. A lot of small businesses are growing but there is still a fear of 'what if this happens again' which makes merchants hesitant to take up long leases with concern there is no flexibility.

So we are thinking:

- *How can the CBD support pop-up initiatives and small and local retailers to adopt emerging retail trends?*
- *How can the CBD support experiential retail trends not just inside buildings, but out in the public space?*

Case study

Paris

A number of large department stores in Paris, including Galeries Lafayette and Le Bon Marché, are branching out to create novel experiences for shoppers including initiatives like 3D printed shoe sales and algorithmic perfume selection experiences¹⁸.

A mirrored skateboard installation at Le Bon Marché successfully created a shopping environment which integrates sculptural art and live art, demonstrating the essence of experiential retail as a combined space for shopping, performance, exhibition and art¹⁹. This installation successfully drew crowds through its mirrored and thought-provoking design and through dynamic live performances creating attractive and lively shopping atmospheres.

Other concepts that are being implemented in the new Galeries Lafayette include spaces for designer lectures, trunk shows and touch screens for garments for customers to see sizing and availability in store in real time.



¹⁸ NY Times, The Grands Magasins of Paris Are Branching Out, March 6, 2019

¹⁹ WEB Urbanist, Le Cube: Mirrored Skate Ramp Installed Inside a Paris Department Store, October 7, 2019

Embracing new skills and experience

With retail assistants transitioning to knowledge workers in the 'experiential retail' model, there may be socio-economic consequences for workers with existing customer service skills and experience. The Commission is thinking about the need for education and adjusted approaches to training for this transition.

There is recognition also of the trend for some Gen Z and millennials to be driven by specific roles and jobs rather than following a traditional career model. The gig economy is growing and there is a need to prepare the CBD and future workers for these trends.

So we are thinking:

- *How can the CBD ensure it is set up to embrace and support attainment of new skills, experience and entrepreneurship?*

The CBD needs to create an environment of experiences that are attractive. There is an education piece going forward that says, "Sydney supports your business through experiences"

Lee Hatton



5 Connection, mobility and the 24-hour CBD

What is happening and what has changed?

The impact of 'hybrid working' on movement

Before COVID-19 the CBD was visited predominately during work hours, where workers traveled to and from the CBD at two peak times. The CBD was abuzz with tourists on weekdays and weekends but suffered after work hours.

The change in work patterns has impacted travel patterns to the CBD, enabling Sydney to manage transport infrastructure and networks better with less pressure on the systems. Where previously city networks were at capacity, there has been a rebalancing of patronage across the day.

The introduction of the Metro will also provide different options for people to travel to and from the CBD, and open the CBD to regular and fast travel across the day.

There is a convergence coming — the 22-hour a day Sydney Metro, coupled with changing work which is all about flexibility and technology.

A challenge for Sydney is how we can make it more inclusive, safer and more dynamic... We need to create a destination for people to come to the CBD. We want places that are more interesting and comfortable for everyone, places that are greener and places where businesses can work alongside governments by co-creating events and other forms of life in the city.

Michael Silman



What we are thinking about

Inclusive, accessible, and sustainable transport

Creating a future CBD as a destination that people want to go to, enjoy and prosper from requires accessible and varied transport options for all people in Sydney. This includes multi-generational access and usability across multiple modes of transport as well as active transport.

While travel patterns have changed and there is less demand on existing systems, there is an opportunity to look at how we can create more equitable transport for people, improve the health and wellbeing impact of transport and create cleaner, greener streets.

We also need to get the basics right. Accessible and fast WiFi on public transport can help improve the uptake of public transport as well as accessibility for, and productivity of, workers using the networks. Changing allocation of road space can also help improve the safety of pedestrians and cyclists across the CBD.

The public transport system in Sydney CBD is a unique asset which makes it easier for people to get into the CBD more than anywhere else — it should be supporting incredible night life and incredible cultural activities at night and on weekends.

Gabriel Metcalf

So we are thinking:

- *What does successful transport look like for our future CBD?*
- *What does the vision for a successful future CBD mean for infrastructure and the management of transport?*
- *How can the Sydney CBD ensure it is physically accessible to all?*
- *Can better step-free access be designed and implemented in the CBD and where should it be improved?*
- *Could Sydney buses and trains provide better solutions for bikes to be brought on board so people could use active transport at both ends of their trip to and from the CBD?*
- *How can planning, policy, investment and strategy enable an inclusive CBD for all through better transport design and connection?*
- *How can we help support the City of Sydney ambitions for a CBD that is cleaner, healthier, greener, quieter, safer?*
- *How can we help support the City of Sydney ambitions for a future CBD that is walkable and bikeable?*
- *How can the CBD leverage the reduced demand for travel to create a healthier and more sustainable city?*



6 Logistics – the lungs of the CBD

What is happening and what has changed?

Accelerated trends and disruption

Logistics is a fundamental function of a city. Delivering goods that people need, such as food and medical supplies, is just as high a priority in the CBD, and the wider city, as moving people around. Government and industry collaboration is key to ensuring logistics is resilient, safe and sustainable in our changing cities.

Kirk Coningham from the Australian Logistics Council told the Commission that during COVID-19, there was an increased uptake in technology in the industry, an increase in e-commerce uptake by consumers and retailers and the demand for goods delivery increased dramatically. The Australian logistics and freight industry, retailers and government each had to respond to the disruption caused by COVID-19 in order to continue to supply the nation with goods in a safe and efficient way. Kirk highlighted that overall, the interruption to the function of logistics was a positive disruptor for the industry to update and rethink its processes and models.

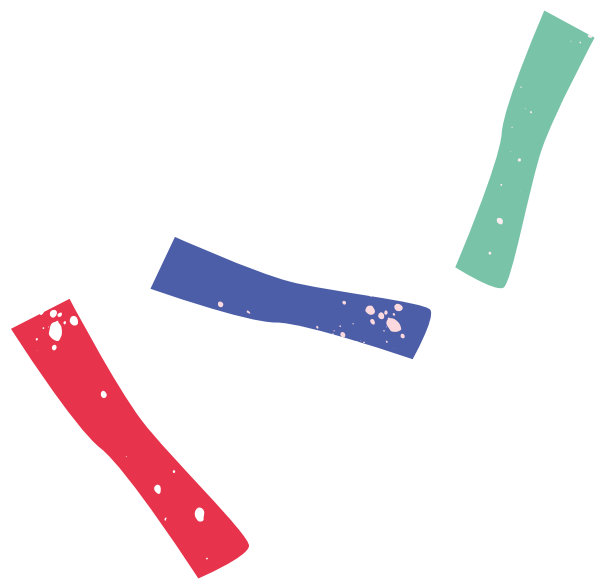
COVID-19 was a lay down marker for our industry and has given us an opportunity to re-think the industry.

Kirk Coningham

Curfews

On any given day, the CBD streets are busy with vans and bikes delivering and picking up goods. A significant change from COVID-19, in Sydney, and across the country, was the relaxation of curfew regulations which previously restricted the logistics industry to work at different times (mainly due to noise complaints). This relaxation permitted freight deliveries to be made 24/7 during 2020 and in NSW, the relaxations look to continue for at least the next 6 months.

With technological advances such as quieter, lower emission freight vehicles and reduced need for alarms due to built-in cameras and proximity sensors, delivery could remain 24/7 taking congestion off the road during business hours. These changes benefit both retailers and the community since they reduce impact on road congestion and create safer streets for pedestrians and cyclists during the day.



Low emission vehicles

In recent years many industries have been under growing pressure to move towards sustainable operating practices, whether this be consumer-driven or regulatory-led. As e-commerce and the delivery of goods continues to grow, we must think about how we can increase sustainability in our cities to increase health for both people and the planet. Low emission vehicles (LEVs), including electric and hydrogen powered vehicles, are a safe, silent, and sustainable option for this increased goods movement.

Prior to 2021 there were no lithium ion battery manufacturers in Australia which meant we had to import batteries for electric vehicles. With a plant planned in Newcastle, NSW, to mine the lithium and cobalt on shore rather than offshore, we have an opportunity to make the vehicles in Australia and become leaders in low emission freight technology. Volvo and other car manufacturers are also working on recycling and reusing the batteries at the end of life which will change the industry. While some concerns exist about job losses, there are opportunities for people to upskill and reskill in advanced manufacturing and new and emerging areas.

Electric vehicles offer a silent, sustainable, and safe outcome for the city. We need a city that encourages electric vehicles, not discourages them.

Kirk Coningham



What we are thinking about

Data is key

As we aim to be more connected and globally competitive, the use of data in our CBD is key.

Currently the lack of available data around movement and organisational processes, as well as the lack of standardisation of data in the logistics industry in Australia, makes it difficult to plan, operate and collaborate effectively.

Having more access to organisational data can help the industry plan for shared hubs, better coordinate the last mile delivery and incentivize LEV uptake.

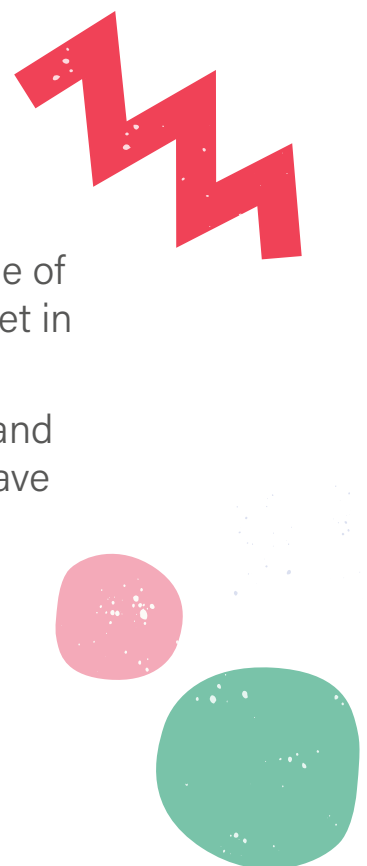
So we are thinking:

- *What data do logistics organisations have that can be collated and shared to better understand the operations of the logistics and the freight industry in our CBD and wider city?*
- *What's the best approach to creating a national data hub for logistics in our CBDs? How does this impact the Sydney CBD?*
- *How can the logistics industry and organisations be encouraged to collaborate using data to create more streamlined, safe, and sustainable services in the CBD?*

COVID-19 has brought the 'logistics and city conversation' forward by 2-3 years at minimum. One of the challenges for this Commission is how do we get in front of the curve?

Data is so important to truly understand our cities and truly understand the freight – today we just don't have the data.

Kirk Coningham



Safe, silent, and sustainable service

More collaborative approaches between the city and logistics industry and support for changing curfews, managing kerbside space and uptake of LEVs can help create safer, quieter and more sustainable streets and roads in the CBD and wider city.



So we are thinking:

- *How can the CBD support infrastructure for LEVs and electric charging to improve uptake?*
- *How can kerbside space be better managed in the CBD to ensure efficient logistics movement while also being safer and healthier for pedestrians and cyclists?*
- *How do we support a changing curfew regulation to reduce and stop congestion issues in the CBD and surrounding suburbs when people are trying to get to and from the CBD?*
- *What education pieces are needed to support these changes?*

We need shoulder periods, starting earlier than 7am and going later into the night. There is the consumer who wants delivery outside 9-5 but also the logistics companies who want their deliveries on the road outside busy periods as it is more economical, more efficient with less safety risk and less congestion.

Rachel Smith

Micro distribution

Consolidation of logistics in the CBD is key to minimising unnecessary movement of goods across the day which has social, economic, and environmental benefits.

Strategically located micro-distribution centres around the CBD, where freight is delivered and then broken into smaller batches for collection or distribution using bikes or electric vehicles, can remove congestion and reduce vehicle emissions.

With these centres and low-emission transport used for last-mile delivery, streets will become less congested and more amenable for cyclists and pedestrians to travel around. Additionally, these centres can provide a social point of connection and community where people can meet and interact with others rather than waiting for packages in isolation.

So we are thinking:

- *Could unused spaces within the CBD be reused or adapted into consolidated micro distribution hubs? What is needed to repurpose these spaces? And where could these be built?*
- *How can we be strategic about where these micro distribution hubs occur in the CBD?*
- *What does the management and operation of these hubs look like?*

The 'nearbyhood,' meaning the neighbourhood + logistics, is an interesting discussion. The fact is, this will be developing, and logistics will be fundamental in shaping the metropolitan city.

Tim Williams



Case study

USA

Big name companies including Amazon, Walmart and Target understand the need for urban fulfilment strategies and have all opened micro fulfilment and distribution warehouses in New York City, bringing their goods closer to the biggest urban market in the United States.

Amazon has three warehouses on Staten Island, an 855,000 square foot fulfilment centre which opened in 2018 and a 450,000 square foot last mile delivery facility which opened June 2020²⁰. Termed a delivery station by Amazon, the centre was created to help speed up deliveries where packages go directly from the last mile facility to homes and offices within a 45-minute driving radius²¹.

In downtown Chicago, a real estate firm converted a 3.8 million-square-foot parking garage under Millennium Park in the centre of the city

into last-mile logistics facilities for retailers²². The site reaches a population of 2.7 million people and is just a few blocks from Chicago's popular Magnificent Mile shopping district.

A study by Deloitte of an urban fulfilment centre in the Bronx found that while real estate and labour is more expensive in the Bronx (as opposed to outside the city), the total cost to serve for last mile delivery is less, and service from a fulfillment centre in the city increases the competitive advantage of companies as the delivery commitment window reduces from same day to hours²³. They found that it was 22% more cost-effective to serve the same e-commerce demand in NYC out of the Bronx versus other locations in New Jersey due to higher transportation costs from locations outside the city after considering the cost of getting in and out of the city.



20 Silve, Amazon leases its third Staten Island warehouse, October 2020

21 Silve, Amazon last-mile facility to open this month on Staten Island; hiring 160, June 2020

22 Wall Street Journal, E-commerce companies get creative in quest for 'last mile' space, December 2018.

23 Deloitte, Urban fulfillment centres: Helping to deliver on the expectation of same-day delivery, 2019.

Next steps

Phase three will focus on 'Learning, Living and Culture' – the trends over time, 'what's next' and emerging recommendations for:

**Education
and
students**

**Demographic
change and
risk factors**

**Living and
working
balance in
the CBD**

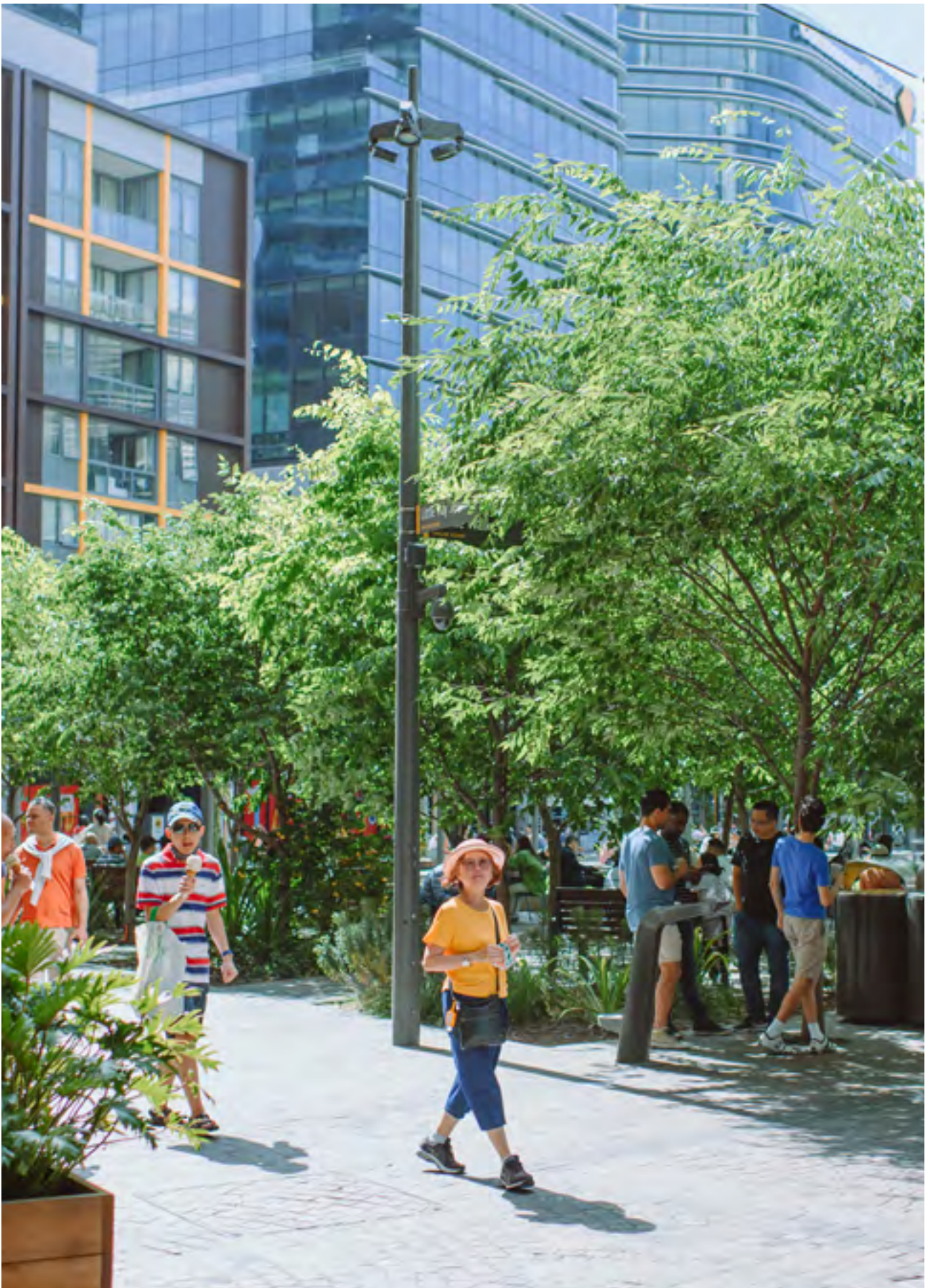
**Sociability
and
community**

**Night-time
economy
and an
open CBD**

**Arts and
culture**

The Commission will continue to explore the future aspirations sought for the Sydney CBD and what policy, planning, strategy, and investment actions might be proposed to support this future and drive these emerging recommendations.

Visit our [Get Involved](#) page to have your say around the shape of Sydney's CBD and contribute your ideas for a stronger, more dynamic and resilient Sydney.



Acknowledgments

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We'd like to thank the Commissioners and Testifiers for their valuable contribution into this Phase of the Commission.

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To find out more about the Commission visit
sydney.org.au/FutureSydneyCBD

