

East Darling Harbour Economic Positioning Study

Final Report

Sydney Harbour Foreshore Authority

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This study has been prepared for:

Sydney Harbour Foreshore Authority



SGS Economics and Planning Pty. Ltd

ACN 007 437 729

Suite 12/50 Reservoir Street,
Surry Hills NSW 2010

phone: 61 2 8307 0121

fax: 61 2 8307 0126

email: sgsnsw@sgs-pl.com.au

web: www.sgs-pl.com.au

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1 Introduction

The East Darling Harbour development is an exciting, once in a century opportunity to create a premium quality development adjacent to the CBD to position Sydney – and Australia – for the next wave of global economic development.

While Australia's recent economic success has ostensibly been secured through commodity and resource exports the last generation of development has been driven by the advanced business service clusters in our major cities – Melbourne and Sydney in particular. These advanced business services – management services, legal, marketing, design, advertising and engineering activities – are at the forefront of 'high end' value creation. They depend on innovation and knowledge creation. Sydney, and the CBD in particular, as Australia's dominant centre for these services, will remain at the forefront of the country's economic performance. In this context, East Darling Harbour, as an extension of the CBD, has a central role in the country's economic future.

The design competition for EDH has set the basic design blueprint. Current planning is for a maximum of 389,200 square metres gross floor area, to be made up of:

- | | | |
|------------------|-----------------------------|--|
| • Business: | up to 311,500m ² | |
| • Residential: | up to 121,100m ² | |
| • Tourist/hotel: | up to 66,200m ² | These are all variable gross floor areas |
| • Retail: | up to 54,100m ² | |
| • Community: | up to 21,625m ² | |

Further work needs to be done on the detail of development. Of particular importance is ensuring that the development is positioned to support Australia's economic advancement. The Sydney Harbour Foreshore Authority has sought advice on the 'economic positioning' of East Darling Harbour. This report responds aims to contribute to the debate about how East Darling Harbour should be 'positioned'.

The report addresses the following elements:

- **The policy and strategy context** - what the government's Metropolitan Strategy says about the role of the Sydney CBD in the future development of the metropolitan area, what the design competition brief said about EDH's economic role, and perspectives from the City of Sydney and the Property Council of Australia, including the role of EDH in providing additional floorspace for the CBD's expansion.
- **The strategic context for development** – the global or regional economic role that Sydney performs and what has driven growth in the city, in particular the role of 'advanced business services' as key economic drivers, and the operational and business approaches that drive innovation in this advanced business service sector.
- **Industry perspectives on the future position and role of EDH** – what perspective property and industry interests have on the EDH development;
- **Relevant economic trends and indicators** – the role of the CBD in the complex of Sydney's commercial and business centres, the role of the constituent precincts within the CBD, and the complex of spaces in the different precincts;
- **A conclusion on 'economic positioning' and relevant development principles** given the above analysis.

2 Strategy and Policy Context

Recent strategy documents have looked at the current and future role of the Sydney CBD and the development potential of the East Darling Harbour site within this economic context. The following provides a summary of key points from these documents.

2.1 Sydney Metropolitan Strategy

2.1.1 Current positioning

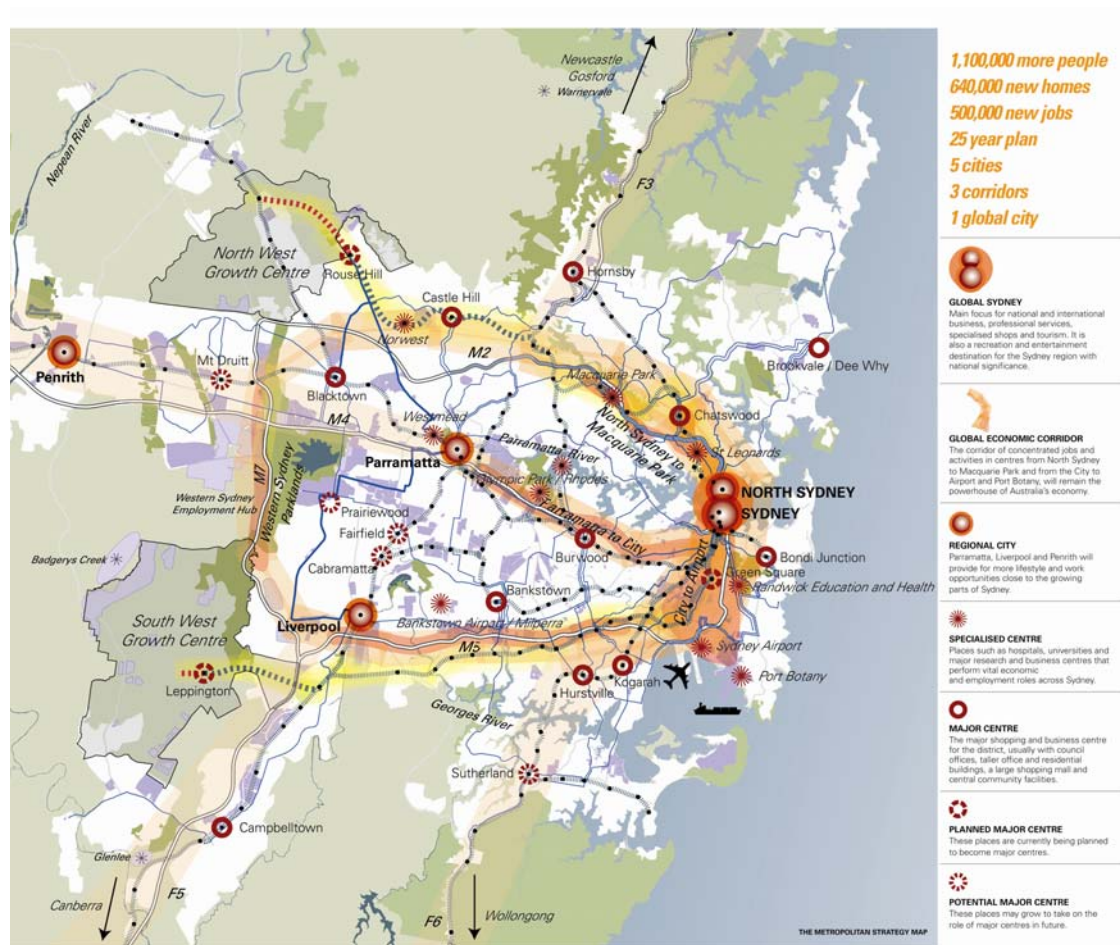
The NSW Government's Metropolitan Strategy classifies the Sydney CBD (with North Sydney) as 'Global Sydney' – at the top of the city's hierarchy of centres (see Figure 1). Global Sydney is described as: *"the main focus for national and international business, professional services, specialised health and education precincts, specialized shops and tourism. It is also a recreation and entertainment destination for the Sydney region and has national and international significance".¹*

Sydney CBD is also part of the 'global economic corridor', an arc extending from Port Botany and the Airport in the south, through the CBD and North Sydney to Macquarie Park in the north. This corridor is recognised as having a growing concentration of national and global-level jobs and activities, establishing itself as the powerhouse region in Sydney and in Australia's economy.

The Strategy notes that Sydney is Australia's only global city, as well as its largest regional economy (comparable in size to Singapore's economy). It contains 30 per cent of national employment in financial and business services; nearly half of Australia and New Zealand's top 500 companies; and more than 60 per cent of Asia Pacific regional headquarters of multinational companies.

For the first time in Sydney metropolitan strategies the 'City of Cities' document recognises Sydney's role in the Asia Pacific 'complex' of cities, and it reproduces the list of 'global cities' generated by the GaWC-the Globalisation and World Cities Research Group, based at Loughborough University, UK. Sydney is at the 'beta' level of world cities according to the GaWC schema (see Table 1).

¹ Table B1: Types of Strategic Centres, 'City of Cities' – NSW Metropolitan Strategy

Figure 1. 'City of Cities' (The Metropolitan Strategy for Sydney, 2006)**Table 1.** Schema of World Cities

A. ALPHA WORLD CITIES
1. London, Paris, New York, Tokyo
2. Chicago, Frankfurt, Hong Kong, Los Angeles, Milan, Singapore
B. BETA WORLD CITIES
3. San Francisco, Sydney , Toronto, Zurich
4. Brussels, Madrid, Mexico City, Sao Paulo
5. Moscow, Seoul
C. GAMMA WORLD CITIES
6: Amsterdam, Boston, Caracas, Dallas, Dusseldorf, Geneva, Houston, Jakarta, Johannesburg, Melbourne, Osaka, Prague, Santiago, Taipei, Washington
7: Bangkok, Beijing, Montreal, Rome, Stockholm, Warsaw
8: Atlanta, Barcelona, Berlin, Buenos Aires, Budapest, Copenhagen, Hamburg, Istanbul, Kuala Lumpur, Manila, Miami, Minneapolis, Munich, Shanghai

Source: GaWC (1999)

The GaWC group defines a global city as one which 'has a direct and tangible impact on global affairs through socioeconomic, cultural, and/or political means'.

The Metropolitan Strategy reproduces the criteria that affect a city's relative global city ranking.

The global cities ranking is based on each city's provision of advanced producer services such as accountancy, advertising, banking/finance and law, as well as the need to satisfy most of the following criteria:

- *international familiarity;*
- *active influence and participation in international events and world affairs;*
- *a fairly large population, at least several million;*
- *a major international airport;*
- *an advanced transportation system;*
- *international financial institutions, law firms, corporate headquarters and stock exchanges that have influence over the world economy;*
- *advanced communications infrastructure;*
- *a lively cultural scene; and*
- *influential media outlets with an international reach based in the city.*

Sydney is considered a focus for Australian and international firms in finance and legal services, information technology, media, advertising, and design; and is the gateway to international travel and transactions. Its strategic location on the Pacific Rim enables an active role in global supply chains.

Part of the attraction for investment lies in the City's high level of amenity and livability, a stable governance and investment climate, combined with a highly educated and well trained labour force with the highest incomes and lowest unemployment of Australian capital cities.

2.1.2 Future directions

The Strategy's vision for Sydney City (including the CBD) is for it to continue at the heart of Global Sydney. The City will remain a dominant and desirable location for business, and is intended to continue as a focus for 'world class' business, tourism, cultural, health, education, and entertainment activities.

The Strategy's vision for Employment and Economy includes the following:

- *Sydney will have a competitive, innovative and adaptable economy which underpins its success in the global economy.*
- *Sydney will continue to offer opportunities for value-added investment, more good jobs, innovation and learning.*
- *Economic spaces will strengthen globally competitive industry networks and clusters. An advanced infrastructure network will support the flow of ideas, people and products.*

The Strategy proposes an employment capacity target of 465,000 by 2031 for the wider Sydney

City subregion (up from 406,755 in 2004). For the Sydney CBD (and immediate neighbouring precincts) the Strategy proposes an employment capacity target of 380,000 in 2031 up by 50,000 from 331,500 in 2001. The metropolitan wide target is for a further 500,000 jobs by 2031 to a total of 2,500,000.

The Strategy recognises a key role for EDH to supply sites and space for the commercial office market and future employment, to help meet these targets in the context of documented capacity constraints.

The CBD's current residential population is approximately 21,000 according to Council figures. By 2021, this is expected to grow by up to 45% or 9,506 residents. This is below Metropolitan Strategy estimates which for the wider Sydney City area (including South Sydney) are an additional 55,000 dwellings to 2031. East Darling Harbour will play a crucial role in satisfying these housing aspirations.

2.1.3 East Darling Harbour in the Metropolitan Strategy

The Strategy recognises a key role for EDH in this context. Under the specific action of

B3.4 Ensure Sufficient Commercial Office Sites in Strategic Centres,

the Strategy includes an action as follows.

B3.4.2 Create redevelopment opportunities for business space in the global economic corridor.

In Sydney City and the global economic corridor, there are documented capacity constraints. The Government will ensure there are sufficient strategic sites available and infrastructure capacity to support the growth of these commercial office markets, particularly in North Sydney, Sydney City, East Darling Harbour, City South, Redfern and at rail stations in the City to Airport Corridor.

The CBD has between 14 and 20 years of supply for development, depending on the assumptions used. However, by any definition a share of this is 'notional' only as many sites are constrained, and do not offer the relatively unencumbered sites that EDH will provide. The existing CBD has limited potential for larger floorplate development, and extensions or re-fits to include new and upgraded technologies, improve environmental performance and meet new workplace culture demands can be costly. To satisfy these requirements, firms are moving to new developments in what have been considered 'fringe' precincts, such as the southern CBD (Ernst and Young, Citibank) and more recently, also taking advantage of water views, to the western edge of the CBD (global headquarters of Lend Lease to The Bond, then KPMG, Westpac, American Express in the King Wharf Street area). EDH is also offers these attributes.

Given these perspectives EDH is likely to have a market pretty well from 'day one', and certainly by early in the next decade. It is close to Wynyard station and will offer lifestyle, amenity and recreation options for workers.

2.2 East Darling Harbour design competition brief

The Stage 1 urban design competition brief for East Darling Harbour (NSW Government, 2005) also recognises the important economic context of the site.

This includes Sydney's role as the powerhouse of the Australian economy. The brief notes that Sydney acts as Australia's link in the Asia-Pacific rim, and as such is in competition with Asian economies in the region.

The brief points to recent rapid population and employment growth in Central Sydney, with 15,000 extra people moving in during the 5 years before 2001, and employment growth of 35% between 1991 and 2001. The strongest sectors were the financial, insurance, and banking sectors.

Tourism is also recognised as playing a significant economic role for the city, generating \$4.8 billion in tourism export each year. Particularly relevant to the East Darling Harbour site is Sydney's popularity as a cruise ship destination.

The brief sees the East Darling Harbour redevelopment as an opportunity to support the Sydney Central Business District as it maintains and grows its economic position as a global city into the future. With its unique habourside location, development on the site has the potential to *"contribute to a lifestyle that will reinforce the desirable nature of the city as a place to work, live, and visit"*.

2.3 City of Sydney perspectives on East Darling Harbour

City of Sydney perspectives toward the redevelopment of East Darling Harbour were gathered from consultations with senior council officers and publicly available material.

2.3.1 Issues in the redevelopment of EDH

The City of Sydney holds the belief that the redevelopment of East Darling Harbour has enormous implications for the urban structure and communities of the CBD and adjoining areas. Its prominent foreshore location creates the need for high quality urban design outcomes, through the retention or interpretation of current features including;

- The progressive shaping of the shoreline through maritime uses
- Remnant natural features such as cut sandstone outcrop and fig planting along Hickson Rd
- Historic and current maritime uses, including Moore's Wharf, overseas passenger terminal and the maritime tower.
- Existing and previous connectors to adjoining areas and communities e.g. Munn St Ramp
- Barriers from adjoining areas e.g. Hickson Rd wall

- Potential heritage items, including stone sea wall, Moore's wharf and cliff faces
- Archaeological resources- embedded sea walls and wharf piles
- The 1840's street layout and cultural fabric subsequently created.

Council is concerned that the brief does not adequately address the need for quality public transport linking EDH to the CBD and surrounds. Options for heavy and light rail connections, ferries should be investigated including a potential bus or light rail route along Hickson Rd connecting King Street Wharf, Millers Point, Walsh Bay, the Rocks, through to Circular Quay and George St.

Council believes the site has a unique opportunity to adopt Australian best practice in sustainability. Water or storm water conservation strategies could be integrated into the initial planning phases. There is also a need to increase the stock of quality commercial buildings in the CBD.

Due to its deep water access to the site and the current proportion of cargo delivered into the CBD, consideration needs to be given for maintaining some maritime activities. Despite Patrick Corporation opting to reside its operations elsewhere, the site currently hosts the *Overseas Passenger Terminal, Emergency Services, and the Harbour Control Tower*, and the final design should incorporate this to retain continued harbour operations.

The site could accommodate a significant proportion of cultural and public buildings and uses. The need to integrate the public domain from the CBD to the waters edge could possibly include the 'activation' of Hickson Rd, a new street layout, parkland access to and from residential and commercial development, pedestrian/ cycle access with improved access to Wynyard Station, new ferry wharves and public transport options

Heritage conservation should be a key consideration of the development in respect to its long maritime history. Any development should recognise potential heritage items on the site as well as adjoining and current heritage listed items. This could include 'Moore's Wharf' and immediate surrounds, and the stone sea wall and cliff faces.

2.3.2 Floorspace capacity and projections

Development activity associated with the Olympics and accelerated globalisation and growth in 'new economy' activity was the catalyst for significant redevelopment of disused or undeveloped sites to their maximum capacity within the CBD over the last 10 years. At least 100 major developments in excess of a million dollars have been completed since 1995 with these developments being built near to or at maximum capacity under allowed FSRs in the current LEP.

Council believes that the CBD as a whole has approximately 22 years capacity of floorspace available for commercial development. This equates to an increase of 3.6 million sqm (approx) or an annual growth rate of 0.88%. The average annual net absorption rate for office space over the last decade was 102,048 square metres (which shows that the EDH quantum of around 280,000 square metres is relatively modest, and can attain a high end, boutique appeal). It should be noted that the City of Sydney capacity estimates represents a notional capacity figure as there are few 'complete' sites available and many are constrained.

The CBD's current residential population is approximately 21,000 according to council figures. By 2021, this is expected to grow by up to 45% or 9,506 residents. This is below Metropolitan Strategy estimates which for the wider Sydney City area (including South Sydney) are an additional 55,000 dwellings to 2031. Council is estimating a net increase of approximately 42,000 additional jobs by 2021 (Metro strategy targets are similar at around 50,000 additional jobs between now and 2031).

2.4 Property Council of Australia

The Property Council has given its strong support to the Government's urban design competition as a way to facilitate the redevelopment of the East Darling Harbour precinct.

As documented in one submission, the Property Council of Australia (PCA) views the redevelopment as a unique opportunity to *"add a new, world class commercial, tourism, cultural and recreation precinct to Sydney"*

In submissions made to the design jury, the Government, and the City of Sydney Council, the PCA has offered additional advice on how the development should proceed.

2.4.1 Role of the site in the CBD

The Property Council has highlighted the economic importance of the site in providing additional commercial office space for the Sydney CBD. It notes that the Central Business District produces 8% of the Australian GDP, and employs 10% of the total Sydney workforce.

However, geography and recent development patterns (notably residential towers in the south of the CBD) mean that the boundaries for expansion are constrained.

According to PCA calculations, the Sydney CBD is around 14 years away from reaching full commercial capacity under existing planning controls. New space in East Darling Harbour will provide some additional growing space (meanwhile the Property Council is calling on the City of Sydney to increase capacity across the CBD through changes to planning instruments).

The Property Council considers the quantum of development proposed for the site – 330,000 sq m of total built space – is "about right" to deliver a "modest amount" of new commercial capacity for the CBD. There is some uncertainty however as to whether this is enough to deliver a self-funded development option, or to pay for the proposed public domain works. One of the PCA's recommendations is for the design competition to be subject to an assessment of this level of feasibility.

In terms of employment, the Property Council believes that under the current design specifications, the East Darling Harbour site would sustain only half the number of workers that is proposed (25,000). It considers this acceptable.

The PCA also stresses the importance of examining the range and quantum of uses, both commercial and non-commercial with regard to the adjacent contexts of The Rocks, Darling Harbour and King St Wharf/Cockle Bay.

2.4.2 Name and image

One of the Property Council's foremost recommendations is to reconsider the naming of the site. 'East Darling Harbour' is too derivative and not evocative of the 'premium' commercial office activities that the development hopes to attract. The PCA proposed a brainstorm among school children, but a wider naming competition, open to the public, has recently been announced (SMH 13 July 06).

2.4.3 Development considerations

The Property Council has provided some recommendations as to how the site is redeveloped, and some of these will have an influence on the economic success of the project and its impact on the rest of the Sydney CBD.

The first is the importance of staging additional office space to ensure that there is no artificial distortion of the Sydney office market. A release period of 5-20 years is recommended.

The second is to ensure that transport and access is given full consideration and provided before development takes place. As one submission notes, *"excellent public transport and pedestrian access are vital to support premium level businesses and tourism potential"*. The site should be well connected with the CBD, The Rocks, Circular Quay, and King St Wharf.

Thirdly, the PCA believes it should be ensured that the development is a showcase for sustainable development, good design and quality built form. This includes 4.5 star rating on Green Star and premium or A Grade quality office space. The proposal to support large floor plate tenants is supported. The PCA also recommends "sufficient" car parking to ensure that premium businesses are attracted to the area.

Other points include the importance of limiting residential development (as is proposed) due to its tendency to attract more developers with its higher yields. The PCA also notes that there is capacity for more than one hotel or serviced apartment on the site.

2.4.4 Commercial review

The Property Council proposes that a full commercial review is included as well as a design review in the Stage 2 of the competition process.

3 Strategic Economic Context

3.1 Sydney as a 'Global' Player

Sydney is now widely commented upon as an emergent 'global city'. One definition of this term has been provided in the previous section. In summary we might define a global city as one which has importance and relevance beyond not only its own borders, but beyond its region. In particular, these cities take on a specific role or specialty, making themselves 'indispensable' to the world. For example, Los Angeles is the hub for media production and services, New York for finance and business services and Shanghai for manufacturing.

At this point, Sydney's claim to global city status relies more on its outstanding *potential* – underpinned by outstanding lifestyle values – rather than confirmed indispensability in any given field. For example, Richard Florida comments that

*"Australia [is] giving the United States a run for its money. Cities like Sydney...are diverse, tolerant, and already seeped in creative people and occupations. Not to mention they're entertaining, motivating, architecturally magnificent, and in general boast a high quality of life, all without the growing homeland-security concerns that America's large cities must cope with. Quite simply, they're natural havens for global talent to call home, and they're leading their countries headlong into the creative age."*²

Meanwhile, the City of Sydney claims for itself an intercultural and intercontinental linking role, again premised largely on livability factors.

*"Sydney's amenity is reflected in its selection as the "World's Best City" for several years in a row by the top travel magazines in both the United States and the United Kingdom. In terms of "quality of life" indicators, the IMD World Competitiveness Report placed Australia 3rd globally out of 49 countries, ahead of the United States, the United Kingdom, Germany, France and Asia. Based on this information, it seems that Sydney's 'role' is that of a bridge between Europe, America and Asia."*³

To the extent that Sydney is asserting a specialist and leading role in the global economy it is in services to commerce and finance (see Figure 2). This has been extensively remarked upon by O'Connor et al⁴ and Stein⁵. The latter notes that in "finance and insurance services, Sydney's leading position among Australian capital cities is most pronounced. Sydney has the highest number of employees in absolute terms and also in relation to population. In property and business services...Sydney also leads. The city's outstanding role as Australia's center of the financial sector is demonstrated even more compellingly when the locations of bank head offices and foreign banks are compared; they overwhelmingly concentrate in Sydney".

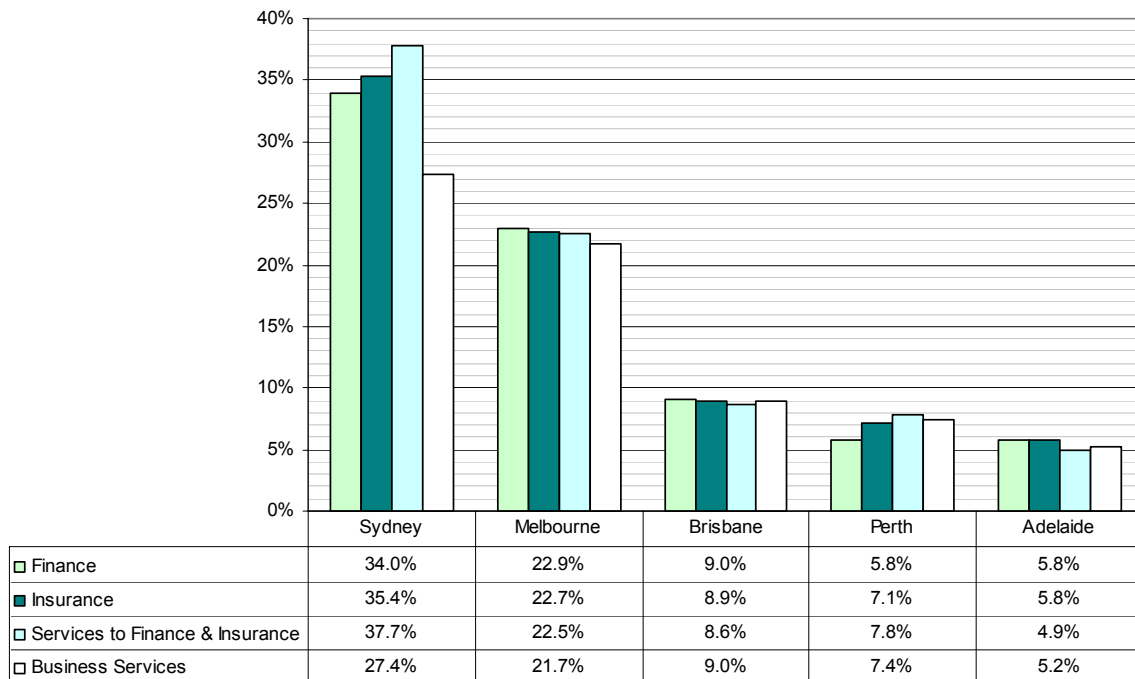
² Florida, R (2005) *Flight of the Creative Class*

³ City of Sydney, <http://www.sydneymedia.com.au/html/2291-global-sydney.asp>

⁴ Kevin O'Connor, Robert Stimson and Maurice Daly (2002) *Australia's Changing Economic Geography*

⁵ Stein, R (2002) *Sydney Globalising: A World City in National, Pacific Asian and international Context*, Bauhaus Dessau Foundation

Figure 2. Shares of National Financial, Insurance and Business Services Jobs in Australian Cities (2001)



3.2 Sydney's Sustainable Competitive Strength on the National and Global Stage

There is a tendency in some of the policy literature to regard Sydney's strengths in Finance and Insurance and those in Business Services to be somehow interchangeable and equally robust. In practice, however, these fields of commerce have very different cultures and business models which bring with them different potentials for sustainable competitive advantage. Finance and Insurance are essentially transaction and volume driven businesses which are prone to economies of scale and centralisation. Meanwhile, sophisticated business services rely much more on social networks and 'place culture' for success. Clark has recently highlighted these sharp distinctions in business models in his study of currency and venture capital markets in London and Boston (see Text Box 1).

The upshot is that Sydney's aspirations of pre-eminence as a global finance centre may be more fragile than its potential to carve out a global role in advanced business services. Indeed, while Sydney dominates the Australian finance industry, its standing on the world or even regional scale is already looking dubious. Stein observes that *Hong Kong and Singapore compete with Sydney in the attraction of talent and international investment, such as the location of regional headquarters of multinationals. Over one-third of these locations are to be found in Hong Kong, a little less than one-third in Singapore, and only 5% in Sydney.*

Text Box 1

Transaction Based versus Network Driven Commerce

According to Clark* and his collaborators, time zones essentially dictate the geography of currency trading activity. There are three 'hub' cities in the world, Tokyo, London and New York. These dominate their respective time zones so that at any given time, traders around the world have access to a major currency market. There are very few private or small business traders in currency. The vast bulk of transactions are effected by banks and other institutions. The volume of transactions far exceeds the practical requirements of commodities, merchandise and services trade in a phenomenon which Clark asserts "has defied rational economic analysis". Money is made by moving large quantities of currency, via a series of small 'bite size' trades around the world to exploit marginal differences in daily or hourly comparative value. The risks in this process are considerable, relating to the volatility of particular currencies and the reading of market trends, as the multiplicity of trades leads to ever changing 'equilibria' in exchange rates.

The Clark team studied how CS First Boston managed these risks. Essentially this is done through bureaucratic surveillance and reporting procedures. There is very little 'trust' involved. Individual traders are organised into teams with rewards being determined on the basis of group performance rather than efforts of individual members. This is supposed to act as a check on rogue elements or excessive risk taking. CS First Boston has invested heavily in real time IT surveillance so that deals made by individual traders or teams can be monitored independently as they occur. Maths and modelling can play an important part in calibrating and managing risks.

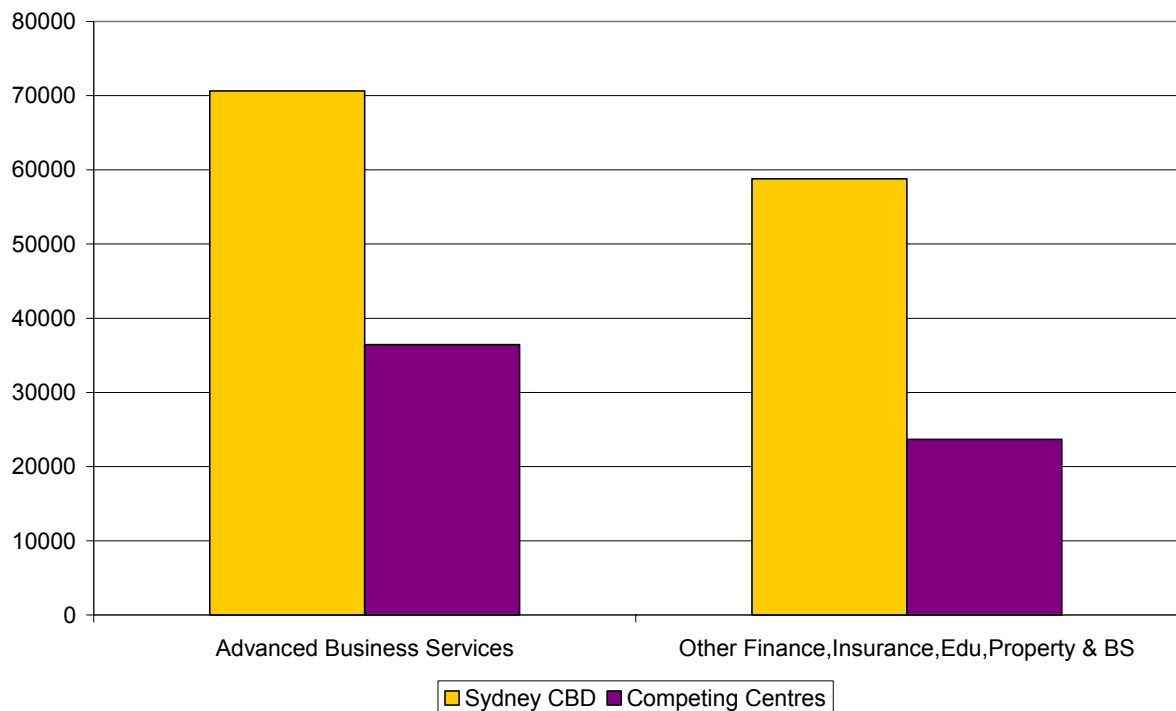
The venture capital sector confronts significantly different risks relating to the business cases of the fledgling enterprises or technologies under consideration. The areas of uncertainty include the reliability of the technology, the scope and size of the potential market, the behaviour of competitors, the business acumen of the innovators in question, the availability of a reliable distribution network for the product or service and the ability to find additional equity partners to name just a few. These risks are generally difficult to quantify; 'evidence based pricing' rarely occurs. Clark's investigations indicate that the venture capital sector manages risks through social networks, relationships and trust. That is participants gauge risk by consulting the experience of trusted advisers. They take on risk but only if it can be diffused amongst a large number of co-venturers (whose stake might be offered in cash or in-kind). Through networks, a sort of 'collective intelligence' is brought to bear on the prospects offered by a particular deal. With each successive deal, this intelligence is sharpened and refined, though not in a documented or codified sense. Different members of the network develop 'a nose' for merits of different aspects of the deal, be it to do with technology, business development or financial packaging.

In Clark's terms, this approach to managing risks in the venture capital sector gives rise to a 'club' like approach to organising collaborative evaluation of deals. Entry to such clubs can be highly restrictive (as in the London network, according to Clark) or more open, as typically occurs in North America. Entry rules will never be explicitly stated but will nonetheless be put into effect with consistency and vigour. For example, Clark recounts that it is difficult for women and for people of particular religious beliefs to break into the London club. The rules of entry also relate to the established traditions and social mores of the location in question. Thus, geography and social capital play a significant part in shaping the character of the venture capital network and how it goes about managing risk. There is a 'certain way of doing things' in the City or in Boston which aspirant entrants need to understand and practice. If they are from out of town and their credentials in terms of these norms cannot be readily assessed, their prospects of entry are likely to diminish considerably, perhaps fatally.

* Clark, G. (2005) **Pricing the Economic Landscape: Financial Markets and the Communities and Institutions of Risk Management**, University of Melbourne, Faculty of Architecture, Building and Planning, Dean's Lecture Series, August 16

The strength of Advanced Business Services in Sydney – and their presence in the CBD in particular – is revealed in Figure 3. It not only shows the numerical edge of Advanced Business Service jobs over finance, tertiary education, property and business service jobs in the CBD, but the concentration of both types of these 'high' end service jobs in the CBD compared to Sydney's other main business centres⁶.

Figure 3. Advanced Business Services⁷ and Other 'High' End Service Jobs in Sydney CBD and Competing Metropolitan Centres (2001)



⁶ North Sydney, Parramatta, Chatswood, St Leonards, Macquarie Park, Rhodes, Olympic Park

⁷ Defined according to the following '4 digit' ANZSIC categories

7511 Financial Asset Broking Services	7832 Information Storage and Retrieval Services	7854 Business Administrative Services
7519 Services to Finance and Investment n.e.c. 7730 Non-Financial Asset Investors	7834 Computer Consultancy Services	7855 Business Management Services
7810 Scientific Research	7841 Legal Services	7861 Employment Placement Services
7821 Architectural Services	7842 Accounting Services	7869 Business Services n.e.c.
7823 Consultant Engineering Services	7851 Advertising Services	8431 Higher Education
7831 Data Processing Services	7852 Commercial Art and Display Services	8432 Technical and Further Education
	7853 Market Research Services	9621 Business and Professional Associations

3.2.1 Sydney – Leading in Advanced Business Services

Advanced Business Services, or Knowledge Intensive Business Services (KIBS) as they are sometimes referred to in the literature, are defined as:

*"Enterprises providing a largely customised, problem solving service to other businesses, where the services in question require application of significant intellectual effort or capital"*⁸.

Advanced Business Services comprise enterprises that:

- Derive most of their sales from **business clients**; and
- Provide product development and / or cost management solutions which are specifically **tailored** to the needs of clients; and
- Apply a high degree of **creativity and intellectual analysis** in delivering these solutions; and
- Act as the **primary provider** of intellectual content as opposed to acting as agents for other corporations providing pre-designed goods and services.

Sydney and, to a lesser extent, Melbourne, are the key dispensers of 'thinking services' to the rest of Australia. A measure of this can be generated by enumerating the difference between the level of Advanced Business Services employment in a given metropolitan area with the level of employment required in this sector to give the metropolitan area in question a location quotient (LQ) of 1.00. The 'surplus' of jobs beyond the point where the proportion of workers in business services is in line with the city's general share of Australian employment can be thought of as 'export oriented' jobs; that is, these 'surplus jobs' are supported by a customer base beyond the confines of the host metropolitan area.

This form of analysis must be treated with caution, as it can only provide very crude indications of the strength of particular sectors within the cities in question. A city returning an LQ of less than 1.00 would be portrayed as having zero exporter firms, which is clearly not the case. By the same token, counting only 'surplus' jobs understates the export propensity in those cities with positive LQ's, as some of the firms making up quotient 'parity' will also be involved in exporting. On balance, focussing on the 'surplus' to LQ jobs may overstate somewhat the power of centres well endowed with Advanced Business Services, though detailed surveys of export activity would be needed to test this.

Bearing these limitations in mind, Table 2 suggests that Sydney has a dominant role in Advanced Business Service exports. The propensity for exporting amongst sub LQ parity firms would need to be very high indeed to dent this apparent dominance. Sydney hosts almost half the 'export supported' jobs in this sector, a proportion well above the city's share of national employment (22%). Melbourne also holds an outsize share of export jobs in Advanced Business Service compared to share of all jobs (28% versus 19%), but the position is by no means as exaggerated as in the case of the NSW capital.

⁸ Spiller, M. (2003) *Urban Agglomeration of Advanced Business Services in Australia – Some Policy Implications*, State of Australian Cities National Conference, Sydney

Table 2. Estimated Inter-regional 'Export Jobs' in Advanced Business Services – Australian Metropolitan Areas - 2001

	Export oriented Advanced Business Service jobs	Share of Advanced Business Service export jobs	Share of all jobs nationally
Sydney	65,147	49.93%	21.89%
Melbourne	36,978	28.34%	18.61%
Canberra	9,336	7.15%	1.94%
Brisbane	7,964	6.10%	8.92%
Perth	7,755	5.94%	7.31%
Adelaide	2,200	1.69%	5.63%
Hobart	756	0.58%	0.96%
Darwin	350	0.27%	0.63%

Source: ABS Census, special tabulations.

Leaving aside the anomalous case of Canberra, all the other State and Territory capitals are under-represented in 'export supported' employment within the Advanced Business Service sector.

The dominance of the Sydney – Melbourne axis is further underlined when the LQ based export analysis is extended to the various Advanced Business Services sub-sectors. This analysis is shown in Table 3, but with a further filter whereby only sub-sectors featuring more than 500 'export supported' jobs are quoted. As well as reinforcing the overall picture outlined above, Table 2 points to some subtle specialisations across the network of cities:

- Sydney appears to be strong across a broad cross-section of sub-sectors, but particularly so in respect of IT consultancy, legal services, financial analysis and brokerage, advertising and human resource management consultancy.
- Compared to Sydney, Melbourne has modest strengths in higher education and scientific research – perhaps reflecting the southern capital's deeper heritage in manufacturing and bio-technology and its current role as headquarters of Telstra.
- Most of the smaller capitals are exporters of higher education services. As a largely Commonwealth function, the smaller States and Territories may well enjoy a funding advantage in this area of 'business services' because of the fiscal equalisation principles that underpin the federation.
- Brisbane and Perth are major exporters of consulting engineering services, significantly bigger indeed than either Sydney or Melbourne. This reflects the resource base of the wider Queensland and WA economies.
- Adelaide, Hobart and Darwin do not register in terms of significant sub-sectors of Advanced Business Services, with the exception of higher education in the case of Adelaide.

The apparent dominance of Sydney and Melbourne in higher order business services coincides with the dominance of NSW and Victoria in total innovation expenditure within the manufacturing sector as estimated by the Australian Bureau of Statistics. These two states accounted for over 70% of 'technological innovation' effort within manufacturing during 1996/97, measured in gross outlays⁹.

⁹ Australian Bureau of Statistics (1998) Innovation in Manufacturing, Catalogue # 8116.0

The pattern of strong spatial concentration of Advanced Business Services at the national level, highlighting the dominance of Sydney and Melbourne, is more than matched by the pattern of spatial concentration *within* these metropolitan areas.

The distribution of export generated jobs in Advanced Business Services in Sydney is shown in Figure 4. The 'export generated' jobs in this figure has been estimated as each Statistical Local Area's (SLA's) surplus of Advanced Business Service employment compared to the stock of such jobs it would have assuming application of the metropolitan wide representation of this type of employment in the workforce. Accordingly, the cautions discussed earlier regarding the application of LQ analysis to this end must be borne in mind. This analysis does not purport to accurately map the location of Advanced Business Services within the two metropolitan areas in question. Rather it provides insights to locational preferences within the sector. Each dot in the maps represents 100 'export jobs' in Advanced Business Services. These dots have been randomly distributed within their host SLA to provide an impression of spatial distribution.

The great majority of export oriented Advanced Business Services jobs in metropolitan Sydney appears to be located within the CBD, North Sydney and areas within 5 kilometres of the GPO. There is also a spur of this export activity extending north and northwest of the CBD – forming part of Sydney's so called 'Global Arc'. The Arc stretches from the Airport in the south to Macquarie Park in the North West. The main office locations outside the CBD and North Sydney are St Leonards, Chatswood and Macquarie Park in Ryde. Notably, however, there is seemingly negligible concentration of Advanced Business Services in areas beyond 10 kilometres of the city centre.

Table 3. Estimated Employment within Major Export Oriented Advanced Business Services Sub-Sectors

Sydney		Melbourne		Brisbane		Perth		Adelaide		Hobart		Darwin		Canberra	
	Export jobs > 500		Export jobs > 500		Export jobs > 500		Export jobs > 500		Export jobs > 500		Export jobs > 500		Export jobs > 500		Export jobs > 500
7834 Computer Consultancy Services	15061	7834 Computer Consultancy Services	8437	8431 Higher Education	2777	7823 Consulting Engineering Services	3205	8431 Higher Education	1366	nil	nil	nil	nil	8431 Higher Education	3008
7841 Legal Services	9219	8431 Higher Education	4141	7823 Consulting Engineering Services	2028	8431 Higher Education	2034							7834 Computer Consultancy Services	2256
7519 Services to Finance and Investment, nec	8335	7855 Business Management Services	3181	7841 Legal Services	1734	7842 Accounting Services	864							7810 Scientific Research	1595
7855 Business Management Services	5739	7842 Accounting Services	3155	7821 Architectural Services	626									7855 Business Management Services	914
7842 Accounting Services	4401	7869 Business Services, nec	2629											7861 Employment Placement Services	556
7851 Advertising Services	4140	7841 Legal Services	2482												
7869 Business Services, nec	3020	7851 Advertising Services	1687												
7861 Employment Placement Services	2784	7821 Architectural Services	1612												
7831 Data Processing Services	2518	7519 Services to Finance and Investment, nec	1354												
7853 Market Research Services	2379	7854 Business Administrative Services	1317												
7821 Architectural Services	2013	7853 Market Research Services	1234												
7511 Financial Asset Broking Services	1555	7810 Scientific Research	1151												
7852 Commercial Art and Display Services	1276	7852 Commercial Art and Display Services	1089												
7854 Business Administrative Services	1095	7831 Data Processing Services	1020												
7823 Consulting Engineering Services	702	7861 Employment Placement Services	819												
		7823 Consulting Engineering Services	801												
	64237		36109		7165		6103		1366	nil		nil			8329

3.2.2 Central Sydney's Role in Australia's Innovation System

As alluded to in Stein¹⁰, Sydney's pre-eminence in Advanced Business Services does not merely signify a comparative advantage for this city. Rather, it places Sydney at the heart of the national innovation system.

Innovation is now understood to extend well beyond the classical notion of a 'strategic leap' in business operations through the commercialisation of new technology incubated in research labs. Indeed, the more pervasive and economically advantageous form of innovation is 'organic' in nature, represented by a procession of relatively small improvements in business processes and products.

Kolehmainen's notion of 'recursive' innovation is closely aligned with this idea of organic innovation when he explains...

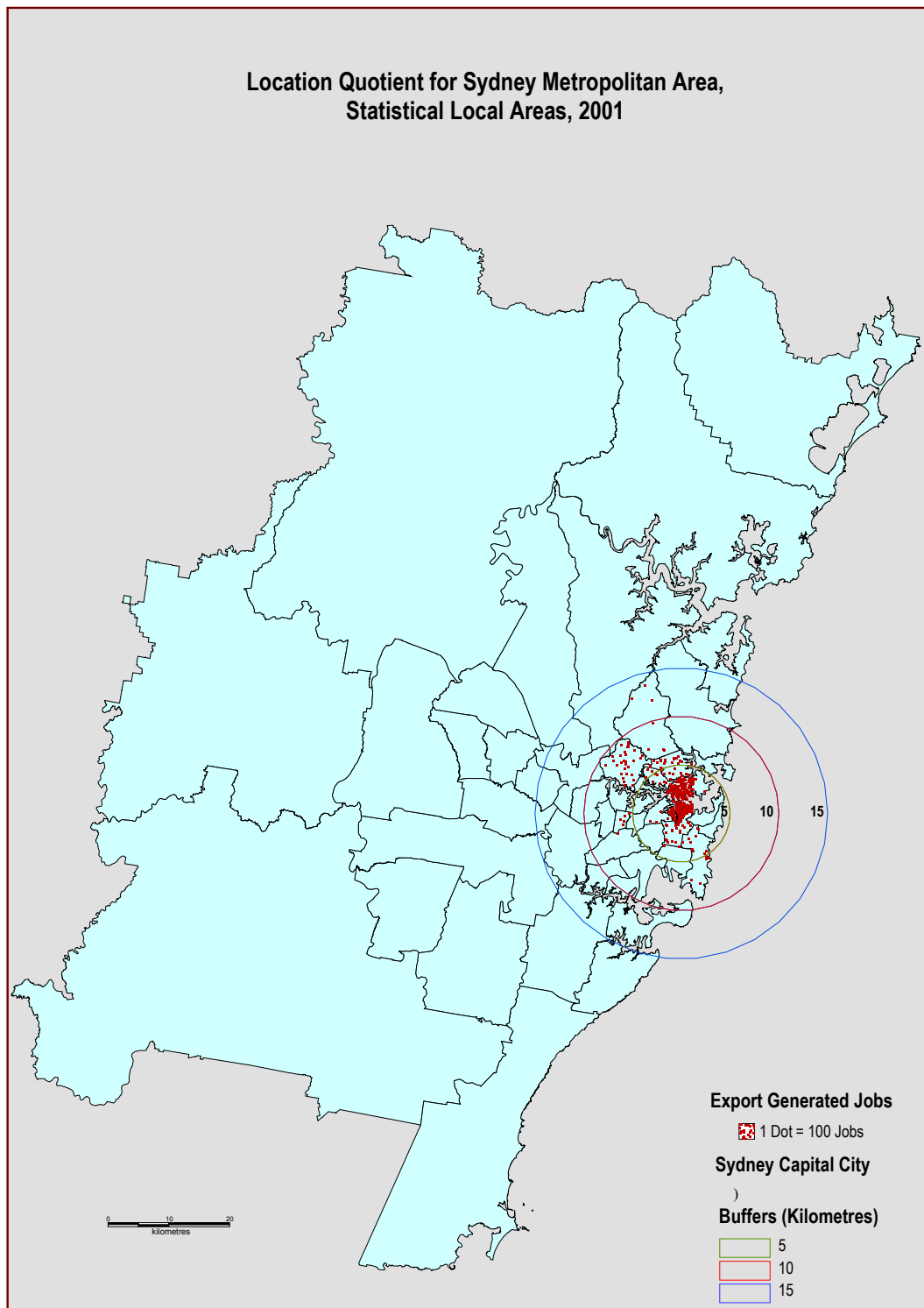
*'Today innovation is increasingly seen as a 'circular' or 'recursive' process instead of the old view of innovation merely as 'commercialised invention based on technological or scientific knowledge'....(This old view)...represents linear innovation thinking, whereas the 'recursive' innovation model stresses the versatile feedback mechanisms and interactive relationships involving producers (companies), product users, scientific and technical research, development activities and supporting infrastructure. It is also a model of continuous learning, in which the actors in different arenas learn from each other in interactive innovation processes. This means that many actors are involved in a single innovation process, and it can be triggered by many causes. Therefore both explicit inter-organisational innovation networks and social linkages have become crucially important.'*¹¹

Regardless of which model of innovation is under consideration – strategic leap or organic – Advanced Business Services play a critical part. Innovation based on formally protected intellectual property under the 'strategic leap' framework, requires extensive involvement by patent attorneys, research institutes, business strategy consultants, financial brokers and design engineers or scientists. Later in the innovation cycle, marketing and business development consultants play a major part as the host firm seeks to maximise the commercial advantage from its break-through product or service offering.

¹⁰ Stein (2002) Op Cit

¹¹ Kolehmainen, J. (2004) Innovation Activities of KIBS Companies and Spatial Proximity: Some Empirical Findings from Finnish New Media and Software Companies. Paper presented to the International Geographical Union Annual Residential Conference on 'Service Worlds: Employment, Organisation, Technologies', Birmingham, UK, p 2

Figure 4. Export Generated Advanced Business Service Jobs – Sydney Metropolitan Area – 2001



In the case of organic innovation, Advanced Business Services play a different and/or complementary role. As distinct from devising strategies to trap and optimise the monopoly rent attaching to a new discovery, they become carriers of new ideas between businesses. For example, specialist business analysts engaged to assist a small manufacturing firm with its cost accounting system will, if successful, both deliver this service and put themselves in a position to replicate the strategy, perhaps in a significantly improved way, for the next client.

Camacho and Rodriguez sum up this strategic role of Advanced Business Services as follows:

'They are innovative in their own right, but unlike high-innovative manufacturing activities, they also facilitate innovation in other industries.....They function as holders of proprietary 'quasi-generic' knowledge, from interactions with customers and the scientific community, and operate as an interface between such knowledge and its tacit counterpart, located in the daily practices of the firm.

..... In short, what the recent theories about service innovation put forward is that KIBS are ever more knowledge-intensive and more innovative. Moreover, as a consequence of the inherent co-production that takes place in their provision, KIBS act as 'bridges' for innovation and knowledge in their client firms, and, in general, as key agents within the innovation systems¹²

The implication from this analysis is that maintaining the vitality of Sydney's Advanced Business Services sector – which is concentrated in the central city – is crucial for the ongoing competitiveness of the wider, national economy.

3.2.3 Global Functions / Primitive Business Models

While Advanced Business Services are the key agents in innovation and therefore crucial to success in the globalising economy, it is important to appreciate that they ply their trade via rather 'primitive' business models. As observed by Clark (see Text Box 1) success in these services is dependent upon trust based relationships, social networks and mastery of place specific customs and business rituals.

The 'socially driven' nature of Advanced Business Services trade is evident in a recent survey of more than 100 such firms in Melbourne¹³. Unfortunately, no equivalent survey is currently available for Sydney.

Respondent firms were engaged in the following businesses:

- Accounting & business services
- Advanced demand & inventory optimisation services
- Adventure training
- Board performance assessment

¹² Camacho, J. A. and Rodriguez, M. (2004) Embodied Knowledge Flows and Services: An Analysis for Six European Countries. Paper presented to the International Geographical Union Annual Residential Conference on 'Service Worlds: Employment, Organisation, Technologies', Birmingham, UK, p 5

¹³ Spiller (2006), *Talent Quest: Advanced Business Services and the Geography of Innovation* Draft PhD Thesis, RMIT University

- Board reviews, executive coaching, organisational development
- Business change management/productivity improvement
- Business consulting: employee engagement & retention
- Change management consultancy in the community services, education and arts sectors.
- Consultancy focussing on "the interface between government and business"
- Consultancy services - water and environment projects
- Consultancy services re. Profitability of road transport & associated businesses
- Consultant/ adviser primarily to electricity and gas utilities and oil and gas producers
- Consulting services in the retail sector
- Contract management
- Contract marketing, sales, consulting, software development
- Corporate development, rescues & reconstruction
- Debt Collection, Credit/Business reports, fraud investigations, probity investigations
- Employee Opinion Surveys & Linkage research
- Executive search
- Finance/share trading
- Hospitality industry consulting
- Human resource management, industrial relations, organisation development, leadership
- Industrial business brokerage/ commercial real estate
- International commerce/industrial marketing
- International trade and environmental policy
- Investment banking – specialising in M&A, capital raising and corporate advice
- IT consulting and software development
- Management consulting in the health sector
- Management consulting predominantly to the public library sector
- Management consulting services to the forestry and timber processing industry
- Management consulting; specialised recruitment; assessment of government programs
- Marketing & technology transfer
- Marketing and communications
- New business start-ups, international trade, customs & international freight, technology commercialisation
- Outsourcing
- People management and salary packaging
- Project management for advanced technology projects
- Quality management
- Reliability improvement in capital intensive industries
- Remuneration consulting
- Secretarial services
- Software for management systems for the mining industry
- Software solutions and econsulting for P&C insurance industry
- Strategic business Analysis
- Strategic briefing, workplace change and communication, city strategy, building appraisal
- Strategic design, operational and indirect productivity improvement
- Strategic sales& marketing/leadershiop consulting/training
- Strategic thinking and research
- Supply chain management
- Taxation, financial & management accounting, business advice
- Tourism management and marketing
- Trade and environment consulting
- Training
- Travel solutions
- Waterway management –civil engineering

Only genuinely 'advanced' business services were included in the survey. To be eligible to participate, candidate respondents were required to derive at least 10% of their fees from interstate or international clients. This was taken as a signifier of specialised skills.

The survey explored four aspects of commercial operations amongst the respondent firms; how they recruit staff; the methods used to secure fee paying work; the promotional or marketing strategies used to build the business and the spatial distribution of billings (or billable time). These are discussed in turn below.

Recruitment

Some 4 in 10 of the employees across the whole respondent group of firms were recruited through 'informal' means, including unsolicited approaches from prospective employees, direct recruitment by the firm's principals via their industry contacts, transfers from other offices within the enterprise and employee 'churn', that is staff returning from various forms of leave or stints with other businesses.

Underscoring the broad trend towards outsourcing (or unbundling of the value chain) in the globalised, knowledge economy, the single most important means of securing staff was found to be 'external recruitment services', accounting for more than a third of the employees in the survey group (Table 4). Nevertheless, the sourcing of staff through social networks and established business contacts remains a key strategy, especially among the smaller enterprises. Removing the larger firms from the sample (i.e. those with 30 or more employees), some 58% of current employees were located and hired by means other than formal advertisement and external recruitment services.

Table 4. Method by which Current Employees were Recruited, Melbourne Advanced Business Service Firms, November / December 2005 (Responses weighted by number of employees)

<i>External recruitment services</i>	34.3%
<i>Formal advertisement and in house assessment of candidates</i>	22.9%
<i>Unsolicited approaches from prospective employees</i>	9.1%
<i>Head hunting / referrals by the firm's principals and employees</i>	18.7%
<i>Transfers from other offices of the firm</i>	3.9%
<i>Past employees returning from travel, maternity leave, study etc</i>	4.4%
<i>Other</i>	6.8%

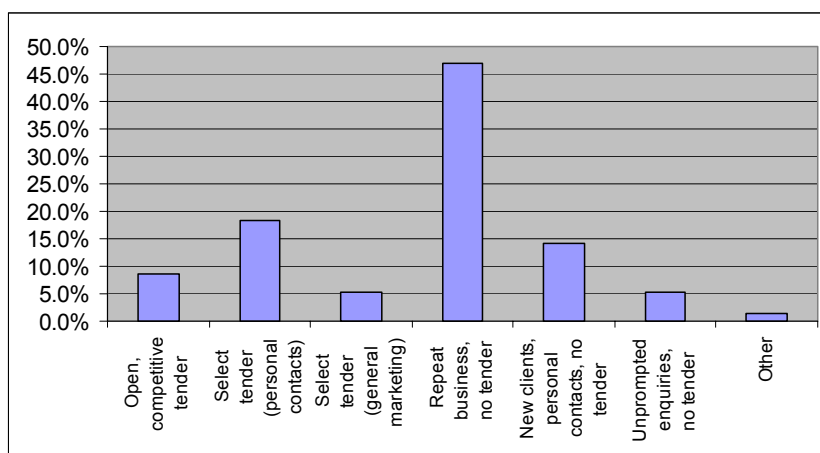
Securing Fee Paying Work

The channels through which clients might be secured by Advanced Business Services firms range from open, generally advertised tender at one end of the spectrum, through to repeat business from existing clients involving no competitive tender. In between these extremes are 'select tenders', where a limited number of firms are invited to bid for a contract, and new clients gained not through tender but through the direct contacts of the firm's principals or referrals from existing clients.

Figure 5 again highlights the importance of social networks in the operation of these Advanced Business Services in that close to half the work conducted by the respondent firms over the survey

period was secured through 'repeat business'. If the other two work sourcing channels which have a strong 'personal contacts' dimension are included with 'repeat business', they account for 79.5% of work completed.

Figure 5. Method of Securing Work, Melbourne Advanced Business Service Firms, November / December 2005 (Responses weighted by number of employees)



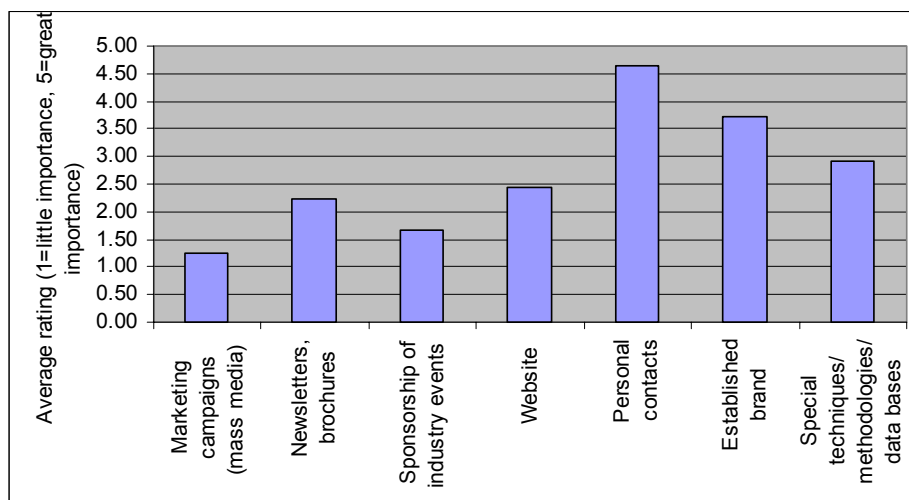
The survey also found that a particularly high proportion (65%) of work carried out by the respondent firms was conducted on the client's premises (as opposed to the respondent's offices). This is likely to be conducive to relationship building and would also have implications for where Advanced Business Service firms would prefer to locate clients; if frequent or extended visits to the clients offices are necessary, there are significant advantages – other things equal – if these clients are located close to the service firm (see further discussion below).

Business Development Practices

The socially driven nature of business operations in this sector is further reflected in the strategies used by respondents to promote their practices to prospective clients. Respondents were asked to rate a range of individual marketing strategies or mechanisms for effectiveness with a score of 1 indicating little importance and 5 great importance. Figure 3 shows these ratings, weighted by the number of employees in the participating firms. This approach highlights which marketing methods are most effective in winning work by value across the sector.

As shown in Figure 6, cultivation of 'personal contacts' was clearly regarded as the most important marketing device scoring a weighted average rating of more than 4.5. 'Sub-par' strategies (i.e. those with a weighted average rating of less than 3) included mass media marketing campaigns, sponsorship of industry events, printed promotional material like newsletters and brochures and promotion via the company website.

Figure 6. Rating of Marketing Strategies / Business Development Practices, Melbourne Advanced Business Service Firms, November / December 2005 (Responses weighted by number of employees)

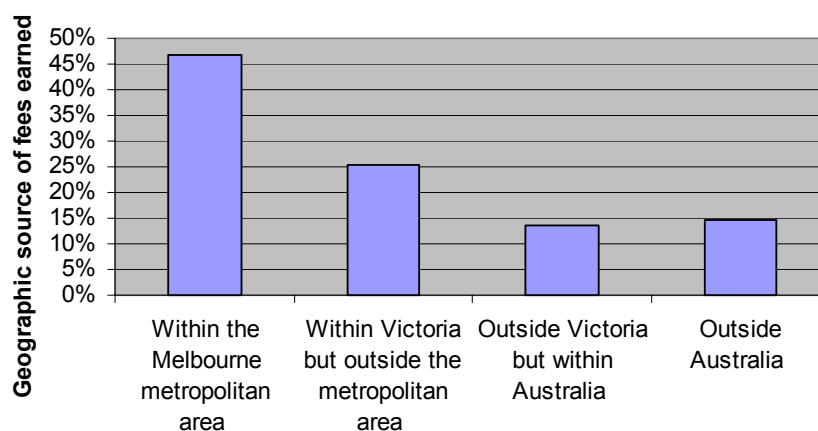


Spatial Distribution of Billings

In the survey, the amount of fees earned from various classes of client was used as a proxy for the extent of interaction between a client class and the Advanced Business Service in question. This is a reasonable approach given that charging according to time spent in delivering a service is the norm in the industry.

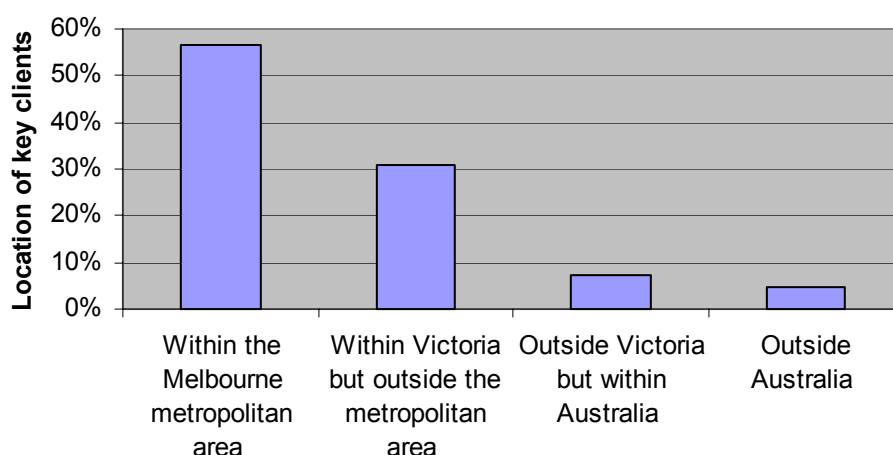
Figure 7 shows that the surveyed Advanced Business Service firms generated some 47% their fees from within the metropolitan area. Notwithstanding their strong inter-regional and international export sales (totally almost 30% of fees earned), firms in this sector appear to be heavily preoccupied with their local patch.

Figure 7. Source of Fees Earned, Melbourne Advanced Business Service Firms, November / December 2005 (Responses weighted by number of employees)



This focus on the local market becomes even more pronounced when consideration turns to the geographic distribution of 'regular clients', described in the survey as *'those (clients) with whom you enjoy significant repeat business'*. Again, whilst they collectively have a healthy export business, the respondent firms found fifty seven percent of their regular clients in the local region (see Figure 8).

Figure 8. Distribution of Key Clients, Melbourne Advanced Business Service Firms, November / December 2005 (Responses weighted by number of employees)



The 'localism' which appears to characterise the operation of these Advanced Business Service firms is further highlighted by the finding that 78% of the Victorian clients of the surveyed firms were located no further than 20 kilometres from the respondent's office. Thirty seven percent of Victorian clients were located within a mere 5 kilometres of the service provider's site.

In overview, the survey confirms Clark's (Text Box 1) that provision of effective advice in Advanced Business Service requires good relations with the client and a high degree of mutual trust. It is, in essence, a social as well as business process. Accordingly these firms are drawn into much closer relationships with a local and readily accessible clientele.

This evidence shows that while Sydney is at the hub of Australia's innovation system, through its exports of Advanced Business Services to other parts of the country, these Services still maintain a tendency to focus on **local** clients. In short, the Sydney region stands to benefit disproportionately in terms of propensity for innovation, because of its local strength in knowledge based business services. Any policy to strengthen the competitiveness of Advanced Business Services in Sydney will be good for, indeed crucial for, the health of the Australian economy, but will be even more beneficial for the Sydney regional economy.

Text Box 2

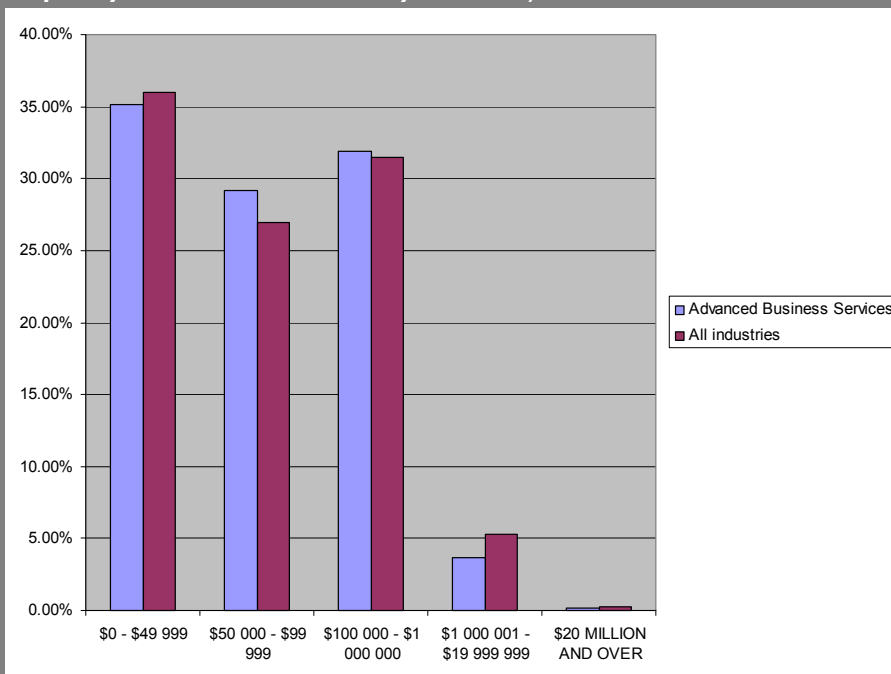
The Australian Bureau of Statistics does not make available data on Advanced Business Service firms by number of employees. However, it does provide information from its Business Register for nominated ANZSIC groups disaggregated by turnover. The utility of this data is limited in two ways. Firstly, multi-location businesses with a presence in more than one State are excluded. Secondly, the relatively small data sets pertaining to the Advanced Business Services sub categories meant that frequencies for some turnover categories could not be published without endangering the anonymity of respondents.

Bearing these limitations in mind, Figure 14 compares the size by turnover distribution of Advanced Business Service firms with that of Australian industry generally. In this chart, the firms for which turnover was not reported for confidentiality reasons, or because this information was simply not provided by the respondent, have been proportionately distributed across the categories which registered 'not published' cells in the data.

If it can be assumed that the propensity for multi location firms is much the same amongst Advanced Business Service firms as it is for industry generally, Figure 14 suggests that the broad distribution of firms by turnover for Advanced Business Services is not markedly differentiated from the rest of the economy. However, there does appear to be a relative over-representation amongst SME's – though not so for the smallest firms – and a relative under-representation amongst large scale enterprises.

This would appear to be consistent with the general thesis that Advanced Business Service firms tend to trade in ideas and problem solving where scale of operation does not necessarily confer a major competitive advantage.

Frequency Distribution of Firms by Turnover, 2001



Source; ABS Business Register

4 Selected Industry Perspectives

This section provides qualitative industry perspectives on the future role of EDH. Representatives from multi-national firms in the legal, financial services, accounting and property sectors were interviewed. Their views on 'global Sydney', office location decision making factors, and the position of EDH within this context are documented.

4.1 What makes Sydney a Global City?

Interviewees were asked what factors they thought made Sydney a 'global city' in the context of office location, and what needed to be done to maintain Sydney's global city status. Common themes in the responses were:

Location: Global location on the East Coast, with access to South East Asia. National location was also very important, with Sydney seen as equidistant between north and south and therefore well placed to serve Melbourne and Adelaide to the South, and Queensland to the North. Sydney is also the closest major city to Federal Government in Canberra.

Other Firms: Many global firms now have their head office in Sydney. It has become a financial hub not just for Australia, but for South East Asia. Most of the interviewee's clients also have their head offices in Sydney (Global, Regional or Australian). Sydney has a critical mass of firms in financial services.

Competitor Cities - Global: Sydney competes with Asian cities such as Singapore, Beijing and Shanghai, and Indian cities including Mumbai and Bangalore, for multinational headquarters. Major attractions in these cities are active government pursuit of firms, strong leadership, and economic growth. Singapore in particular has incentives for firm location, infrastructure to support executives (international standard schools etc), relatively affordable housing and a highly educated workforce. Singapore is currently seen as 'winning' the race to attract multinationals in South East Asia.

Competitor Cities - National: On a national scale, Sydney is seen as losing some firms to Melbourne and Brisbane because of the willingness of the Victorian and Queensland State governments to offer incentives (such as tax relief), strong and accessible leadership, and better liveability (more affordable housing and better transport). Anecdotally, many major Sydney firms – particularly banks – are moving the bulk of their 'head office' staff to Melbourne and retaining a symbolic head office presence in Sydney.

4.2 Office Locational Decisions

Interviewees were asked who makes office location decisions, and what factors were taken into account when deciding where to locate an office. The responses are summarised below:

Who makes the decisions?

Local Decision Making: Although one interviewee was part of a global firm, decision making about office location was essentially local. Sites are identified by the relevant city office. Proposals are

then taken to State office, a National Executive Committee, and a National Board. Decisions about Australian office location are not made overseas (except for the decision to locate in Sydney in the first place).

What are the key factors?

Decision making factors operate at two levels. Firstly, the firm would decide where in Sydney it wants to locate, and set a geographical boundary in which candidate properties are considered. Secondly, building type and quality are taken into consideration.

Locational Factors:

For all the firms interviewed, a Sydney CBD location is essential. Once this 'macro' geographical boundary is been set, a number of 'micro' locational factors come into play. These include:

Cost versus micro location: firms make a trade off between being in the heart of the legal or finance sector, which is very expensive, or obtaining cheaper premises on the CBD fringe.

For firms that choose to locate on the 'fringe', it is still important to be 5 to 10 minutes walk from the heart of their relevant sector.

Transport: Good access to trains and buses is important, especially since at some firms carparking spaces were provided for partners only. Vehicle access is also important. Some CBD fringe locations are seen as more accessible by vehicle than locations in the heart of the CBD.

Building Type Factors:

Apart from location (the most important criteria), building type is also considered. Factors include:

Grade of building: Only Premium or A Grade Buildings will be considered. This applies to the buildings that surround the office, as well at the office itself.

Iconic Status: The location and appearance of the building reflects the standing of the firm. Firms want naming rights to a Sydney CBD building. To have a building become known by the firm's name has symphonic importance in establishing the firm's location in Global Sydney.

Environmental Considerations: The building's environmental credentials, including the energy efficiency rating, are important to many firms. Natural light contributes to amenity and energy efficiency. Fresh air (rather than air conditioning) is perceived as providing a healthier working environment. This has productivity benefits.

Views: Good views are important for staff (amenity) and clients (status/prestige).

Physical Form: Firms specific physical requirements, such as large, efficient floorplates, services at the core, carpark ratios. Campus style offices with informal, flexible spaces and open plan layout are preferred by many firms.

4.3 Nature of Business Relationships

Interviewees were asked about the spatial relationships their firm had with clients and other business services.

Overseas Clients: Location is not important beyond having a presence in Global Sydney (ie. Sydney CBD or North Sydney).

Australian Clients: As with overseas clients, location is not important beyond having a presence in Global Sydney (ie. Sydney CBD or North Sydney).

Metropolitan Sydney (excluding the CBD): Some clients were not located in the CBD. For example, one firm had Qantas as a major client, who is located at Kingsford Smith Airport. Some Government clients are located at Parramatta. A Sydney CBD location was seen as sufficiently accessible to these clients.

Sydney CBD: Most firms' location is not strictly dictated by the location of other CBD clients. It is enough for these firms to be within the CBD. Some firms were cited as examples of successful 'CBD Fringe' location, such as Ernst and Young at the southern end of George St. For certain sectors, for example law firms, it may be more important to locate within the legal precinct to access courts and other law firms.

Precincts within Sydney CBD: The roles of different precincts in the CBD are not fixed, and new precincts can establish themselves. One firm had recently moved to a location on the CBD fringe with the knowledge that a number of other similar firms are also relocating there. The precinct was seen as an 'emerging financial hub'.

Local 'Service' Relationships: These are seen as very important in attracting and retaining staff and entertaining clients. Some firms have in-house cafes. However, a major benefit of choosing a CBD location is having a range of cafes, restaurants, retail, recreational and cultural facilities in close proximity (5 minutes walk). One firm had recently moved to a King St Wharf location and found that there was a lack of cafes and foodhalls for staff to get lunch, and that staff had to go 'uptown' to shop. They believe that these services will locate to the area once more office space is developed. Many major corporate players have a relatively young workforce and actively compete for top graduates. Recreational facilities such as gyms and outdoor recreation areas are seen as important in attracting these workers.

4.4 Perspectives on East Darling Harbour

Interviewees were asked what factors they thought were important for East Darling Harbour's (EDH) development. Common themes were:

A Mixed Use Precinct: EDH should be a combination of residential, office, and supporting services. A homogenous environment with office space only would not be attractive.

A Premium Location: Buildings and supporting services should cater for 'Premium' grade tenants. The precinct should be marketed as such. World class architecture and urban design is the 'minimum' requirement for attracting world class tenants.

A Waterfront Precinct: Full advantage should be taken of EDH's waterfront location. This is a competitive advantage that the precinct commands within the CBD office market, and water views should be maximised. Buildings should be set back from the water to provide public spaces with recreational areas. The amount of waterfront space available can be maximised by transforming the linear water frontage into a series of short 'wharfs'. Commuter ferry services could provide transport, especially for executive labour from the North Shore.

A 24/7 Precinct: Uses in EDH should include weekend activity (recreation space, cafes etc), and after hours activity (restaurants, theatre, entertainment, bars).

An Accessible Precinct: EDH suffers from its low lying topography relative to the CBD. People do not like to walk up hill and this increases the precincts 'isolation' from the existing CBD. It is essential that excellent pedestrian connections are provided into the city and to public transport facilities (especially Wynyard Station).

4.5 Implications of Industry Perspective Interviews for EDH:

A Sydney CBD Location is essential for global firms operating in the Asia Pacific region. EDH should be well placed to attract these firms. EDH's 'CBD Edge' location should not be problematic. However, it will have to offer something special to attract tenants away from established precincts.

Key considerations should be:

Attracting a number of 'anchor' tenants or one 'star' tenant. These firms seek to cluster with other firms of a similar type. One or two major corporates will not be sufficient. Anecdotally, there are around 60 to 70 boutique financial service firms in Sydney, for example hedge funds, who could be targeted for a financial service cluster. An alternative approach would be to attract a new major multinational from another 'global city'. This should be a world or Asian headquarters, not just an Australian headquarters. The net economic benefits of attracting such a firm (over and above just having a mix of regional headquarters) would be huge. This would warrant proactive government incentives (such as tax relief).

Accessibility. Access to public transport – especially links with Wynyard Station – is important. This should be 'over-invested' in as will generate benefits beyond direct public transport access. Private vehicle access is also important – executive labour will still want to be able to drive. Links with the existing CBD precincts, via road and walking routes, will facilitate access to clients and services as EDH develops. This accessibility is most important for commercial tenants (as opposed to residential) and therefore commercial space should be given the most 'CBD accessible' location within the EDH site.

Prestige. This refers to the physical quality of office space, which should be Premium or A Grade, the marketing of EDH as a business location, and the physical character of public spaces. Maximum

advantage should be taken of EDH's 'harbourside' location and protecting views. Water access is one of Sydney's competitive advantages over other global cities.

Environmental Consciousness. Multinational firms and their clients are placing increased importance on environmental factors. This should be taken into account in both the energy rating of buildings in EHD, and the environmental credentials of shared / public spaces.

Supporting Uses: In addition to office space, the following uses should be catered for:

- Restaurants and bars
- Cafes and Foodhalls
- Recreational facilities for active and passive recreation, including gyms and public spaces
- Cultural facilities (art galleries, theatre, public/outdoor art, outdoor performance space)
- Public space for weekday and weekend recreation (Southbank, Brisbane cited as an example)
- Residential development
- Hotel accommodation for tourists and corporates

5 Sydney CBD in Metropolitan Context and its Constituent Precincts: Economic Trends and Indicators

5.1 Introduction

The CBD performs a special role in the metropolitan economy as the higher value, higher order focus for local, national and international transactions. The other centres in the metropolitan area play secondary roles.

The CBD itself however is not an 'amorphous' entity. It has a fine grain – its own 'ecology' – which needs to be understood.

This section reviews the available data to identify the strength and role of the CBD compared to other centres and looks at the different strengths of the precincts within the CBD.

East Darling Harbour needs to understand not only how it complements the CBD as a whole, but also how it relates to and competes with the existing CBD precincts.

Data on floorspace in the different CBD precincts is examined to reveal the use mix in these areas. This also provides lessons for EDH.

5.2 Sydney CBD and Other Metropolitan Centres

The relative strengths of the CBD compared to other metropolitan centres have been analysed using location quotient analysis (described earlier), which is a ratio measure of the concentration of an industry strength in a particular location relative to a wider area. For this particular analysis, LQs have been computed for each of the industries at the ANZSIC two-digit level for the CBD and other metropolitan centres, with the aggregate data for all these locations acting as the 'wider area' reference point.

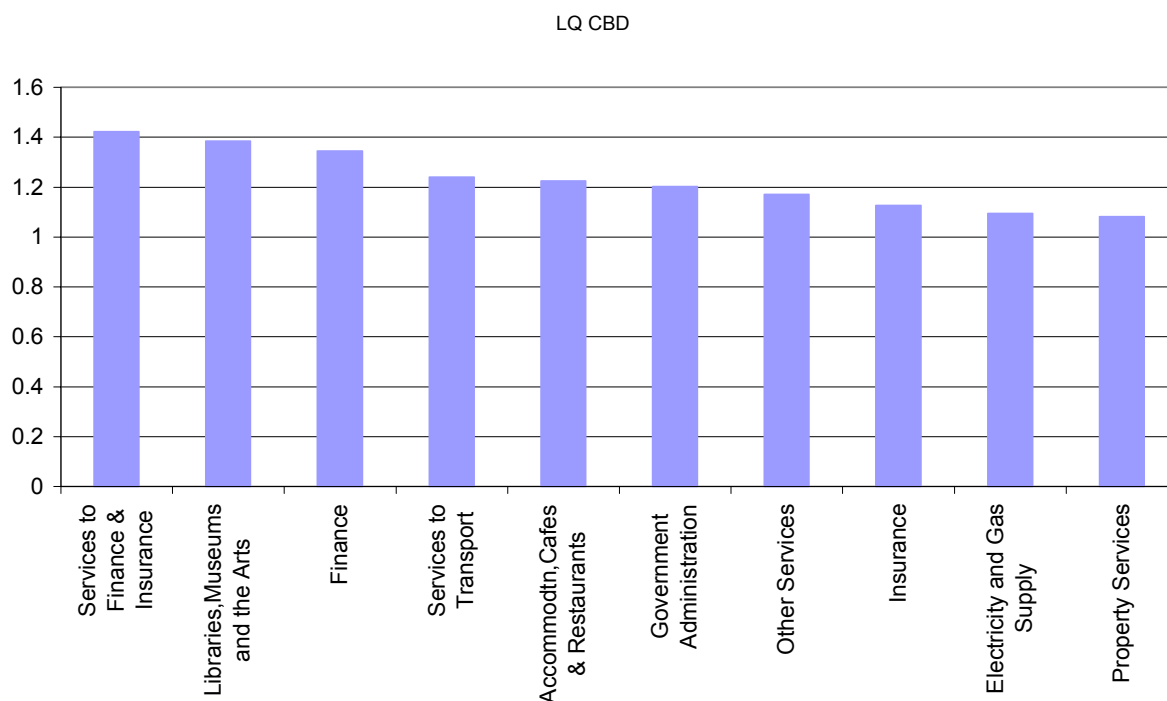
Figure 9 to Figure 16 show the relative industry strengths or 'economic clusters' in each of these centres, using the latest data from 2001. The graphs give the Top Ten Industry sectors, ranked in terms of their LQs, for each centre. The dominance of some sectors (car retailing in Parramatta for example) is a result of the way boundaries are drawn and are somewhat anomalous. However, in general terms a strong picture emerges of industry strengths in each centre.

- The **Sydney CBD** is the only one of the centres where the high value **insurance, finance and services to finance and insurance** sectors are dominant. The key role of **cultural institutions** (libraries, museums and the arts) and the strength in key **tourist support uses** of accommodation, cafes and restaurants is also apparent. The strength of the centre as a location for **government administration** activities is also revealed in the figures. Central Sydney retains its pre-eminence in these important, high value 'capital city' activities and EDH can expect to attract development in these sectors.

- **North Sydney's** clusters of **transport and business consulting services** are apparent. Communication services also performs strongly, but Optus' announcement of a move to Macquarie Park will diminish this sector in North Sydney.
- **Parramatta** has strengths in **community services, property services and government administration**. Its **regional shopping and service** role is highlighted by its strengths in food and personal goods retailing, and personal, health and 'other' services. The motor vehicle retailing and related strength is anomalous and is revealed because the boundaries for the statistics will include car yards and related auto services which are not included in the boundaries for the other centres.
- **St Leonards** reveals strengths in health services (from the inclusion of the RNS hospital in the statistics) and in media industries. This latter strength will have diminished with the move of the ABC to Ultimo. Personal and 'other' services are also strong.
- **Chatswood** has strengths in media and communication services. The centre's regional retailing role is also highlighted.
- **Macquarie Park** reveals a different complexion of strengths. Chemicals and machinery, equipment and other manufacturing, and wholesaling are strong, reflecting the concentrations of **white collar workers in manufacturing related companies** in the area (little if any 'shop floor' manufacturing would be occurring), and **warehousing** roles respectively. This centre is changing rapidly so that the warehousing strength would be diminishing. The **employment** at Macquarie University is revealed in the strength of the education sector.
- At **Olympic Park** the anticipated strength in **sport and recreation** is shown in the figures. The strength of road transport and other manufacturing activities is due to the inclusion of the Carter Street industrial area, to the south of the Olympic Park core, in the figures. This precinct is also changing rapidly and the figures from the 2006 census will reveal a quite different story, with more business services related employment anticipated.
- **Rhodes** is similar to Olympic Park. Manufacturing and construction activities are strong but this does not reflect recent changes which have strengthened the role of property and business services in the centre.

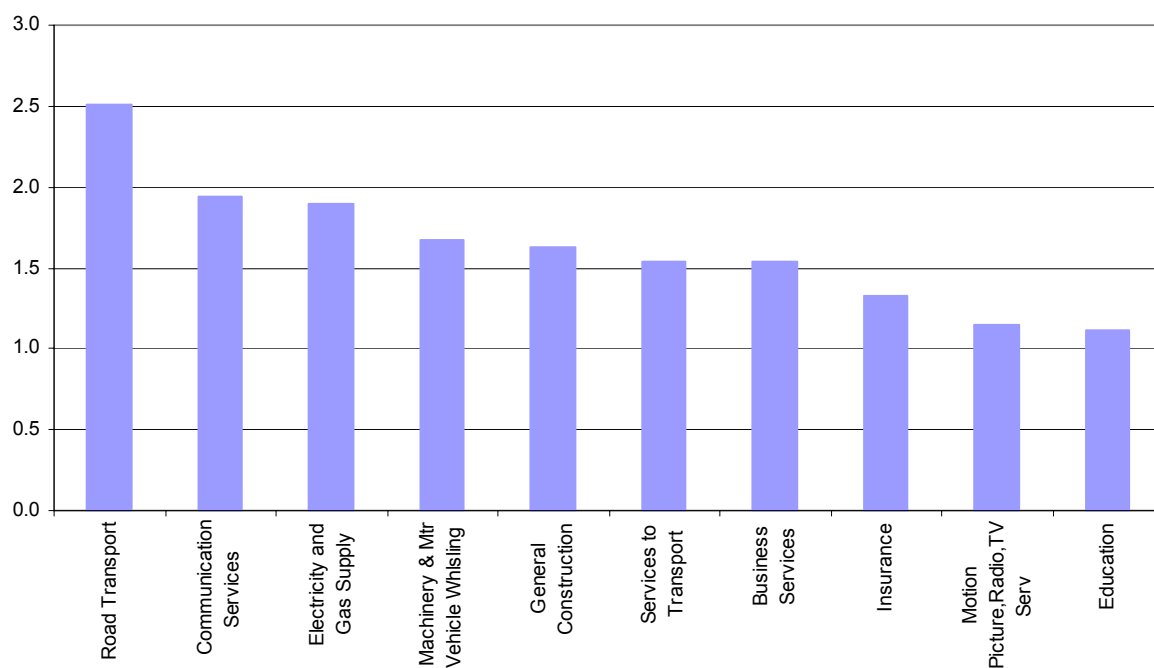
The analysis highlights the core business, cultural and tourist dominance of the CBD versus other centres in the metropolitan area. The other centres are developing their own capacity and strengths but EDH should be looking to complement and strengthen the CBD's higher order employment capability.

Figure 9. Sydney CBD – Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



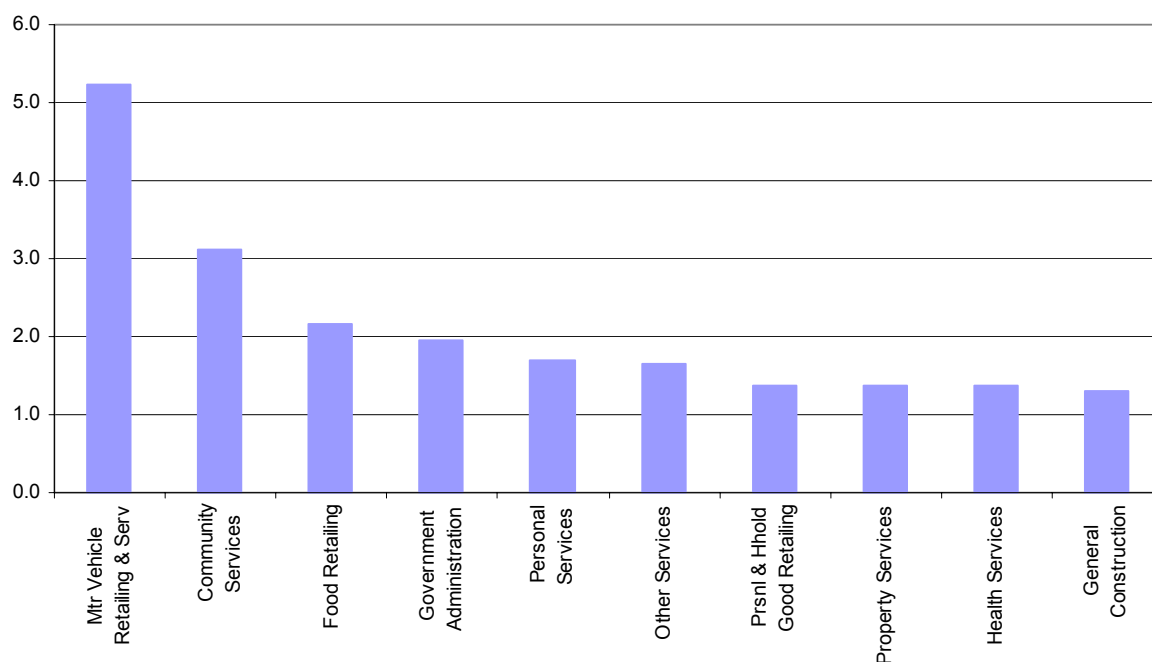
Source: ABS Journey to Work data

Figure 10. North Sydney - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



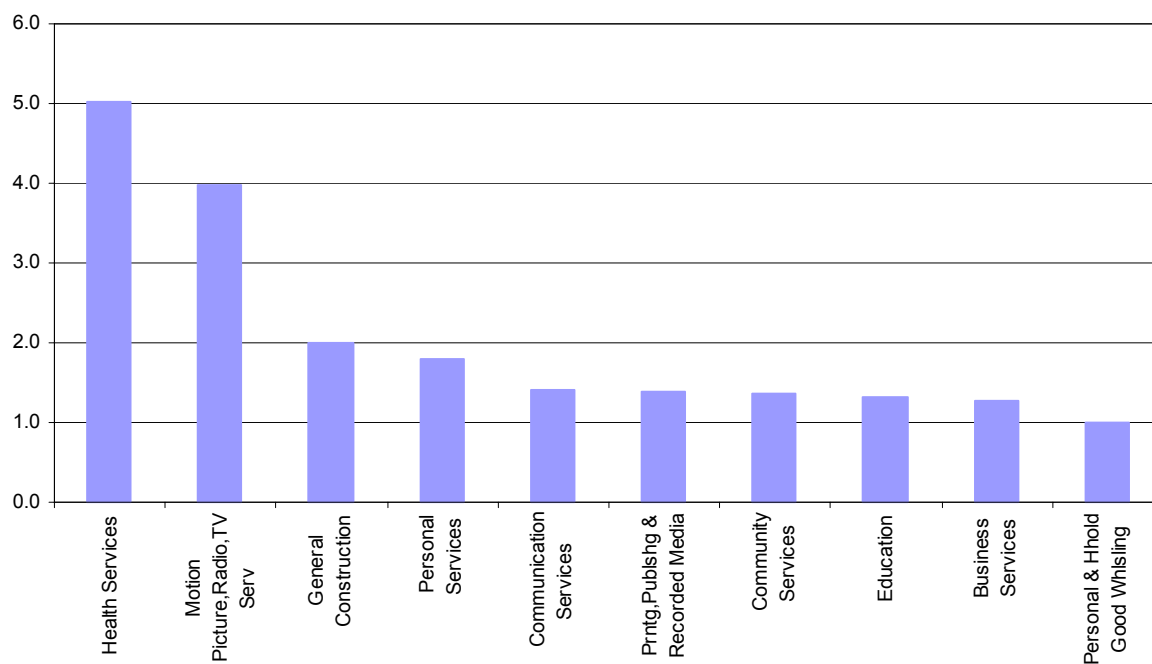
Source: ABS Journey to Work data

Figure 11. Parramatta - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



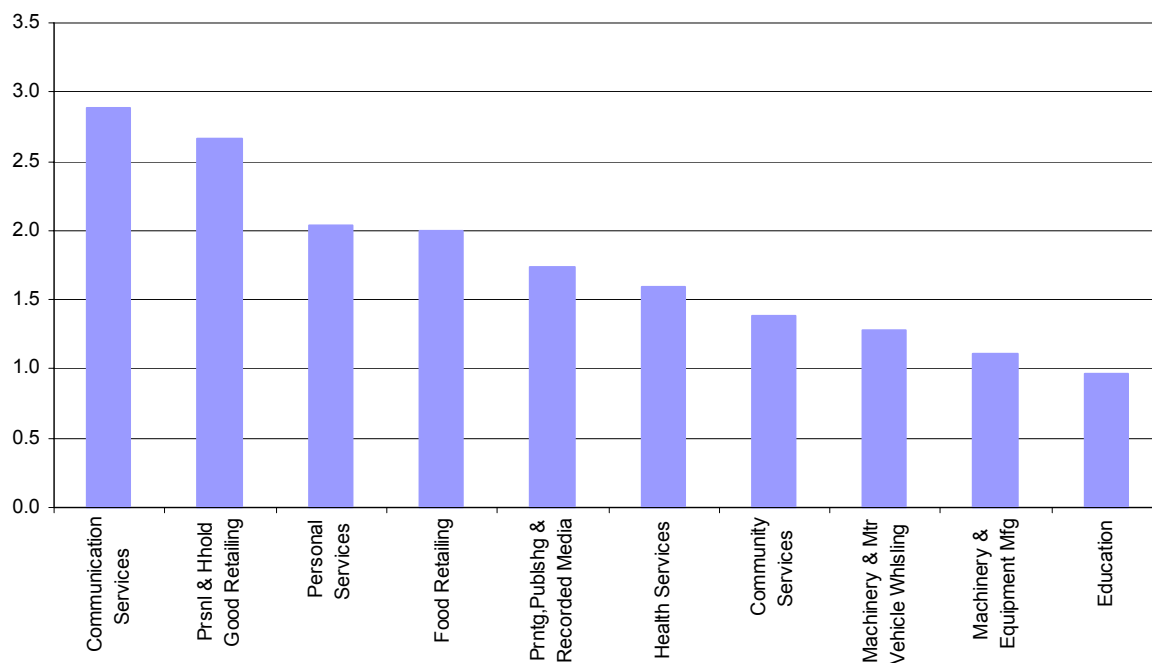
Source: ABS Journey to Work data

Figure 12. St. Leonards - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



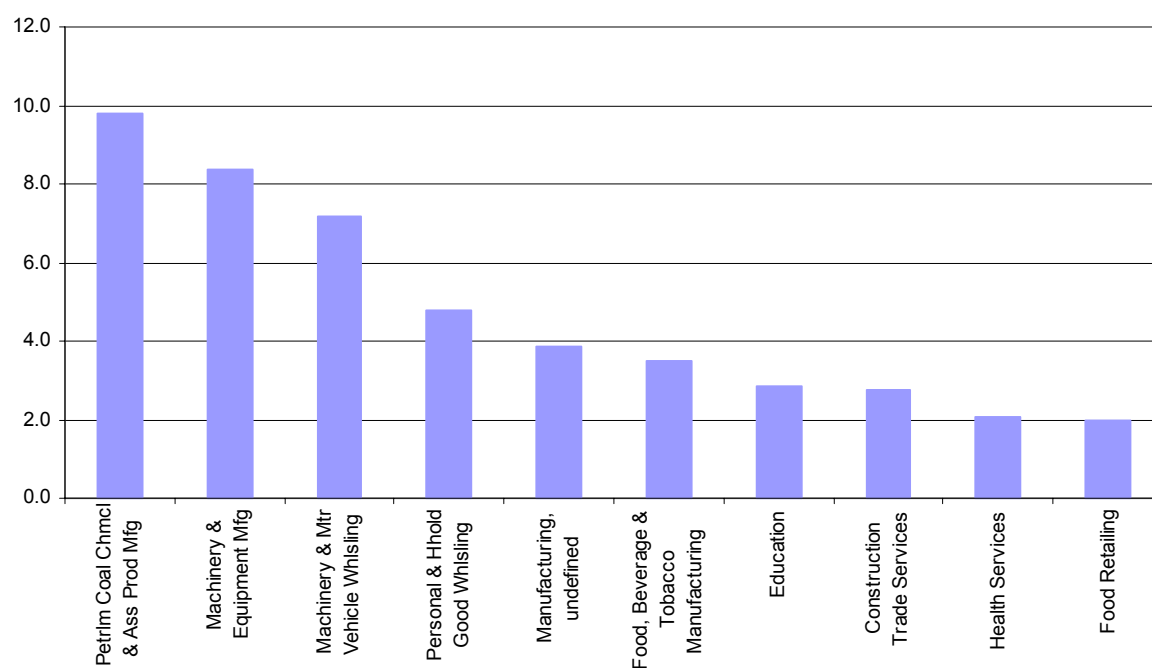
Source: ABS Journey to Work data

Figure 13. Chatswood - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



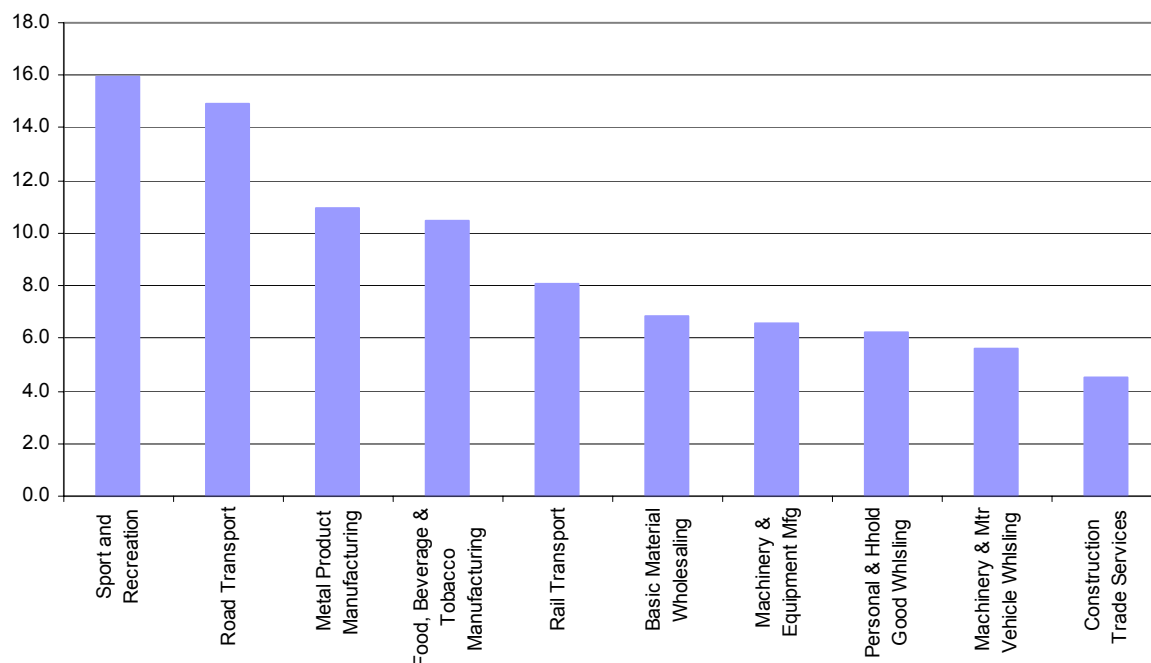
Source: ABS Journey to Work data

Figure 14. Macquarie Park - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



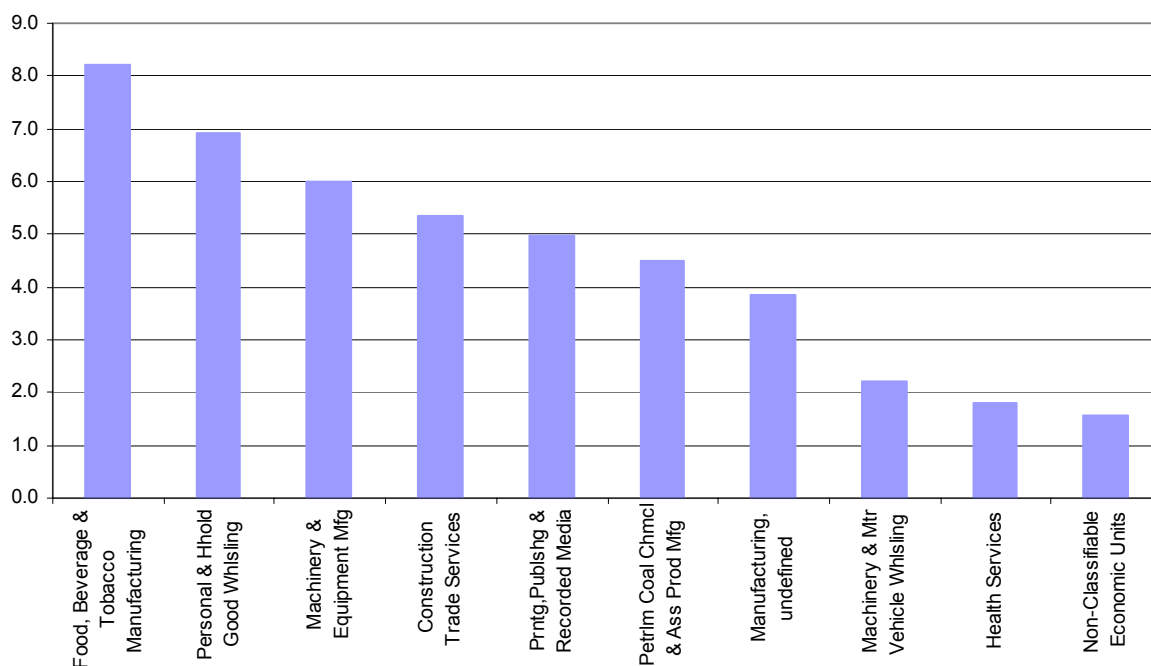
Source: ABS Journey to Work data

Figure 15. Olympic Park - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



Source: ABS Journey to Work data

Figure 16. Rhodes - Relative industry specialisations compared to other centres (Location Quotient Analysis) 2001



Source: ABS Journey to Work data

5.3 Economic Activity within the Precincts in Sydney CBD

A similar analysis has been undertaken for the precincts within the CBD. This is intended to highlight that even within the CBD itself each area has its own clusters of economic activity, its own 'micro-economy'. Again the most recent available data is from 2001 and since then the complexion of some precincts will have shifted, with major tenant and occupier movements. The chosen precincts are shown in Figure 17.

Figure 17. CBD Precincts

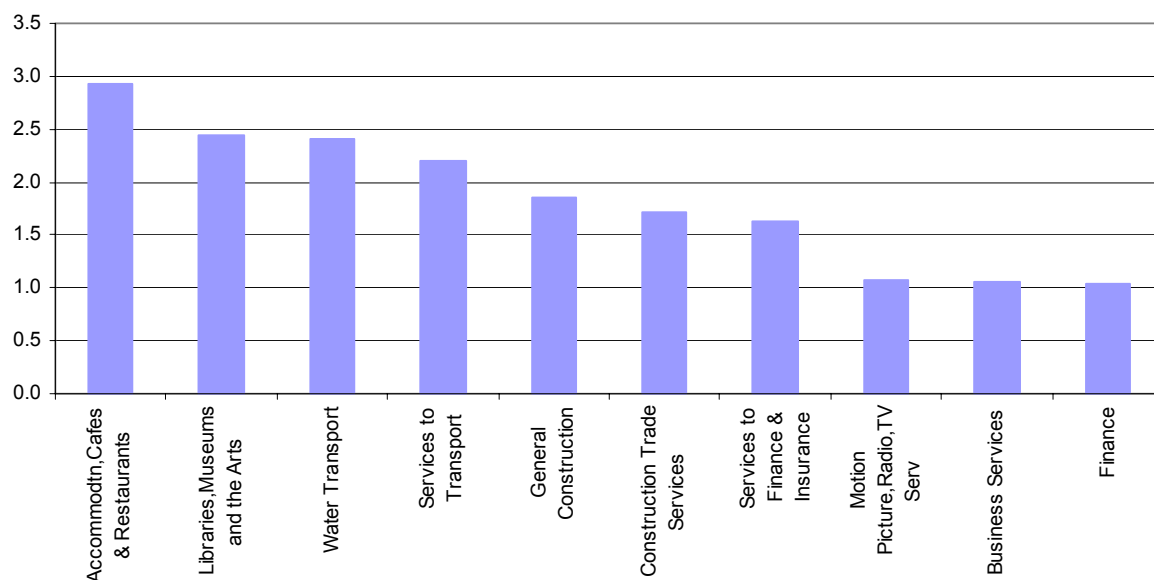


The findings from the analysis are shown in Figure 18 to Figure 25. Many of the figures confirm what would be anticipated given the known businesses and operations in these areas but they also

highlight that a mix of strengths and activities are observable. The findings also point to themes that economic development directions and activities in each precinct could pursue in future planning for the CBD.

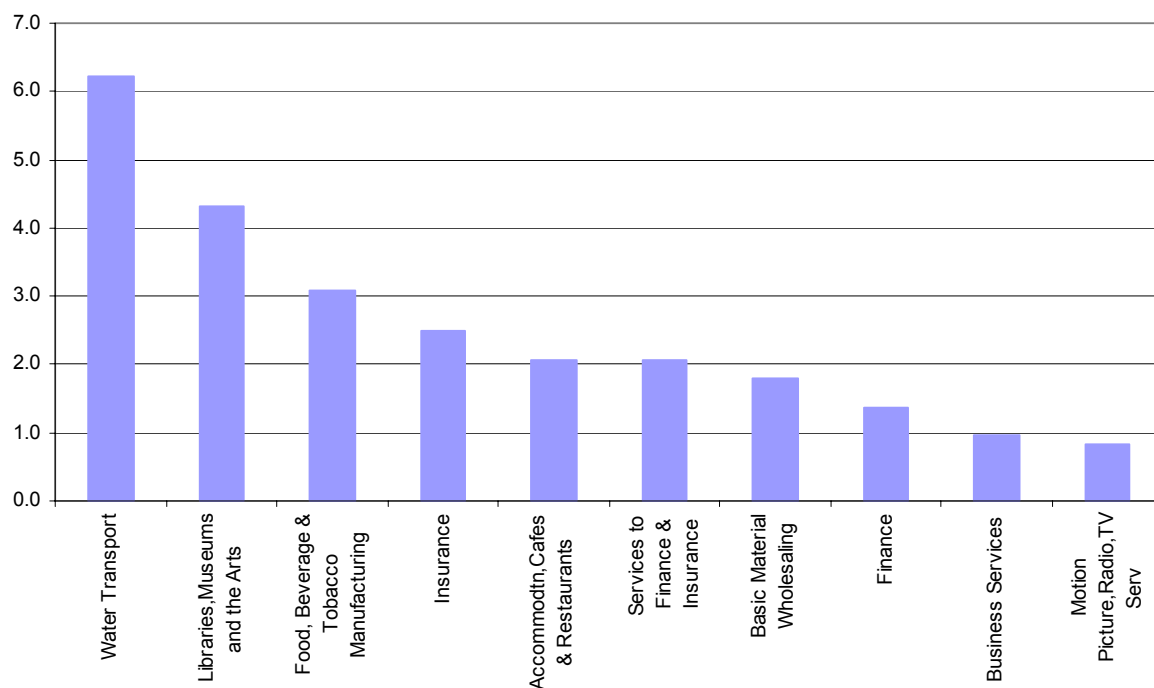
- The **Rocks/Millers Point** precinct, closest to the EDH site shows the influence of the **cultural and tourist activities** in the Rocks and surrounds. The continuing **water transport activities** in the area are also strong.
- The **North** precinct, north of Bridge Street, also has strengths in water transport (the Circular Quay ferry terminal is in this precinct). **Air transport** is also strong reflecting the presence of airlines in this area (though Qantas has since moved). Of particular importance is the strength of finance, insurance and services to finance and insurance. Cultural activities and cafes and restaurants are also strong in this precinct.
- The **North West** precinct, centred on Wynyard, has water transport strengths reflecting the presence of harbour based tourist services. It is strong in the **media** (Fairfax) and also in the high value **business services, insurance and services to finance and insurance**.
- **North Central**, focussed around Martin Place, is the finance heart of the CBD, but is also strong in other high value services including **insurance, property services** and **services to finance and insurance**. This precinct, with the North and North West, is the **epicentre of high value businesses and 'global' headquarters** in Australia (see . EDH needs to build connections – physical and business related – into these precincts to maximise its economic ambitions.
- **North East** centred on Macquarie Street and extending through the Domain, has obvious concentrations of health, arts and government jobs but also property, finance and insurance, and business services.
- **Central**, around Town Hall, has obvious strengths in **retailing** but also a strong **printing and media** presence.
- The **'Part Surry Hills'** precinct has a different complexion, with **'other services'** showing up strongly. This reflects the diversity of space offerings and uses in this area. **Government** jobs and **culture** jobs are also strong.
- The **South** precinct around Central station and extending into Chinatown has strengths in **water supply, defence, electricity, government administration and rail transport**. This area is a 'fringe' CBD location where statutory corporations and government departments have office space. Employment in the **restaurants** of Chinatown and nearby **hotels** is also reflected in the figures.

Figure 18. Rocks/Millers Point - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



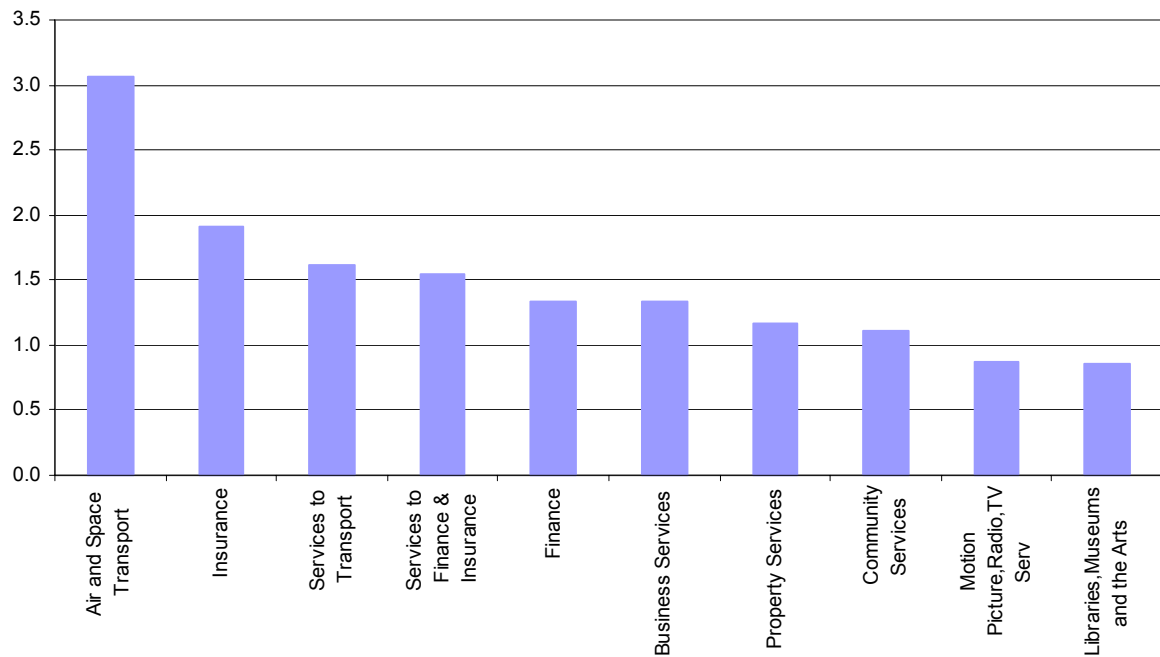
Source: ABS Journey to Work data

Figure 19. North - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



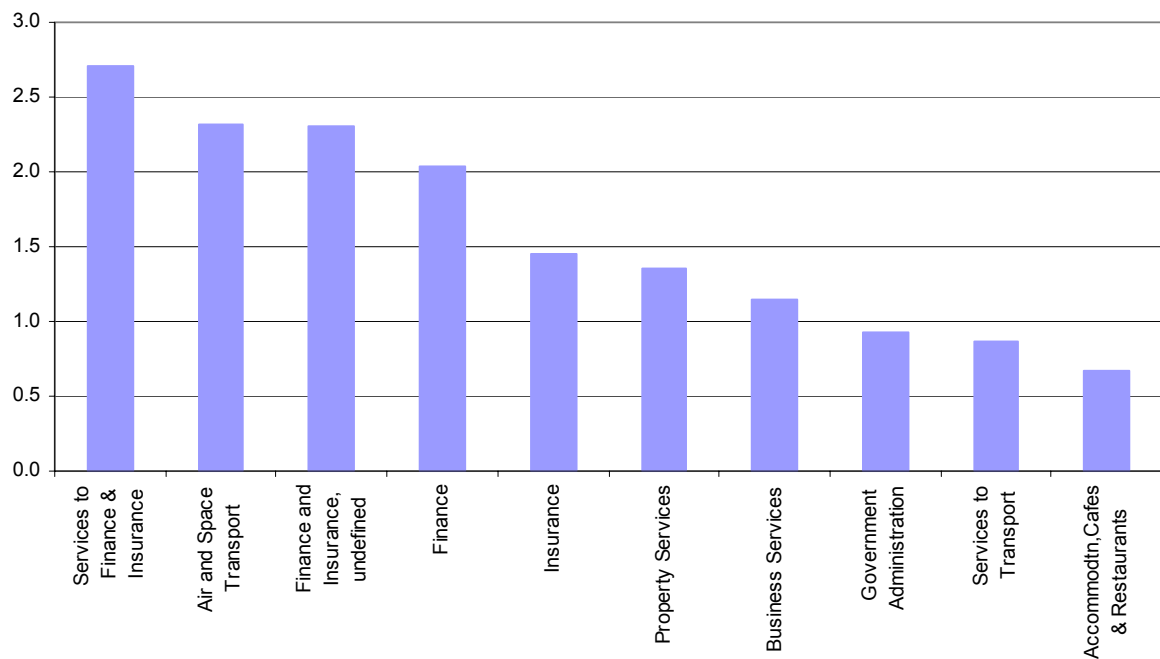
Source: ABS Journey to Work data

Figure 20. North West - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



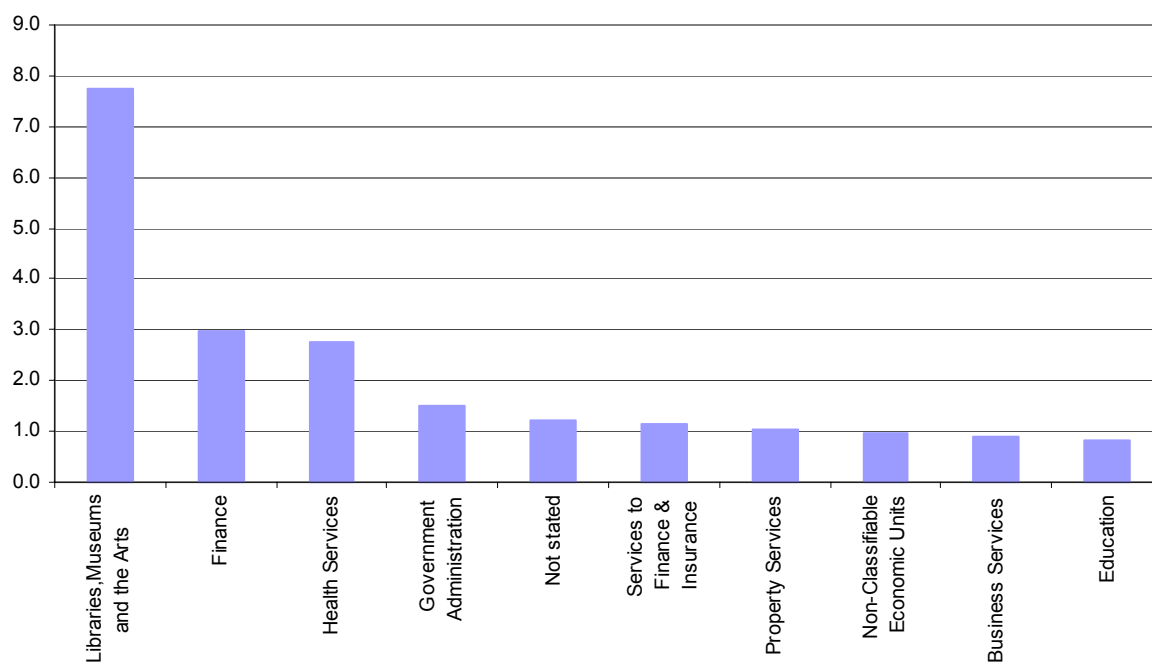
Source: ABS Journey to Work data

Figure 21. North Central - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



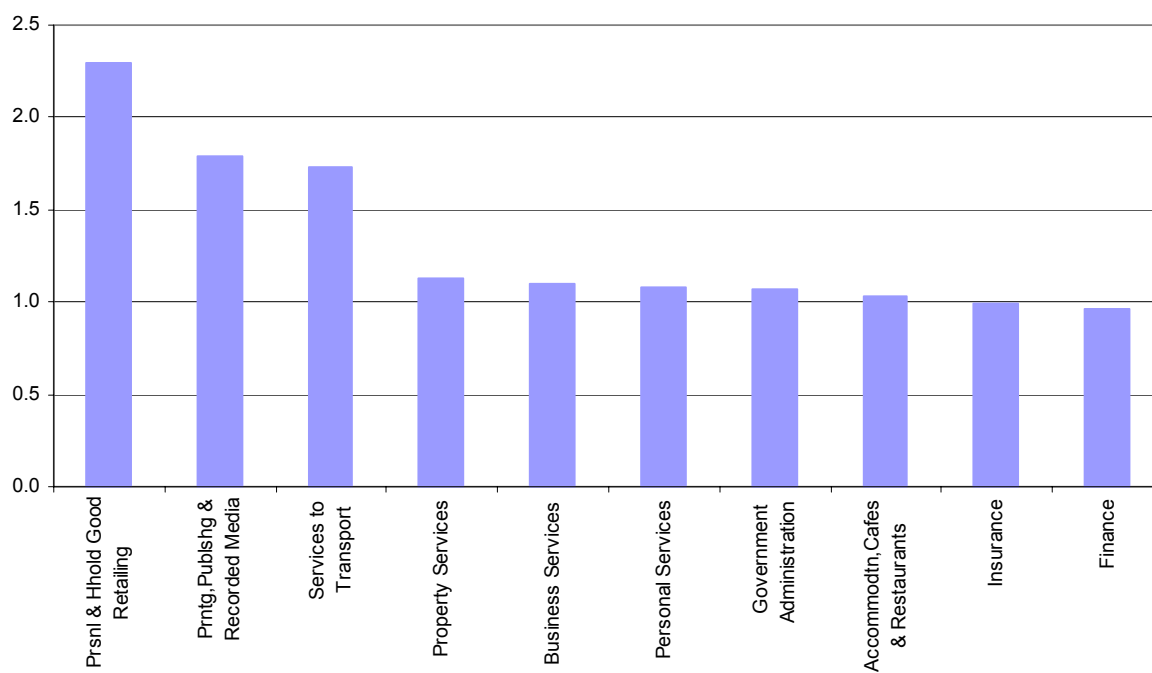
Source: ABS Journey to Work data

Figure 22. North East - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



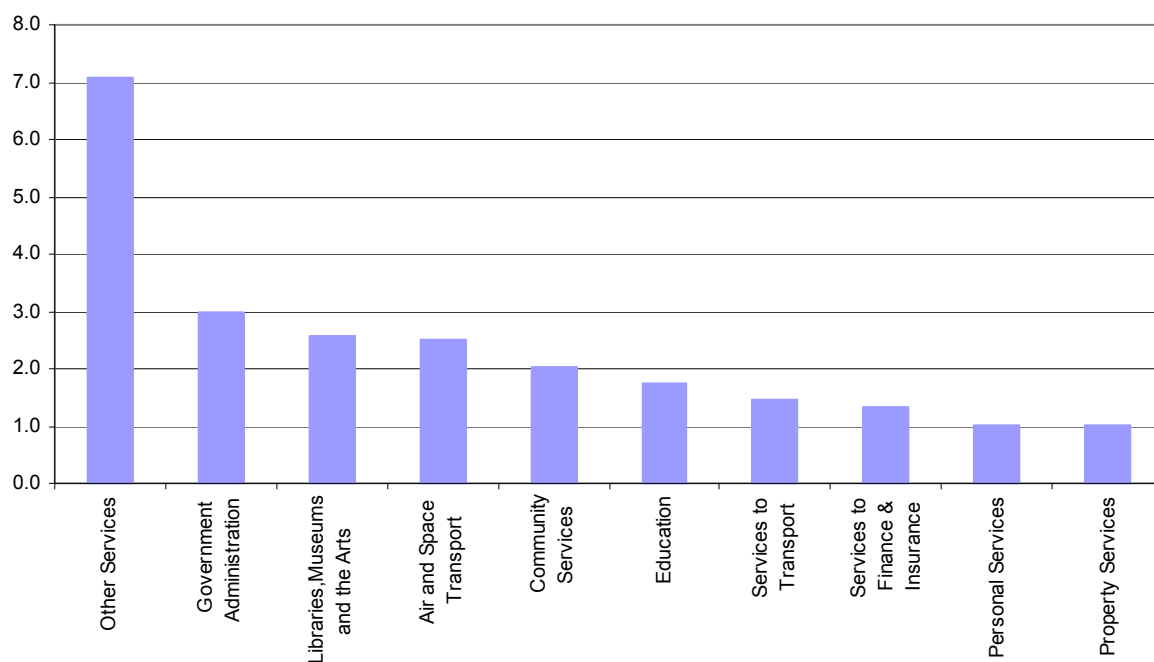
Source: ABS Journey to Work data

Figure 23. Central - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



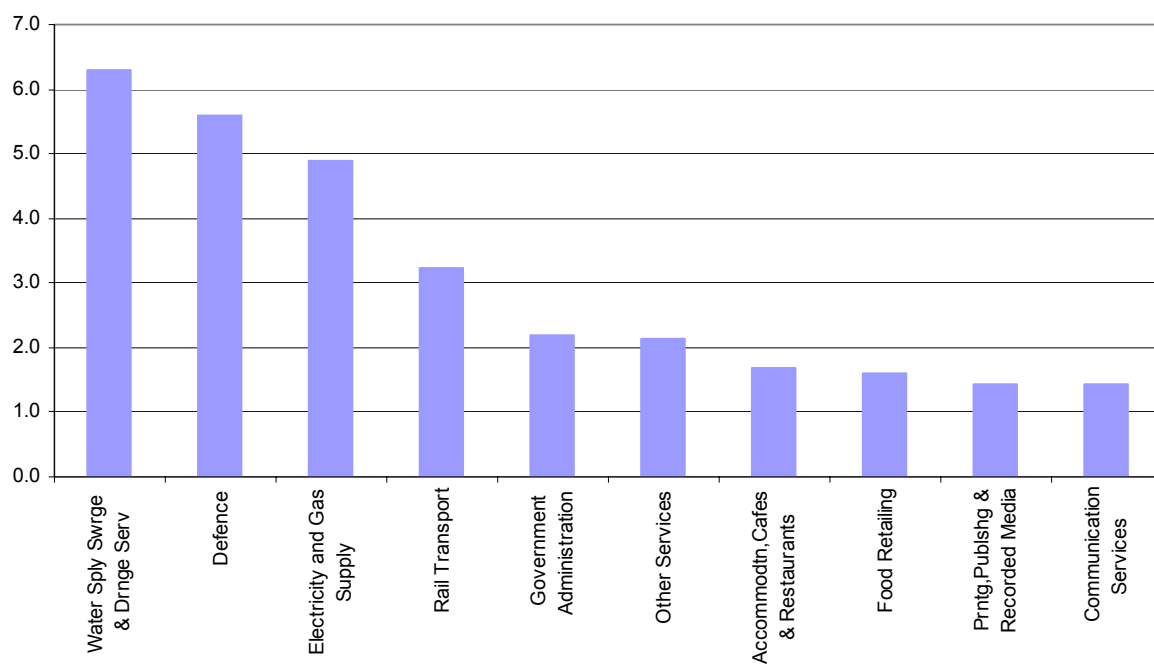
Source: ABS Journey to Work data

Figure 24. Part Surry Hills - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



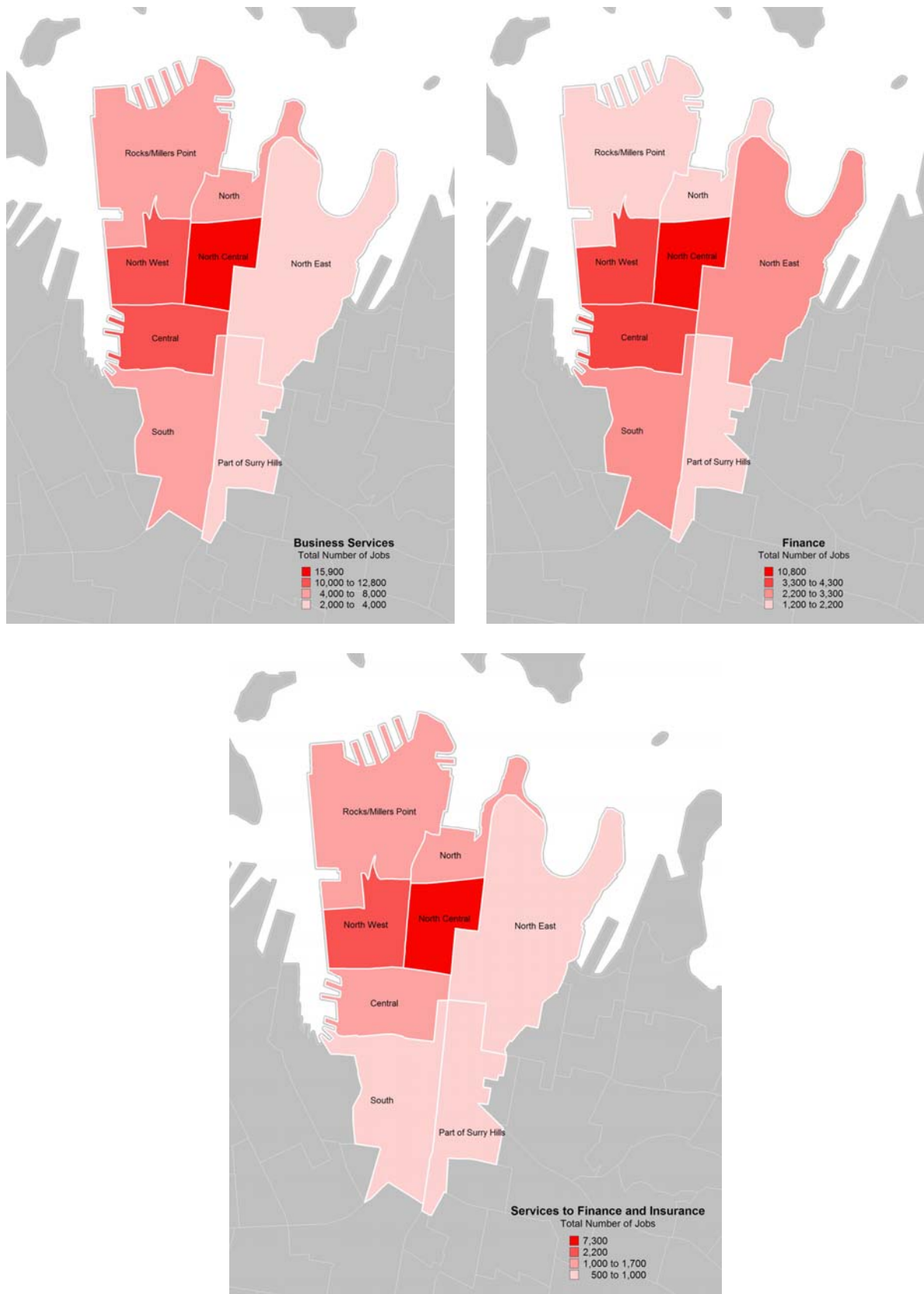
Source: ABS Journey to Work data

Figure 25. South - Relative industry specialisations compared to other centres and precincts (Location Quotient Analysis) 2001



Source: ABS Journey to Work data

Figure 26. Concentrations of High Value Jobs in CBD Precincts



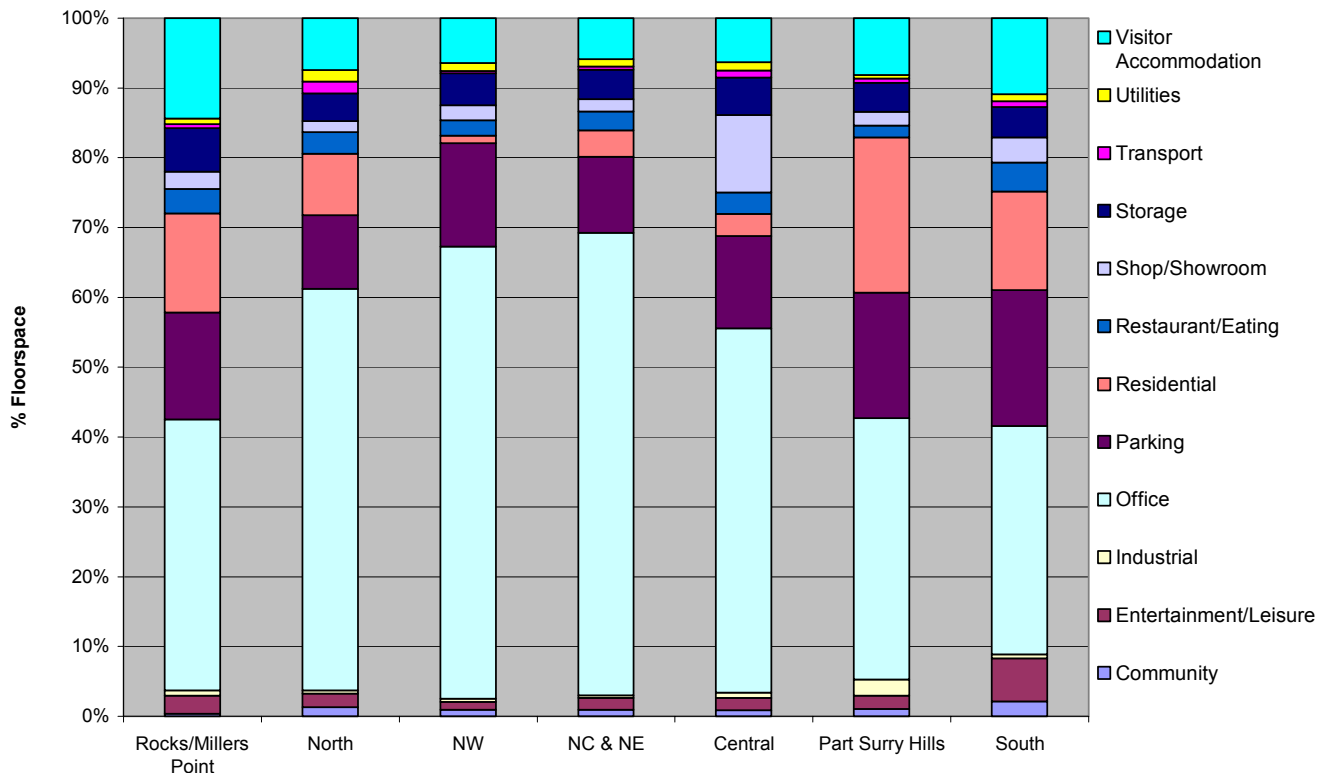
5.4 Floorspace Trends

Figure 27 shows the share of floorspace in different use classes by the different CBD precincts in 2001. While office space represents the majority share in each precinct the range is from just over 30 percent (in South) to less than 70 percent (in North Central and North East). Other uses have a significant share in each precinct including residential and visitor accommodation, highlighting the 'mixed use' nature of activity in a lively CBD like Sydney's.

Given the aspiration for the EHD precinct, as an attractor for high order economic development, and the all important 'advanced business services' sector, these findings of diversity in CBD precincts highlights the challenge to generate similar outcomes at EDH. Of the CBD precincts in Figure 27, the North Central/North East and Part Surry Hills areas, represent extremes as lively precincts, from an economic perspective. And the mix of activities reflects these extremes. While the rents will be higher, a mix of uses closer to the Part Surry Hills spectrum may be desirable for EDH to give it a more natural and lively 'vibe', and one to attract the necessary mix of high value corporates and advanced business services. Hotels, residential, shops and even storage – as well as commercial office development - all play a role.

The strong presence of parking in each of the precincts is notable. Without a very significant expansion of public transport services, trips to EDH will include a high proportion by car. Even with good public transport car access will remain critical (a finding reinforced by the industry perspectives).

Figure 27. Floorspace (%) by CBD Precinct, 2001

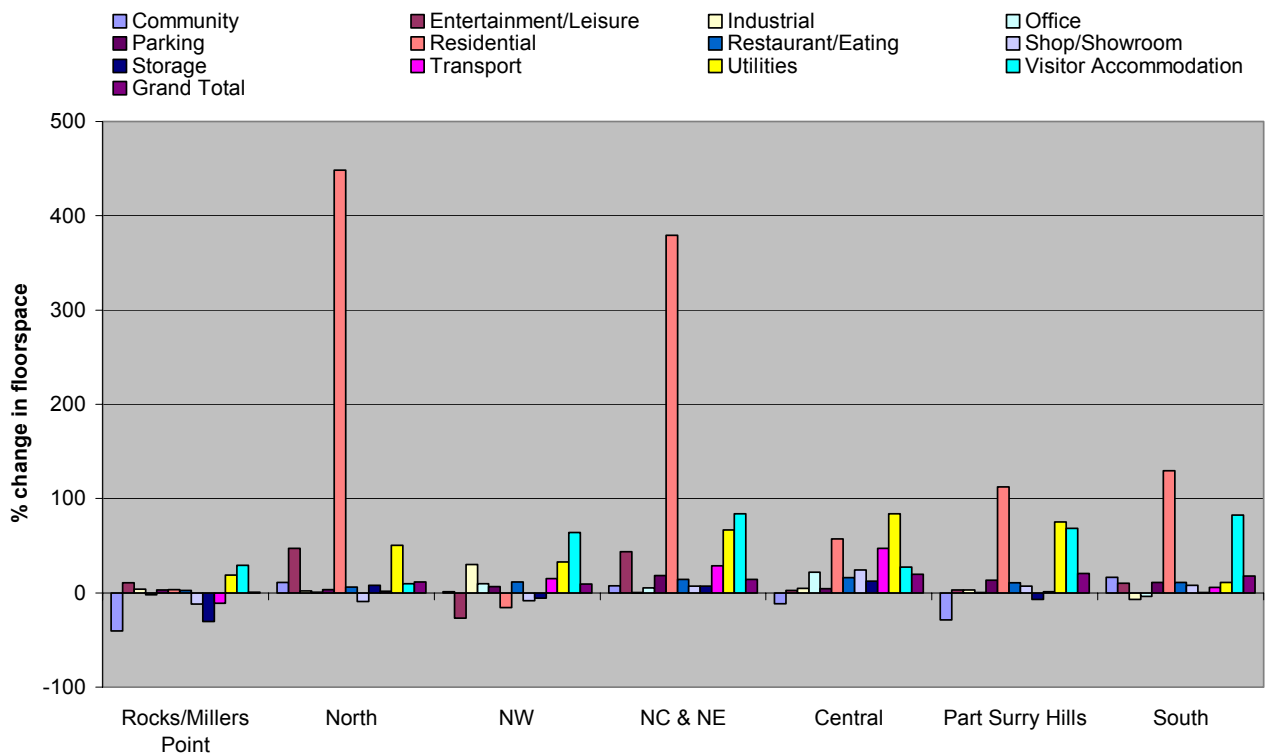


Source: City of Sydney Floorspace and Employment Survey

Figure 28 shows the percentage change in floorspace of different types by precinct between 1996 and 2001. The obvious, big change was in residential uses in all the core CBD precincts east of the Harbour Bridge approach road (though in North Central/North East the large percentage increase was off a small base). City living grew significantly in this period, driven by smaller and more mobile households, increasing demand for more intense urban lifestyles, residential investment activity and models responding and leading to increased renting, and the growth of high skilled job opportunities close to the city

Other notable floorspace increases in this period was visitor accommodation (the hotel sector) and utilities. The fact that office space increases were not particularly significant using this percentage change indicator is notable when one considers the very significant growth in office and retail jobs in the CBD in this period (over 33,000 jobs in total, or 15 per cent on the 1996 base). Over this time, when economic and employment growth was substantial, the CBD deepened its use mix, across most precincts.

Figure 28. Change in Floorspace (%) by CBD Precinct, 1996 to 2001



6 Positioning East Darling Harbour

6.1 Some Implications from the Findings

- The NSW government's Metropolitan Strategy recognises the pre-eminent role of Central Sydney in Australia's global economic relationships. Sydney is recognised as a global city in the Strategy, and competes with other countries in the Asia – Pacific area. The Strategy targets 50,000 additional jobs in the strategic centre of Sydney (CBD and immediate neighbouring precincts) to 2031. EDH has a key role in ensuring that this target is met.
- East Darling Harbour is recognised in the Metropolitan Strategy as having a critical role in providing additional space for commercial development in the so-called 'global economic corridor' between Macquarie Park, CBD and the Airport, containing Sydney's globally oriented, high value jobs.
- The City of Sydney has suggested that the CBD has around 22 years of supply for development. However, a share of this is 'notional' only as many sites are constrained. The PCA estimate of 14 years supply may be closer to the reality and even that doesn't embody a qualitative dimension, which EDH will be able to satisfy. The development activity at Kings Street wharf indicates the appeal of relatively unencumbered sites and from this perspective EDH is likely to 'have a market' pretty well from 'day one', and certainly by early in the next decade.
- Central Sydney's strong employment performance in the past decade has been driven by high end finance, legal and insurance sector growth, as well as growth in 'advanced business services'. EDH needs to find a market amongst both sectors.
- Sydney competes with Singapore and Hong Kong in particular as a regional finance centre in the Asia Pacific, and its role as a finance location is therefore open to challenge. EDH's waterfront location should give it a key selling point in this competition, though many other factors relating to the city's other services and infrastructure offer will be critical.
- Sydney's strengths as an advanced business services centre are deeper and can be strengthened even further with the right approach at EDH. Advanced business services (IT consulting, design, business services, marketing, management consulting etc) are knowledge intensive and are fundamental to innovation in the economy. They operate through social networks, through person to person contacts, through a knowledge and command of their urban environments, and through repeat local business relationship. These dimensions of business operations are facilitated by the quality of urban environments and office space offerings. The grain and vibe of urban environments is critical. Mixed use and lively precincts are preferred. EDH needs to be developed as such a place.
- Sydney's corporate players recognise the key role and quality of the urban environment as a business location. They note that in Sydney, of critical importance are: proximity to competitors and collaborators, mixed use precincts, premium locations, particularly

waterfronts, '24/7' activity, environmental performance and excellent transport connections. EDH needs to build these features in.

- The Sydney CBD precincts have differing character and strengths. Finance, insurance and services to finance and insurance are concentrated in the northern half of the CBD. Retailing is strong in the central precinct. Government and statutory corporations are prominent in the north east and south. Around Surry Hills there is a mix of services. Cultural activities are prominent in the precincts on the edge of the CBD. These clusters inform business decision making but they do shift over time as new trends take hold and as constraints to redevelopment emerge. EDH will be most closely related to the high end activities of the north and north west, but can also obtain something of the 'fringe' character of somewhere like Surry Hills, given the planned for diversity of uses.
- EDH provides the opportunity for a new high value economic cluster to emerge. Lend Lease at The Bond may be the germ of a property development and design cluster that could further develop through EDH. Media and design is already strong at the western edge of the CBD and this could develop further.
- The use mix in precincts around the CBD varies significantly but office uses are never wholly dominant. In all precincts residential, hotels and shops (as well as parking) have a significant role. Residential has grown strongly. In a similar vein, to reproduce a lively urban ecology, rather than a 'sterile' business park environment, EDH must plan for and provide, but importantly, allow for a range of uses to emerge.

6.2 Options for Positioning

There would appear to be 3 broad strategic options for the economic positioning of East Darling Harbour;

1. Target the site primarily towards **premium HQ sites**. This option recognises the looming supply constraints for this class of office building in the existing core CBD. It also takes advantage of the unsurpassed amenity opportunity offered by this harbour side location.
2. Designate East Darling Harbour as a specialised '**back office**' precinct, offering large enterprises the opportunity for large floorplate offices and campus style addresses which can be used to both improve business processes and re-shape or re-launch corporate identity and culture. This is how NAB viewed its pioneering move into Melbourne Docklands.
3. Develop East Darling Harbour as a purpose designed precinct for Advanced Business Services, and market it as a '**thinking and networks capital**'. This option is premised on the fact that the site is possibly the last major opportunity to use down town 'urban renewal' to reinforce a sustainable global strength for Sydney.

There is, of course, an opportunity to blend these options, but we favour a bias towards a combination of Option 1 and Option 3, as this provides the greatest opportunity to strengthen the wider Sydney economy.

Option 2 would sell the potential of the site 'short'. There are many competing locations for 'back office' development. EDH needs to be at the heart of Sydney's next high end economic 'push'. A combination of global corporates, and 'hungry', high value, innovative advanced business services will better align with appropriate aspirations for EDH.

It should be recognised, however, that this presents some challenges in terms of 'developer know how'. Advanced Business Services, like the wider economy, are characterised by a multiplicity of smaller firms (see Text Box 2). Developers prefer to sign up major space users before committing to projects. Getting a combination of 'pre-committed' developments, and other space and product offerings, will be a challenge.

Moreover, Advanced Business Services require sites at the centre of things, offering high lifestyle amenity in terms of café culture and urban services. Typically they cluster in regenerated 'character precincts', featuring a rich architectural fabric, eclectic mixes of building types and uses, walkability and rapid connectivity via public transport to other key office hubs in the metropolitan area. East Darling Harbour represents a major design challenge in this regard.

6.3 Positioning Principles for East Darling Harbour as a Global and Business Services Hub

Pursuit of the strategy to make East Darling Harbour a key node within Sydney's and therefore Australia's innovation system – as: an 'HQ and Thinking & Networks' Capital or a Global and Business Services Hub - implies a number of positioning principles:

- As far as possible, East Darling Harbour should read and feel like an organic extension of the existing CBD, albeit that it will offer a distinctly contemporary expression of urbanity, with strong emphasis on sustainability, walkability and village life.
- Sufficient housing and community related infrastructure should be incorporated into the Precinct to reinforce the feeling that East Darling Harbour is enmeshed in the mainstream of Sydney life and commerce, as opposed to operating as a detached hi-tech business zone. This means comprehensive provision for social infrastructure including schools, child care, aged care and health care as well as an extensive array of recreational and sporting infrastructure.
- To establish this sense of 'incorporation into the mainstream of Sydney life', the development of some key attractors which appeal to the wider populace should be considered, for example, another art museum and an exciting new eat and retail strip.
- Further to this objective, consideration should be given to targeting one or more Universities to deliver undergraduate courses in East Darling Harbour.
- A broad range of building forms should feature in the Precinct, just as occurs in the existing CBD. Moreover, a large proportion of the buildings should target mixed uses and a 'bee hive' clientele, that is, a multiplicity of small tenancies rather than domination by 'name' corporations. For some sites, the relationship between the building's podium and its tower will become critical.
- East Darling Harbour should be equipped with superb public transport links to the airport, to other key nodes in the CBD, to universities and to the metropolitan 'cities within the city', with minimal need to change mode or vehicle.