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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ECONOMICS

Reference: Productivity growth in the Australian economy

THURSDAY, 26 NOVEMBER 2009

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS

Thursday, 26 November 2009

Members: Mr Craig Thomson (*Chair*), Mr Andrews (*Deputy Chair*), Mr Bradbury, Mr Briggs, Mr Fitzgibbon, Ms Jackson, Mr Morrison, Ms Owens, Mr Anthony Smith and Mr Turnour

Members in attendance: Mr Bradbury, Mr Briggs, Mr Fitzgibbon, Ms Jackson, Ms Owens, Mr Thomson and Mr Turnour

Terms of reference for the inquiry:

To inquire into and report on:

The key factors influencing Australia's productivity growth rate, focusing on, but not limited to:

- a) trends in Australia's productivity growth rate during the past 20 years and reasons for the recent trending decline;
- b) trends in productivity growth rates against other OECD countries;
- c) the adequacy of productivity growth measures;
- d) the contribution made by microeconomic reform to the permanent improvement in the growth rate of productivity and the continuing effectiveness of the microeconomic reform agenda;
- e) the willingness and ability of small and medium enterprise to adopt best practice technology;
- f) the adequacy of the level of investment in physical capital;
- g) the adequacy of the level of investment in public infrastructure;
- h) the level of resources devoted to research and development;
- i) the adequacy of resources devoted to training and development of the labour force; and
- j) the key reforms and measures that can be undertaken to lift Australia's permanent rate of productivity growth.

WITNESSES

DOLMAN, Mr Gary, Acting Executive Director, Bureau of Infrastructure, Transport and Regional Economics, Department of Infrastructure, Transport, Regional Development and Local Government 2

FARMER, Mr Richard, General Manager, Department of Infrastructure, Transport, Regional Development and Local Government 2

O’CONNELL, Ms Lyn, Deputy Secretary, Department of Infrastructure, Transport, Regional Development and Local Government 2

Committee met at 9.36 am

CHAIR (Mr Craig Thomson)—I declare open this public hearing of the House of Representatives Standing Committee on Economics for its inquiry into raising the rate of productivity growth in the Australian economy. To date, the committee has received 28 submissions to the inquiry. Today is the fifth public hearing of the inquiry, to allow the committee to consider the inquiry topic in more depth. As part of the terms of reference the committee will investigate the productivity growth trends in Australia and other OECD countries over the last 20 years, the adequacy of investment levels in physical capital and infrastructure, the level of resources devoted to human capital and research and development, and strategic reforms and measures that could be undertaken to lift Australia's productivity growth. It will also consider the appropriate measurement of productivity growth.

Today we will hear from the Department of Infrastructure, Transport, Regional Development and Local Government. The hearing will be broadcast live over the parliamentary website and parliamentary channels.

[9.37 am]

O'CONNELL, Ms Lyn, Deputy Secretary, Department of Infrastructure, Transport, Regional Development and Local Government

DOLMAN, Mr Gary, Acting Executive Director, Bureau of Infrastructure, Transport and Regional Economics, Department of Infrastructure, Transport, Regional Development and Local Government

FARMER, Mr Richard, General Manager, Department of Infrastructure, Transport, Regional Development and Local Government

CHAIR—Welcome, and thank you for your time today. Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have not yet received a written submission to this inquiry from the department; however, we understand that the department will be making one. Do you wish to make an opening statement for today's hearing?

Ms O'Connell—Firstly, I would like to thank the committee for providing this opportunity for the department to attend the hearing and to assist with your inquiry into raising the productivity growth in the Australian economy. In my role as deputy secretary in the department I have the responsibility for those areas that are charged both with the investment side of implementing the Australian government's land transport initiatives and with looking at the national land transport policy. In that sense I appear before the committee to cover the areas certainly of infrastructure, land transport, regional development and local government.

I do have a rather fulsome opening statement. Rather than reading that out completely, I would be happy, with the chair's agreement, to table it for the committee's consideration and then just highlight a few of the key things that might provide good opportunities for discussion.

CHAIR—I think that would be a good way to proceed.

Ms O'Connell—Richard has copies that can be tabled for the committee's later consideration. We would be happy, after the committee's considerations and discussions today, to provide a submission on any other areas where you might be interested in having our input.

Firstly, infrastructure plays a very key role in strengthening the national economy and also in enhancing Australia's productivity. One of the current productivity challenges that we face is the rapid urban growth in Australia's major cities, and that requires us to rethink our approach to the development of our cities and is driving the need for better long-term infrastructure investment and planning in relation to cities. Indeed, the Prime Minister spoke at the Business Council of Australia on 27 October, I think it was, about the government's commitment to longer term reform of city planning in the interests of national productivity and sustainability.

Through the government's current nation-building initiatives, including the Nation Building Program and the nation-building plan for the future, the government aims to enhance Australia's long-term productivity and competitiveness through funding some very significant infrastructure projects that reduce congestion, support growth and sustainable public transport networks and provide better links between major cities and industrial agriculture centres and, obviously, our export hubs.

On the regulatory reform side that I mentioned, we are also actively contributing to COAG's Infrastructure Working Group, which provides ongoing guidance and better coordination of infrastructure planning and investment across the government and private sectors. Through the Australian Transport Council we are also leading the regulatory reforms for the heavy vehicle, maritime and rail safety sectors. Again, they are aimed at improving the productivity and efficiency of the national transport system. Recently, you would be aware, COAG agreed to a phased implementation of some transport regulatory reforms, and they are being delivered through a number of mechanisms, including the Australian Transport Council. COAG has agreed to implement a national regulation for maritime safety, for rail safety and for heavy vehicles, and that will mean improved safety, reduced costs and a reduced regulatory burden for Australian transport companies, as well as reduced costs for export and trade.

An example there is that the Australian Maritime Safety Authority, AMSA, will become the national safety regulator for all commercial shipping within Australian waters. There will also be the establishment, as mentioned, of a national heavy vehicle regulator that will regulate all vehicles over 4.5 gross tonnes. That will end the quite separate and different regulatory regimes that operate currently through state jurisdictions that are often conflicting and do impose a cost burden on our logistics sector. All those national regulators are to be in place by the end of 2013 at the latest, even though some are commencing in 2012.

The department are also focusing significantly on smart infrastructure and the contribution that smart infrastructure can make to improving productivity. We will be providing input into a very recently announced inquiry into smart infrastructure, through the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government.

I mentioned the nation-building agenda. The government is investing almost \$36 billion over the next six years in national land transport infrastructure. That is to implement a range of land transport investments across Australia to improve long-term economic capacity.

On the freight side, there have been plenty of studies to show that the freight task is growing significantly across Australia. Some of the regulatory reforms that I mentioned will assist that, as will the investments the government is making in freight-enhancing infrastructure—and also the investments in heavy vehicle safety initiatives that are taking place as part of the Nation Building Program.

On the port freight infrastructure interface, again the government has announced some key investments in port infrastructure as well as the development of a national freight strategy and a national port strategy that will link that longer term planning to the investment.

On the road and rail side, one of the key issues is around congestion, and I would like to just draw the committee's attention to a report that has been produced by the bureau that Gary represents here today, called *Estimating urban traffic congestion cost trends for Australian cities*. It is quite a comprehensive assessment, estimating the cost trends Australian cities will face as a result of congestion. If you are happy to take that report—there are also electronic references through the web, but it might be useful for the committee secretariat to have a copy.

Clearly in terms of congestion there has been a lot of information recently about the growth of Australia's population trending towards 35 million, seven million in each of Sydney and Melbourne, and the pressures that will bring. That is obviously out at 2035, but nevertheless it is the growing trend as is the trend is for our population to be based in the cities. Clearly the government's road and rail investment is aimed to deliver safer, less congested roads but also a faster, more reliable rail services as part of that infrastructure investment.

In addition to those investments there are also public transport investments. The government in the budget announced funding for planning, development and construction of nine metropolitan rail projects in Sydney, Melbourne, Adelaide, Brisbane, Perth and the Gold Coast. The government also announced the establishment of Infrastructure Australia in 2008 with the aim of it being an independent statutory body to provide advice to government on significant infrastructure and urban systems to promote Australia's productivity.

In concert with that, the Building Australia Fund was established to fund some of the critical infrastructure. In budget 2009-10 a number of projects were announced in terms of the use of the Building Australia Fund, many of which go to transport infrastructure. I am happy also to make reference to the budget statement on nation building for the future that captures, I think, many of the key infrastructure investments of the government.

Lastly, I just wanted to touch on the Major Cities Unit. Obviously I have mentioned that the growth is very significant in the cities and more of the population being based in the cities. To assist with that the government has established the Major Cities Unit. The Major Cities Unit is currently formulating a national urban policy, which will be the framework document articulating the challenges facing our cities.

In conclusion, I just wanted to highlight the investments that are taking place, the regulatory reforms that are underway and also the linkages with strengthened planning arrangements that all go to enhancing productivity. Thank you, Chair; thank you, members.

CHAIR—Thank you for that. Is it the wish of the committee that document No. 7 on the exhibit list, the report on estimating urban traffic and congestion, be received as an exhibit? There being no objection, it is so ordered. The committee also resolves that submission No. 29 to the inquiry into raising productivity growth rate in the Australian economy be received and authorised for publication.

I will kick off with some questions. In terms of the activities that the department is involved in, self-evidently they are about improving productivity in terms of the various constraints that are there in the economy and spending on infrastructure. I am interested in how you prioritise—which areas and which projects are chosen. Is there an assessment made on the effects that a

particular project will have on the productive outcomes of the country? Do we actually measure and say, 'This is going to affect productivity by X amount'? How is that sort of decision made?

Ms O'Connell—In establishing Infrastructure Australia, the government gave a set of criteria to Infrastructure Australia. If we have those, we will happily provide them. In terms of making recommendations to government about the strategic infrastructure priorities, there is an analysis and assessment done by Infrastructure Australia on all of those, and part of that is the overall cost-benefit in terms of productivity improvement. Having said that, I think you can find any number of economists who would enter and engage in a strong debate about exactly how you measure an input in terms of the piece of infrastructure and broad and total growth and productivity in the economy.

CHAIR—That was my next question. How do you do it and what measures have you been using?

Ms O'Connell—I will ask Gary to speak to it. There was a broad debate about an input measure and then the end productivity assessment. Obviously that is influenced by many, many factors—the current state of the economy, workforce skills, all sorts of things that go far beyond that initial investment. Having said that, I am happy to provide Infrastructure Australia's list or the categories that they do their assessment against which go to look at the benefits of that particular piece of infrastructure. I would also say that it is a more immediate assessment because of the difficulties in projecting a particular piece of infrastructure with overall total broad productivity benefit. I will ask Gary to talk about current trends in measuring that productivity growth.

Mr Dolman—Unfortunately, I do not think there is a simple answer. Often the individual nature of projects will mean that they will have quite a profound impact on local productivity. Improving port access and other major pieces of infrastructure that reduce city congestion, for instance, will have significant improvements on productivity of workers affected by that congestion; productivity in how efficiently the port operates. It is quite difficult to see whole-of-economy impacts of specific projects. I do not think there is a great deal of specific assessment. The assessment, as Lyn said, is done by Infrastructure Australia using a cost-benefit approach. One of the things it will look at is implications for productivity but more locally, I think, than economy wide.

Ms O'Connell—If I could turn now to the criteria that IA uses—and I can table this—this is a schedule from the legislation—that is, the Building Australia Fund evaluation criteria. There are four evaluation criteria: the first one is the extent to which programs address infrastructure priorities; the second one is the extent to which proposals are well justified and have some data; the third one is the extent of efficiency and co-investment; and the fourth one is the extent to which efficient planning and implementation has occurred. It is really the first of those—the extent to which they address national infrastructure priorities—that go to it. Then there are four within that, four sub-criteria, some of which deal with, for example, demonstrating a positive impact on national productivity and economic growth. That is the first of the sub-criteria within that first evaluation criterion.

CHAIR—So with that particular criteria, are they required then to provide a number that says this is the effect, even if it is the local effect? Is that how you expect the submissions to come through?

Ms O’Connell—Infrastructure Australia is required to make an assessment of that based on the data that is submitted. They do make an assessment on that. Certainly, I could ask that Infrastructure Australia elaborates on how they make that assessment and whether it is a numeric assessment or a more qualitative assessment.

CHAIR—And if it is a qualitative assessment, what are the criteria for that qualitative assessment? The other issue that probably flows from Gary’s answer is if the assessment is local, and I understand the reasons why many of these projects would be, do we look at a global assessment of the various programs over a period of time and say: ‘We’ve had a variety of programs that have been approved. We’ve seen where they have had a local effect on infrastructure. Collectively this has affected the nation’s productivity by a percentage, or whatever. If it doesn’t, should we?’

Mr Dolman—That might be a question that is better directed to Treasury. They have done some analysis in that area that I am aware of and it is probably better that they talk about their particular analysis. Also, the Productivity Commission has done some analysis.

CHAIR—But if Treasury is not making the decision, and the decision is about infrastructure to improve the nation’s productivity, then surely we need—somewhere in or, at least, back from that process—to look at what effect it has actually had on the productivity of the country?

Ms O’Connell—In terms of individual investments: yes, there is a foreshadowing about that being a productivity benefit before the investment is made, but not at a grossed-up level. If you were doing it at a grossed-up level of the total national economy, there are so many other influences that it would be difficult to track back to an individual, distinct investment. But, in that sense, the analysis is done about an individual investment and the ways in which it will improve productivity. The difficulty comes when it is looked at at a grossed-up, whole-of-nation level, and I think, as Gary said, the Productivity Commission and Treasury have done work in that area in terms of the grossed-up, national level. Our work is usually more about a specific piece of infrastructure or a specific investment and the productivity benefits that it would provide. Clearly, there are productivity benefits from flow-on employment as a result of investment in infrastructure, and we can talk about quite a few projects that can demonstrate that effect, let alone the net benefit of having that piece of infrastructure in place for the economy later on.

CHAIR—Is just strikes me as a reasonably important thing to do. If the infrastructure is about improving the nation’s productivity then at some stage we need to know that that is exactly what is happening.

Ms O’Connell—Yes. And we are happy to provide, on notice, a couple of examples of pieces of infrastructure and the assessment made about, first of all, the immediate, more direct impacts on productivity benefits and growth, and also the assessment of what we saw as the, if you like, flow-on effects.

Ms JACKSON—Is there a comparative examination of one project against the other on those criteria, or is it very much looking at the individual projects?

Ms O'Connell—Infrastructure Australia, in making their assessments, have looked across all of the submissions that they received and, in that sense, they did an assessment on each project—some of which obviously had stronger productivity benefits than others—and that resulted in their report last May to government to recommend certain investments from the Building Australia Fund.

Ms JACKSON—And the submissions were state government submissions?

Ms O'Connell—There was a variety but they were principally state government submissions—that is right. I have the May report, if that is of use to you, from Infrastructure Australia.

Ms JACKSON—No, I have seen that.

Ms O'Connell—I also have, as I mentioned, the schedule that has the Building Australia Fund evaluation criteria with those four categories that I mentioned. The committee might find that useful.

Mr Dolman—It might also be worth saying that the way Infrastructure Australia has taken into account that national perspective and focused on areas of particular national interest is their recent focus, which Lyn mentioned in her opening statement, on looking at port and freight productivity. So, rather than looking at the whole economy, they are focusing on that, which actually does give you a way of deciding between projects and their relative contributions.

Ms JACKSON—But the projects had to be put forward by someone—usually the state government.

Ms O'Connell—That is the case for the investments made, but Infrastructure Australia are now looking at overall strategies for port productivity and overall strategies for the freight supply chain.

Ms JACKSON—So you are saying that my perceived gap—which is that there is a filter about what the project priorities are for the Building Australia Fund, and they were effectively decided by someone, first, on what submissions they were going to make—has been fixed by this strategy of considering what is in the national interest in these specific priority areas of ports and freight?

Ms O'Connell—The port and freight strategies will go to looking at things like that overall supply chain in freight—having a look at what the bottlenecks are and what the current issues are in terms of reducing productivity or not enabling full use of facilities available.

Ms JACKSON—So they will be in a position in the future to say to a particular state government, for example: 'We're surprised that your list of submissions did not include project X, which is clearly a major bottleneck. What are you doing?'

Ms O'Connell—That is right, yes.

Mr Dolman—Similarly, the Prime Minister has announced that, as part of the development of the city strategy, there will be a link between planning for cities and investment in infrastructure in cities.

CHAIR—I move that documents 8 and 9 on the exhibit list of the House of Representatives inquiry into raising the level of productivity growth in the Australian economy be received.

Mr FITZGIBBON—I second that motion.

CHAIR—I declare it carried.

Mr FITZGIBBON—I am going to the issue of cities and congestion. In my view, it is taking us into a new area; it is not an issue that I have considered in terms of productivity before. We have been spending a lot of time fixated on the productivity of the firm and the external factors which affect that, whether they be government regulation, drought, micro-economic reform or whatever it might be. I am guessing that there are two issues here. The first, of course, is the movement of freight—goods et cetera. Obviously there is an impact on productivity there. Second, I am guessing that we are also talking about labour productivity and the movement of people to and from their homes and their workplaces et cetera. Is this addressed and canvassed in this report?

Ms O'Connell—That is right. It looks at the freight issues associated with congestion and bottlenecks and so on to do with the freight and also at the time wasted by our labour force in getting to work due to congestion. Mr Dolman, do you want to talk a bit about what the report evidences?

Mr Dolman—The report's primary focus is on estimating the cost of congestion to the Australian economy. It takes the approach of looking at the avoidable cost of congestion. It looks at that congestion where the benefits from the travel are outweighed by the cost imposed on others that are trying to travel at the same time.

It was done on the base year of 2005 and calculated that there is a cost of \$9.4 billion to the Australian economy from congestion, which will rise to \$20.4 billion by 2020 if there is not adequate investment. To give you a breakdown, the \$9.4 billion in 2005 could be broken down into \$3.5 billion in private time costs, \$3.6 billion in business time costs, \$1.2 billion in extra vehicle operating costs and \$1.1 billion in air pollution costs.

Mr FITZGIBBON—Thank you. I mentioned that there are a whole range of factors impacting upon individuals. If an individual cannot get from home in the suburbs to work in the city easily, then surely there are more lost days as a result, for example, of people making the decision not to bother today when they might have made the decision to go had there been efficient transport available. Some people might be prepared to put in their 10 hours, but if two of those hours are travel time, there is obviously a direct impact on labour productivity. So it is an interesting concept.

Ms OWENS—It is something that I have pondered in my area. I am in Western Sydney, where, if you want to go even 10 kilometres, you go five kilometres that way, five kilometres that way and then five kilometres that way; you cannot go across from one suburb to the next.

Mr FITZGIBBON—Hansard is going to have difficulty with those hand movements.

Ms OWENS—Sorry. I meant to indicate that it is left and then right and then over the hill. It is related to productivity, I guess. There are barriers to growth for a small company which is in one place and can deal with a local market. This is the case particularly for services, where people come to the company from surrounding areas. There comes a point quite early on where the capacity for that business to become more effective in terms of the size of its market reaches a barrier. Is that kind of thing in your report? Do you consider that a productivity issue?

Mr Dolman—The report was not really framed in terms of productivity, so it does not address that directly, though it does provide relevant information. The biggest impacts on businesses are going to be the costs of moving their goods because of freight costs—

Ms OWENS—Or bringing in the people, the customers.

Mr Dolman—Yes, bringing in the customers. Also, there are the costs of bringing in raw materials and attracting labour.

Ms OWENS—Does the report go to the services sector or is it still mainly focused on the movement of goods?

Mr Dolman—This specific report is really just focused on the cost of congestion to the economy.

Ms OWENS—In terms of goods.

Ms O'Connell—Goods and people's time; so in that sense it is captured but not specifically the issue of a business starting up and what market might be around it, which would probably be a good illustration of looking at an area.

Ms OWENS—Urban congestion, given that we have not really looked at it for a long time, is a massive issue.

Ms O'Connell—It is.

Ms OWENS—It makes regional freight pale into insignificance when you look at the size of it. How much scope is there really to make really significant inroads?

Ms O'Connell—Certainly the report and the headline figures that Gary raised—I mean, you never remove congestion altogether, that is a near impossible aim. But certainly reducing congestion will directly provide productivity benefits as that report outlined. There is a direct relationship to a productivity benefit through reduced congestion.

Ms OWENS—I think everybody in Western Sydney knows that.

Ms O'Connell—Yes.

CHAIR—I suppose the other part of that story is encouraging business to move where people are living as well. The development of regional centres is equally part of the answer.

Ms O'Connell—Regional hubs linked to transport corridors is all part of the answer.

Mr BRADBURY—This issue of urban congestion is a huge one in my electorate. I am from outer Western Sydney, and we experience this. We are fortunate in the Penrith area to have a rail line—there are other parts of Western Sydney that do not even have access to a rail line and clearly that is a huge issue. In terms of being able to link infrastructure investment dollars to planning processes and outcomes, I wonder whether much consideration has been given to how that would operate. In Western Sydney, for example, we have the north-west and south-west growth sectors, which are huge growth sectors for which the planning has been partly undertaken and in some cases residential development is starting to occur. How would you see the linking of a federal leadership role and planning outcomes occur in practice? Because clearly the productivity dividends of addressing the congestion issues is something—I do not think you have done a lot of detailed research into that, but it is evident to people that that would flow from it.

Ms O'Connell—Yes. We have done detailed research into the consequential effects and impacts that then lead you to ask what are some of the solutions in this area. As I mentioned at the Business Council of Australia on 27 October, the Prime Minister spoke about the need to link planning with infrastructure investment and stronger planning. That has been raised previously through COAG as well, so there is an expectation that the states, who have planning responsibility, are aware of the need for strong planning in order to support ongoing infrastructure investment. For example, I know that the New South Wales department of transport is working on a transport plan for the transport corridors et cetera to better guide investment. It is the expectation that is part of, for example, the Building Australia Fund criteria that I provided earlier. There is the opportunity there to assess investments against that longer term plan. So the first step is clearly for the states to have that planning of transport needs and demands in place and then there is the opportunity for the funding group to be linked to that plan.

On the national economic productivity side and the announcement of the development of the freight strategy and the port strategy: we will look at that at a macro level, usually in terms of freight of goods for export, for example, as opposed to perhaps the productivity issues associated with congestion from individuals in cars and transport and lost time. That is probably better addressed through the improved state plans and the linking of those to infrastructure investments that take place.

Mr BRADBURY—Obviously, a big component of this is investment in the National Broadband Network and the impacts that will have in communities like mine where, in many sectors, people over time will be able to conduct their business without having to move into traditional centres where that activity is occurring. How much involvement with that process does your department have?

Ms O'Connell—We are involved with the department who are obviously arranging the rollout of the National Broadband Network and the investment there. As you say, there are very strong links in terms of avoidance of transport, so that the need to travel is reduced—and witnesses giving evidence to your committee via video conferencing is a good example. If someone can avoid a major long commute through use of technology, that saves us all in terms of congestion. Also the need to continually invest in bigger and bigger roads and more and more public transport—there is a good avoidance measure there.

I think the National Broadband Network also stands to improve productivity in a number of other transport areas. We are looking at simple things like telematics and use of smart infrastructure to provide people with clearer warnings around congestion bottlenecks so that they can either avoid it from time of day travel choices or different route choices, depending on where the congestion is. I think the smarter infrastructure will assist in the freight tasks. There are a lot of state issues with congestion at ports, people arriving at the wrong time for when their goods are available to collect rather than people arriving at the right time. I think the National Broadband Network will play a part in providing the necessary infrastructure for that smart infrastructure and for all of those applications to get better productivity out of our whole existing infrastructure. That is another untapped resource—to use what we have smarter and better. Things like the National Broadband Network give the underpinning infrastructure to do that.

CHAIR—Do we make that assessment, when we decide we are going to put money into a second F3, which I am sure is something you are going to do at some stage—coming from the Central Coast—that it may be better to invest in something other than broadband so that people do not have to commute 1½ to two hours a day? Is there that sort of comparison done or do we just say that building this road is going to increase productivity, et cetera, which undoubtedly it does? Without assessing any alternatives to that, is there some process which takes place in terms of that? For areas like David's and mine, and many of areas around the outskirts of major cities, I know people would much prefer to work locally and not have to use the infrastructure which is there.

Ms O'Connell—Certainly the traditional approach to infrastructure is not taken into account, the broader opportunities. Infrastructure Australia provides the opportunity to look at the much broader gamut of infrastructure—not just land transport infrastructure but the complete infrastructure picture. That is the opportunity now for doing some of those broader tradeoffs. Having said that, as well there are a number of quite specific investments in things like technology trials that we are happy to talk to you about. The Advanced Train Management System looks at scheduling for trains, signalling and all of those interfaces which, again, go to using the infrastructure we have more efficiently and effectively before we build more. That is a very contained example within the rail industry but there are a number of studies within contained transport which I can give you—and that is one. Infrastructure Australia is the opportunity to look at it at its broadest level of investment across land transport versus investment in NBN, for example.

Mr BRADBURY—Can I just pick up on the point that you made in relation to using technology to address some of these issues. One of the concerns that I harbour with these types of proclamations is that often the reality is not delivered in terms of what happens on the ground. There is one example that has always struck me in my area, and, with all the technology that is available to try and avoid these sorts of things, this problem persists. The problem is that

someone hops on a bus to the local train station because they want to go from St Marys into Sydney city, and their bus arrives at the train station five minutes after the train has left. This might seem like a piddling little issue, but it adds hours onto people's journeys each week, and the productivity losses that are incurred by that are just enormous. It seems to me that government agencies have been incapable of dealing with some pretty fundamental issues such as linking up various systems. The argument always is that it is a private bus company and a public rail system. We have to be doing better on these things. Do you have any observations? Sometimes these things seem like such small issues that no-one wants to look at them, but the cumulative impacts are just enormous.

Ms O'Connell—I agree. It is those examples that give weight to the productivity measures that we have talked about. Clearly, a joined-up and integrated transport system is a better solution than disconnected examples. It is unusual to talk personally, but I had a good experience once in New South Wales, where a train was about to arrive late and I needed to catch a country service and they did hold it and I managed to make that connection. It was all about people movement and efficiency. That was the focus of the decisions that were made on that day around scheduling. I think that is a good example. There are plenty of other examples where the connections do not happen and they should.

CHAIR—It is even more than that. On the Central Coast we have some suburbs where there is high rental vacancy, even though they are only 12 kilometres from the railway line and the public transport does get there just before the train does. The problem is that it takes an hour to travel that 12 kilometres because the bus goes everywhere. So there is this stock of housing that is available. The impacts just flow on and on. It is not just about whether it integrates; it is about how quickly it integrates as well.

Ms O'Connell—And it is about having a connected transport system so that people can connect. It is never going to be achievable to answer everybody's wish in terms of public transport needs and connections, but it is an area for potential productivity improvement in connecting what exists now in a better way, be that around having the appropriate park and ride or bicycle stations—and there is a great example in Brisbane: at the women's and children's hospital there, they have a major bicycle facility where you can lock up your bike, having ridden on the bike paths that connect to that place, and then join the bus way to go anywhere you need to go in central Brisbane, and very quickly.

Mr BRIGGS—The inevitable impact of the CPRS legislation will be to reduce, over time, the number of cars on the road and increase the amount of public transport being used. Have you looked at how much additional infrastructure or how much additional spend will be required by governments to keep up with that increased patronage, which would be part of the plan, I would imagine?

Ms JACKSON—Increased patronage on public transport?

Mr BRIGGS—Obviously you would be trying to reduce the number of cars on the road and get more people to use—

Ms JACKSON—That is usually what happens when you introduce public transport—reduced car travel.

Mr BRIGGS—Sorry?

Ms JACKSON—Sorry, Jamie; go ahead.

Mr FITZGIBBON—Jamie is saying that the CPRS will inevitably force more people onto public transport and asking what provision there has been to expand public transport services.

Mr BRIGGS—The CPRS will increase petrol prices. That is the idea.

Ms JACKSON—That has not been our experience, but anyway.

Mr Dolman—We have done studies looking at public transport patronage and how it has changed over time. The long-term trend has been that in the 1940s there were large numbers of people using trains, particularly, and buses and that that turned around completely in the period up to the 2000s. In the last few years, though, there has been a turnaround, so there has been increased patronage on public transport, particularly in cities such as Brisbane and Perth, where they may have been getting some of those issues that you were talking about before more adequately addressed. They have the connections. For instance, in Perth, if you go on Google Maps, it does not just give you the road direction; it gives you the public transport option as well, which does not apply in other cities.

Ms JACKSON—They do not like cars.

Mr Dolman—Yes. They have invested quite a lot in travel demand management both in Brisbane and in Perth, where they have gone out and interviewed people and, I guess, assisted them in developing public transport alternatives. Also, both those cities have had major investments in new public transport.

Mr BRIGGS—I guess my question gets more to: have you looked at the specific impact of putting a price on carbon and increasing petrol prices and so forth? Presumably that will increase how many people will use public transport, because they will all want to use their cars less from outer metro areas and so forth. Mine is an outer metro area which is sort of a dormitory suburb of Adelaide—Mount Barker particularly. That is in South Australia; we talk about Sydney a lot in here. A lot of people travel half an hour or so to work every day. We hear a lot from the government about how they want to increase public transport options to get people off the freeway and out of their cars into buses and so forth. Has that been something the department has looked at?

Mr Dolman—We were involved in the modelling that was done with Treasury as part of the CPRS analysis. It shows that there is a relatively small shift back to public transport, because the price that you are adding to fuel, at least in the foreseeable carbon price future, is only relatively small. So it potentially could lead to a very small shift back to public transport, and that is in the modelling. But the modelling that was done with CSIRO suggested that a bigger trend is probably going to be moving to more fuel-efficient vehicles, things like electric vehicles and hybrids—over the short to medium term, anyway.

Mr BRIGGS—I will believe that when I see it.

Ms O’Connell—In the end, Gary has highlighted the increasing demands on public transport caused by a number of different factors. In terms of investment in Adelaide, the investment means extension of the O-Bahn through the city—not in your direction, but certainly—

Mr BRIGGS—No, there is not much coming in my direction.

Ms O’Connell—There is the Noarlunga to Seaford rail link in Adelaide as well.

Mr BRIGGS—And there are some trams going up to the western suburbs, which is not federal government money but state government money.

Ms O’Connell—That is state government funded. So there are some investments that are taking place in increased public transport in Adelaide as part of that.

Mr BRIGGS—Just out of interest—this is not related to productivity—were you consulted on the South Australian state government’s 30-year development plan that they have just released.

Ms O’Connell—Certainly, in terms of the transport components of the plan, there are discussions between our federal government department and state government departments, and there is pretty good cooperation around those planning frameworks as well.

Mr BRIGGS—Thank you.

Ms JACKSON—I have a few questions before you move off the CPRS related issues. It seems to me that the CPRS and carbon emissions are increasingly going to be an issue for industry generally and for infrastructure into the future in terms of measuring productivity—inputs and outputs. Is that something you are already gearing up for in terms of the work of your agency?

Mr Dolman—We do have a number of projects and have produced a number of projects over recent years that look at some of those issues. With the introduction of the CPRS concept and legislation, increasingly our work has been more focused on the CPRS specifically.

Ms JACKSON—But presumably it is one of the things, apart from common sense, that drive the idea of better planning for our cities: a significant factor is a greener, less carbon polluting future.

Mr Dolman—Yes. One of the things that we are looking at now is the patterns of where people live and work in cities and the effects they have on commuting patterns. We are also comparing that against the plans that each of the cities has in place, and the majority of the cities have in place plans that look to encourage public transport, move to more centralised employment—

Ms JACKSON—Higher density around transport options, that sort of stuff?

Mr Dolman—Yes, higher density. So we are looking at how effective each of the state governments has been.

Ms JACKSON—In a state like mine, where, frankly, most of our resource development and the like is way outside the metropolitan area whereas 75 per cent of people live in Perth, does that have an implication, in your opinion, for public infrastructure? Yes, there are many, many infrastructure demands around the city, but they are phenomenal in the north-west, for example, to support the mining industry or the oil and gas industry.

Ms O'Connell—The transport issues are different, obviously, in Perth compared to in the north-western resources area. But that is where I think the work that will be done as part of the ports strategy will come in—it will look at the export connection—but also the freight strategy, which includes the bulk freight of the resources industry as well in terms of producing an effective supply chain to get it to port and therefore out to export. It is that sort of coordinated look at those supply chain effects. Clearly, that whole resources industry area has got potential. Certainly, the Minerals Council have produced an interesting report in terms of their views of where the infrastructure gaps are for the mining industry and what they would like to see from the resources economy, and they have mapped some of those as well.

Ms JACKSON—Sure. I guess I am also interested in the role of private infrastructure as well. You refer to the Oakajee port, and I perhaps have a different opinion, from Building Australia. That port initially was going to be built and developed entirely by private infrastructure. The fact of the matter is that the majority of its intended use is by resource companies in that area, and yet it is now a significant public infrastructure project.

Ms O'Connell—I think the government's decision in relation to Oakajee is about an equity investment for the common-use infrastructure within the port, and it is still subject to some further assessment by IA about who the other equity partners are and how all of that will work as an integrated whole.

CHAIR—We are unfortunately going to have to wind it up there. Thank you for coming along today. I think there are probably a few more questions that we are keen to ask you in terms of rail freight versus road, and our expenditure there compared to other OECD countries and the like, and a range of other sorts of questions. We may need to try to see you again next year. Thank you for attending. The *Hansard* transcript of your evidence will be provided to you. If there are any errors or omissions, please get in touch with the secretariat as quickly as possible to correct them—and any other additional material that we spoke about that you are going to provide, if you could get in touch with the secretary about providing that.

Ms O'Connell—We certainly will.

CHAIR—Thanks again for coming along today.

Resolved (on motion by **Mr Bradbury**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 10.29 am