

House of Representatives Standing Committee on Economics
Inquiry into Raising the Productivity Growth Rate in the Australian Economy
Opening statement by Lyn O'Connell, Deputy Secretary
Department of Infrastructure, Transport, Regional Development and Local Government
26 November 2009

I wish to thank the Committee for providing this opportunity for the Department of Infrastructure, Transport, Regional Development and Local Government to attend this hearing and assist with the inquiry into raising the productivity growth rate in the Australian economy.

In my role as Deputy Secretary with the Department I have particular responsibility for those divisions charged with implementing the Australian Government's land transport investment program and advising on and developing national transport policy.

Introduction

In his address to the Committee for Economic Development of Australia, Transport Infrastructure Series in October this year, the Department's Secretary, Mr Mike Mrdak, spoke about the key role that infrastructure plays in strengthening the national economy and enhancing Australia's productivity.

The Department plays a lead role in providing the Australian Government with policy advice enabling it to respond to new and emerging issues, including the growing demand on Australia's transport network, and the planning and development of Australia's major cities.

Rapid urban growth in Australia's major cities is requiring us to re-think our approach to the development of our cities and is driving the need for better long term infrastructure planning and investment.

The Prime Minister has also spoken about the Government's commitment to long term reform of city planning in the interests of national productivity and sustainability.

Through the Government's nation building initiatives, including the Nation Building Program and the Nation Building Plan for the Future, the Department is helping to enhance Australia's long term productivity and competitiveness, through the funding of significant infrastructure projects that:

- reduce congestion in our major cities;
- support a growing and sustainable public transport network; and
- provide better links between major cities, industrial and agricultural centres and our export hubs.

We are also actively contributing to the work of the Council of Australian Governments (COAG) Infrastructure Working Group, which provides ongoing guidance on better coordination of infrastructure planning and investment across government and the private sector.

Through the Australian Transport Council, the Department is also leading and coordinating critical regulatory reforms in the heavy vehicle, maritime and rail sectors to improve the productivity and efficiency of the national transport system.

COAG has agreed to a phased program of transport reforms being delivered through a number of mechanisms including the Australian Transport Council. COAG agreed to implement national regulation for maritime safety, rail safety and heavy vehicles. This will mean improved safety, reduced costs and regulatory burden for Australian transport companies as well as reduced costs of exports and trade.

Examples of reforms being addressed here include the Australian Maritime Safety Authority becoming the national safety regulator for all commercial shipping in Australian waters; and the establishment of a single national heavy vehicle regulator to regulate all vehicles over 4.5 gross tonnes, ending the separate and at times conflicting regulatory imposts on the heavy vehicle industry.

COAG has also agreed to develop a national rail safety regulatory system. This will provide clearer, streamlined decision making processes with rail safety improvements maximised, leading to better safety, anticipated efficiency dividends and potential cost saving for customers.

All national regulators are to be in place by 2013 at the latest.

Productivity means prosperity and the Department is playing an active role in positioning Australia to drive innovation and growth through research, reform and strategic investment of resources in nation building infrastructure.

The Department is increasing its focus on the role of smart infrastructure in increasing the productivity of existing and new infrastructure. We will also be providing input to the recently announced House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government's Inquiry into Smart Infrastructure.

Nation Building Agenda

The Department is at the forefront of the Australian Government's response to the global recession. Central to this response are the Government's nation building initiatives.

Through the Nation Building Program, the Nation Building Plan for the Future and equity injections into the Australian Rail Track Corporation, the Australian Government will invest \$35.8 billion on land transport over the next six years.

These initiatives, which the Department has responsibility for, are helping to support employment through a significant range of infrastructure projects, including

implementing a range of land transport investment projects to build Australia's long term economic capacity.

Freight

As previously stated, we have continued to support progress in national transport reforms in the areas of heavy vehicle regulation, maritime safety and rail safety regulation and investigation.

Heavy vehicle travel is forecast to grow 45 per cent over the next 20 years and as the average truck size grows, heavy vehicles on Australian roads will be carrying 65 per cent more freight in tonne to kilometre terms.

To improve the safety and productivity outcomes for the heavy vehicle industry and other road users, the Australian Government has allocated \$70 million to heavy vehicle safety and productivity projects over four years from 2008-09 to 2011-12.

The program's objectives are to continue to reduce the proportion of road accidents involving heavy vehicles by targeting heavy vehicle driver fatigue and speed. The program also aims to increase productivity by enhancing the capacity and safety of existing road networks.

Port and Freight Infrastructure

The Australian Government, in consultation with COAG and Infrastructure Australia, is adopting a nationally coordinated, strategic approach to the planning and future development of Australia's port and freight infrastructure.

The Government has set aside \$339 million for a multi-user and multi-functional Oakajee Port facility in Western Australia and \$50 million towards the Darwin Port expansion project.

Through the Nation Building Program, the Australian Government is further expanding capacity around New South Wales export infrastructure by investing:

- \$150 million to improve landside access to Port Botany
- \$300 million to develop an inter-modal terminal at Moorebank in south-west Sydney.

Addressing capacity constraints and relieving those bottlenecks that have become evident in some of Australia's key export gateways will allow us to cope with growing demand on the existing infrastructure as the economy recovers and place Australia in a better position to take advantage of the many opportunities that will emerge.

Road and Rail

Relieving congestion on our roads is vital to the health of our communities, it's good for the environment and it improves our safety on the roads. But in the absence of appropriate action, congestion could cost over \$20 billion per year by 2020,

compared with around \$12 billion in 2009, according to the Bureau of Infrastructure, Transport and Regional Economics¹.

In urban areas, infrastructure near ports and airports will need to cater for growth significantly higher than these aggregate numbers suggest, and significantly faster than the GDP growth. Passenger movements through capital city airports are forecast to grow at around 5 per cent per annum over the next 20 years, and container movements in capital city ports are forecast to grow by around 5 per cent per annum over the next 20 years.

Construction work is currently underway on major road and rail projects across Australia. This work is supporting thousands of jobs and modernising the nation's vital transport infrastructure.

The Australian Government's multifaceted \$42 billion Nation Building - Economic Stimulus Plan (NB-ESP) to help cushion Australians from the worst effects of the global economic crisis, involves funding in the areas of Road and Rail, Insulation, Solar Energy, Community Infrastructure, Education, Housing Bonus Payments and Small Business.

Part of the NB-ESP that the Department manages includes \$711 million that has been brought forward to accelerate 14 individual road projects under the Nation Building Program

An additional \$150 million (\$90 million in 2008-09 and \$60 million in 2009-10) will be invested by the Australian Government in the Black Spot program to target projects that reduce the risk of accidents at dangerous locations on our roads. The funding will target specific sites around Australia where there have been serious crashes or where serious crashes are likely to occur.

The Australian Government, through the Department, is committed to improving the safety and efficiency of the transport system in Australia, including the safety of rail crossings across the country. Through the Boom Gates for Rail Crossings program we are investing \$150 million over the next two years to accelerate the installation of boom gates and other active rail crossing control mechanisms at high risk level crossings throughout Australia.

The Government will also provide a \$1.2 billion equity investment into the Australian Rail Track Corporation to help finance a \$1.6 billion investment in a substantial program of track upgrades and construction that will significantly improve Australia's rail network. This is in addition to the \$1.6 billion already committed to rail infrastructure through the Nation Building Program.

These considerable investments will create safer, less congested roads as well as faster, more reliable rail services and will help build the infrastructure vital to Australia's long term prosperity and productivity.

¹ BITRE, *Estimating urban traffic and congestion costs for Australian cities*, Working Paper 71, Table 2.11, 2007

Public Transport Investment

As the cost of car travel increases, in terms of both time and money, demand for public transport also increases. Even a slight shift away from car use can have a significant impact on public transport.

To achieve greater capacity in public transport, the Government has made a significant investment in rail infrastructure as part of the 2009-10 Budget.

More than \$4.6 billion in new funding has been committed to the planning, development and construction of nine metropolitan rail projects in Sydney, Melbourne, Adelaide, Brisbane, Perth and the Gold Coast.

Infrastructure Australia

The independent statutory advisory body, Infrastructure Australia (IA) was established in 2008 to provide advice on nationally significant infrastructure and urban systems which promote Australia's productivity, with particular focus on the quality and efficiency of transport, water, energy and communication infrastructure and the development and liveability of major cities across Australia.

IA's advice is prepared in collaboration with the Infrastructure Working Group, the Department, other federal agencies, state and local governments, industry and the community.

In March 2008, COAG agreed to Infrastructure Australia undertaking a national audit of Australia's critical infrastructure and developing, by March 2009, an Infrastructure Priority List to guide future investment in infrastructure.

Infrastructure Australia is providing advice to Australian Governments about infrastructure gaps and bottlenecks that hinder economic growth and prosperity. Investment priorities and regulatory reforms will also be identified, facilitating a more timely and coordinated delivery of national infrastructure investment. The aim is to encourage the development of a long term, coordinated national approach to infrastructure planning and investment to contribute to increasing national productivity.

Building Australia Fund

To fund critical infrastructure in the transport, communications, water and energy sectors of the economy the Australian Government established the Building Australia Fund.

In the 2009-10 Budget the Government announced funding for a number of strategic investments in Australia's metro rail networks, national road priorities and port infrastructure.

Major Cities Unit

The success of our cities drives our economy. The establishment of the Major Cities Unit is providing policy leadership to bring a coordinated and integrated approach to urban development; and to build partnerships between the public and private sectors.

The Major Cities Unit has been co-located with, and works closely with Infrastructure Australia. It operates under the Office of the Infrastructure Coordinator and brings a coordinated and integrated approach to urban development, identifying opportunities where Australian Government leadership can make a difference to the prosperity of cities and their communities.

The issues surrounding the infrastructure and governance of major cities are complex and require the input of Local, State and Federal Government, the integration of services and infrastructure bodies, and industry and community participation. The Major Cities Unit will provide a more coordinated and integrated approach to the planning and infrastructure needs of our major cities and will help secure the nation's economic, social and environmental wellbeing.

The Major Cities Unit is formulating a National Urban Policy which will be a framework document articulating the challenges facing our cities.

In his speech last month to the Business Council of Australia on the *Future Planning Needs of Our Major Cities*, the Prime Minister announced a new commitment to long-term reform of city planning in the interests of national productivity and sustainability.

In 2010, in partnership with the States and Territories, the Government proposes to develop national criteria for the future strategic planning of our major cities. The Prime Minister noted that in order for the Commonwealth to have confidence in the integrity of the strategic planning system in major cities, consideration was being given to linking all future infrastructure funding to compliance with these criteria. To implement this, new Commonwealth-State arrangements will be put in place to jointly assess performance against these criteria and to advise on how performance can be improved.

Strong, transparent and long term plans for growth and high-quality urban development will help deliver the Australian Government's goal of productive, liveable and sustainable cities.

The Prime Minister proposed that new criteria for the strategic planning systems in our major cities should be multidisciplinary and create a balanced relationship between the built and natural environments. By implementing credible plans to reduce greenhouse gas emissions, through initiatives such as energy efficiency measures, changes to town planning, practical improvements in public transport infrastructure and reform of building codes and regulations, Australia will be in a better position to adapt to the risks of climate change, including coastal inundation and more extreme weather events.

The strategic focus should provide for planned, sequenced and evidence-based land release that meets the housing needs of a growing population, keeping homes affordable and ensuring a balance between in-fill and greenfield development.

The Prime Minister emphasised the value of world-class design, maintaining architectural integrity and utilising expert knowledge-sharing networks. Similarly, there is scope for governments to take into account independent, expert advice on the objectives and implementation of their planning systems.

In building strong and sustainable cities, strategic planning must provide for the construction and upgrade of nationally significant infrastructure, such as transport corridors, intermodal connections and communications and utilities networks. To encourage investment of private capital in these projects, an effective framework for private sector investment and innovation in urban infrastructure must be provided, thus also easing fiscal constraints on all levels of government.

Conclusion

As we move toward a future that is filled with both challenges and opportunities, we recognise the value of a collaborative approach to increasing Australia's productivity growth.

There are risks that inadequate investment in infrastructure will cause productivity to fall over the longer term. The need for infrastructure development to support productivity growth is strengthened by recent long-term population forecasts from the ABS and continued signs of economic recovery following the Global Financial Crisis.

Addressing Australia's infrastructure needs must be more than simple investment. It is therefore vital that we have a clear, consistent and relevant national policy and regulatory framework under which investment is made.

Where infrastructure development is well planned and delivered, productivity growth will be most pronounced. Detailed planning and project management will deliver long term gains to Australia's productivity growth rate and support the country's prosperity in the decades to come.

Thank you.