



23 January 2014

Tim Watling
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Dear Mr Watling

**Senate Rural and Regional Affairs and Transport References Committee –
inquiry into the role of public transport in delivering productivity outcomes**

Thank you for the opportunity to provide a submission to this inquiry.

In May 2013, Grattan Institute published a report on productivity and labour markets in cities, *Productive Cities*. The report identifies that cities are crucial to national productivity. When they work well, they offer businesses the chance to bring together the biggest and best pool of available skilled employees. As the Business Council of Australia recently stated in its Action Plan for Enduring Prosperity: “cities play a significant role in supporting economic growth... [they] are very much engines of commerce, science, innovation and progress.”

Cities drive economic growth by giving businesses the best chance to attract the skilled employees they need. This is the reason so many businesses choose to locate in central business districts and inner suburbs, despite the much higher rents in these areas. Enabling businesses to draw on the biggest pool of potential employees helps them become more productive, and in turn creates more jobs.

Ensuring businesses right across the city have access to a range of skilled workers is more important to growth and productivity than ever before. Work is becoming more knowledge-intensive throughout the economy, as increasingly skilled workers do increasingly specialised jobs.

However in Australia's biggest cities, transport infrastructure is too often holding us back. *Productive Cities* identifies that in many areas, particularly outer suburbs, residents can reach fewer than 10 per cent of all metropolitan jobs within a reasonable commuting time. The OECD's Head of Regional Economics Dr Rudiger Ahrend recently described Sydney as being so badly connected that its economy functions more like a city of 1 million people, rather than the 4.5 million people who call it home. Opportunities are similarly limited in some outer suburbs of Melbourne, Brisbane and Perth.

Further evidence of stretched transport infrastructure holding back productivity can be found in the avoidable costs of road traffic congestion – estimated by the Bureau of Transport and Regional Economics at \$9.4 billion in 2005, and projected to escalate to

more than \$20 billion by 2020. Meanwhile in Australia's biggest cities, public transport services are operating at full or near-full capacity during peak periods, particularly on routes into city centres.

Increasing congestion and limited access to public transport make it harder and more time-consuming for businesses to connect with customers, potential employees and each other. In this way poor transport links are a drag on our economy, especially when employers frequently cite a lack of skilled workers as a barrier to growing their business. People poorly served by transport are likewise cut off from better job opportunities.

More roads – and more efficient use of existing roads – do have a role to play. But roads alone will not overcome the costs of congestion and poor access to transport. There is limited space to expand road access to the central business districts, inner suburbs and other parts of cities like Sydney, Melbourne, Brisbane and Perth with high concentrations of the knowledge-intensive jobs that are central to strong productivity growth. It becomes very difficult and time-consuming to channel increasing numbers of vehicles through a fixed number of entry points.

Consequently public transport capacity has a critical role to play in increasing the productivity of Australia's cities, and of the nation. Increased public transport reach and capacity would give firms access to more workers, making them more productive. Better access to public transport would also give people more opportunities to find rewarding jobs.

I attach a copy of *Productive Cities*, along with more detailed maps of access to employment across different geographic areas of Sydney, Melbourne, Brisbane and Perth that inform the report. If Grattan Institute can be of further assistance to the Inquiry, please do not hesitate to contact me.

Yours sincerely,

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