

29 January 2014



Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary,

It is our pleasure to submit a response to the Senate Standing Committee on Rural and Regional Affairs and Transport as part of its inquiry into the role of public transport in delivering productivity outcomes.

The Committee for Melbourne (CFM) has long held the remit to enhance the future prospects of Melbourne. Founded 29 years ago, CFM is an apolitical not-for-profit, member network that unites a cross-section of Melbourne's leaders and organisations to work together to enhance Melbourne's economic, social and environmental future.

Our members represent over 150 organisations drawn from the city's major companies, academic institutions and civic organisations across a broad range of industries. We represent no single interest and seek to challenge conventional thinking and develop innovative policy that continues to enhance the world's most liveable city.

Melbourne's economy has a profound influence on the National economy, generating approximately 17 per cent of Australia's Gross Domestic Product over the 22 years to 2012. There are clear signs however, that Melbourne, like other major cities across Australia, is struggling to cope with its rapid growth. Strong pressures from population increases, traffic congestion, freight bottlenecks, declining housing affordability and the sprawling nature of recent urban development (which for numerous reasons often lacks basic infrastructure support and connectivity), are impacting on productivity and liveability.

As such, infrastructure is vital to the liveability and sustainability of our cities as they expand geographically and their populations increase. The nation's competitiveness and attractiveness is dependent on the quality of this infrastructure and as national priorities compete, the role of the Commonwealth to provide efficient provision of infrastructure increases.

With regard to this inquiry, CFM offers the following comments on the role of public transport in delivering productivity outcomes;

A) The need for an integrated approach across road and rail in addressing congestion in cities, including Sydney, Melbourne, Brisbane, Adelaide and Perth

Investment in infrastructure, and in particular transport infrastructure, is vital to the Australian economy, and will continue to be so as governments seek to deliver sustainable economic growth. Investment in the transport networks is essential to improving our productivity as it helps companies trade with other businesses, reach new markets and gain access to the labour they need.

Governments at all levels are confronted with competing priorities and increasing fiscal gaps. This means that decisions around managing the allocation of scarce funding for new infrastructure investment will require an increased commitment to prioritisation methodologies that deliver projects that return the greatest economic and public benefit, and at the same time provide the best value for money.

While it is accepted that there is a strong role for the Commonwealth Government to play in supporting Australia's transport network, there is an inconsistent approach to the evaluation, planning and funding of various transport types, in particularly urban public transport.

CFM strongly supports an integrated and modally-neutral approach to assessing and funding transport infrastructure needs and proposals. CFM also believes the Commonwealth should fund projects based on their contribution to the functioning of the national economy and enhancing national productivity. Such an approach would see support flow to both urban road and public transport projects. To distinguish between classes of transport infrastructure neglects the role that all modes play in the functioning of our cities and our economy. Federal funding, if directed just to roads, will inevitably skew state priorities to major motorway projects whether they are the most important or not.

In its December 2013 Urban Transport Strategy, Infrastructure Australia noted that:

"...any discussion on urban transport needs to consider roads and public transport together, since greater use of one may result in less use of the other, and funds allocated to one are not able to be allocated to the other." (p5).

"A further risk of Australian government funding only major infrastructure projects, or certain types of infrastructure projects, include that states and territories may unduly focus on such projects at the expense of wider perspectives..." (p9).

CFM agrees with these sentiments.

C) The national significance of public transport

Australia is a highly urbanised country with the overwhelming majority of its population living and working in the nation's cities. Indeed, our cities are our economic growth engines, generating approximately 80 per cent of the nation's GDP. Australian cities are also high successful and are consistently regarded as some of the most liveable in world. Their efficiency and success (like almost all modern day cities), is directly correlated to the way in which people, knowledge, businesses and markets are

connected. An efficient and effective public transport system is one of the most important facilitators of this connectivity.

In the face of increasing population and associated growth pressures, an effectively functioning public transport system can increase productivity for the economy as a whole by enhancing access to jobs and services, increasing business and freight movement efficiency, and through easing growing road congestion pressures.

Public transport has an unrivalled ability to move large numbers of people to locations where high value businesses tend to cluster (known as agglomeration), and therefore enable business to draw from a greater pool of skilled talent. This creates a framework for cities with effective mass transit systems to drive greater economic growth by increasing knowledge and innovation.

Studies of agglomeration show that doubling the job density of an area can result in improvements in productivity in the range of four to thirteen per cent, depending on the size, industry structure, and economic make-up of the location studied. This is due to:

- the sharing of infrastructure and inputs;
- the sharing of ideas (knowledge spill-overs) that occur due to close physical proximity and drive innovation, and
- the ability to match skilled workers to jobs.

As Australian cities become more populated and congested (during 'the 2011–12 year, the larger capitals grew almost 50 per cent faster than the rest of the country.')

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their competitiveness is reliant on how efficiently they connect people with jobs. Therefore, as the cost of congestion rises, the value of being able to move ever increasing numbers of people during the peak commuter period becomes increasingly important as a factor for national productivity.

D) The relationship between public transport and building well-functioning cities

For some time Australian cities have been experiencing strong population growth and over the decade to 2011 there was a particularly sharp increase in the proportion of population living in the capital cities of most states and territories. This trend of increasing urbanisation continues today and is forecast to continue into the future.

While many of the effects of strong population growth are positive, inadequate planning and investment can have a detrimental effect. Evidence of the negative impacts of strong population growth is felt in many ways by communities and but is perhaps most noticeable in the avoidable costs of road traffic congestion.

Increasing congestion has been forecast by the Bureau of Transport Regional Economics to reach \$20 billion dollars by 2020 and will only be contained by commitment to both a better road network, and the provision of expanded public transport services. In some of our major CBDs, improved public transport is the only viable option as land constraints mean that expansion of the road network is not feasible.

¹ State of Australian Cities 2013

E) The decision of the Federal Government to refuse to fund public transport projects

CFM is believes that the Commonwealth should take a modally neutral approach to the funding of transport infrastructure and projects should be funded based on their contribution to the functioning of the national economy and enhancing national productivity not on their specific asset class.

To say that public transport options do not play a part in making a significant contribution to our national economic development undervalues the significant contribution cities make to our overall economic vitality. Under older style and traditional methods of measuring productivity enhancement, public transport options fare poorly due to their ongoing operational overhead costs. Some innovative measurement models currently emerging from Manchester in the UK (and subsequently being picked up in London, Leeds and Glasgow), take a much broader approach to determining productivity enhancement. These models clearly show that in the long-term, public transport will return value on investment many times over.

Granted, the long-term nature of this return on investment may not appeal enormously to those in power, who potentially have relatively short political lifetimes, however this does not absolve us of the responsibility to look forward with equal opportunity for those developments that will return both productivity and liveability returns in the long-run.

In closing, CFM is firmly of the view that in order to ensure that productivity and well-being are maximised for the benefit of all Australians, public transport funding must be applicable for Commonwealth funding consideration. There is a pressing need to definitively prioritise a range of transport improvements for Australia's cities and these long-term considerations must take into account rigorous evaluation of genuine productivity enhancing benefits. Central to achieving this outcome is a decision-making process that is free from short-term political influence, and is one that takes into account the full range of transport modes, and their equitably assessed costs and benefits.

I thank you for your consideration and welcome the opportunity to expand on any of the points within this submission.

Regards,

Kate Roffey
Chief Executive Officer
Committee for Melbourne