INTRODUCTION

“Productivity isn’t everything, but in the long run it is almost everything.”

So said Paul Krugman in his “The Age of Diminished Expectations”.

It’s no secret that Australia’s overall productivity rate has fallen over the past decade.

There are some who argue that the solution lies totally in industrial relations.

This is ideologically driven.

The fact is that Australia’s labour productivity is in the top dozen of international performers.

As the Australian National University’s Dean Parham pointed out recently, in recent years labour productivity has increased by 3.3 per cent per year.

Whilst this has occurred, capital productivity has actually declined by 4.3 per cent.

So the truth is that addressing productivity requires more than the simplistic slogans of those who would seek to return to WorkChoices under another name.

The Productivity Commission and the Reserve Bank have concluded that much of the decline has been due to specific issues in mining and utilities, with some impact from agriculture.

In mining, because new investment takes years before it leads to output.

In utilities, because increased capital expenditure has occurred often well over levels suggested by demand.

And in agriculture, due to our worst drought in a century.

Many of these factors are working their way through the system.

This is not to argue that productivity will sort itself out.
It is to assert, however, that productivity is a complex issue with many contributing factors and we need a sophisticated approach to address this challenge.

It is also to assert that business, government and the workforce all have a role to play.

Government has a particular role in creating the right environment for firms to operate effectively and efficiently.

Firstly, an environment that facilitates sound decision-making.

Secondly, an environment that assists the building of the capabilities firms need to improve productivity.

On the first, we’ve ensured that our macro-economic policies have maintained a strong and stable economy and maintained growth.

We have also undertaken an ambitious regulatory reform agenda through the Seamless National Economy reforms.

On the second, we have made significant investments in infrastructure, education and skills, as well as science and research.

Tonight I want to highlight the work the Government is undertaking through our infrastructure policy framework and investment to boost productivity.

**INFRASTRUCTURE AUSTRALIA**

Upon coming to office we got the policy framework right.

The establishment of Infrastructure Australia was the first step in delivering major reforms to the way we plan, invest in and build infrastructure.

IA’s priority list now guides government investment.

This is not just an academic exercise.

We have now committed funding to every single, “ready to proceed”, project listed on IA’s first priority list.

IA is also leading important planning work.

It has developed the first ever National Ports Strategy and National Land Freight Strategy.

These Strategies provide blueprints for better long-term planning and future investment.

**CITIES AND URBAN PLANNING**

We have also turned our attention towards planning of our cities.

We have developed Australia’s first ever Nation Urban Policy.
This development is consistent with what is a historical distinction between the major Parties.

From Whitlam’s Department of Urban and Regional Development, to ‘Better Cities’ under Brian Howe, to the current Government’s initiatives, Labor governments believe that our national government must be engaged in cities.

In contrast, the Coalition has seen this as a State and Local Government responsibility.

After all, the Leader of the Coalition has stated:

“Transport infrastructure is a state responsibility. The Commonwealth Government should no more have to fund … [it] than the State Government should have to buy new tanks for the army.”

While Australia is famous across the globe for our farms and our mines, it is our cities that are the powerhouses of our economy.

Our cities produce 80 per cent of our national wealth, yet they face unprecedented challenges to ensure they improve their productivity, sustainability and liveability.

When we came to office, Commonwealth involvement in the planning and development of our cities barely rated a mention in the national conversation.

We are turning this around.

The National Urban Policy released in 2011, marked the first time in our history where the national government clearly articulated our aspirations for our cities.

We also committed to measure our progress towards these aspirations in the annual *State of Australian Cities* reports, the third edition of which I released in December.

These reports measure progress of the National Urban Policy, and show that implementation is well underway.

We have also been working with the States and Territories to improve the quality of urban planning.

Under a COAG agreement all jurisdictions agreed to a review of their capital city strategic planning systems against nine criteria.

These include preserving future transport corridors, a better balance between land-release and urban in-fill, climate change mitigation, better urban design to reduce water and energy usage, and preparedness for the aging of the population.

We are working with the states to drive this agenda through the Standing Council on Transport and Infrastructure, which I chair.

A key focus of this is to develop a set of common indicators so we can measure progress both over time, and draw comparisons between cities.
These will be identified each year in the *State of Australian Cities* report.

Consistent with the collaborative approach of the Infrastructure Australia model, I have appointed a National Urban Policy Forum, including peak industry organisations, to oversee this process.

For the first time outside expertise is being brought into the policy development process upfront, rather than just commenting on government decisions after they have been made.

With all of these approaches, the productivity agenda is a common theme.

**INFRASTRUCTURE AND TRANSPORT INVESTMENT**

Infrastructure is the critical enabler of productivity.

The imperative for action is clear.

Over the next two decades Australia’s freight task will double.

Public transport usage will increase by one-third.

International passenger movements through our capital city airports will almost triple.

To meet these challenges, this Labor Government has delivered record infrastructure investment and pursued complementary reforms.

We have doubled the roads budget.

Our road investments are constructing more than 7,500 km of new and upgraded lanes.

This is in addition to more than 14,000 local government road projects under the Roads to Recovery program, 2,000 Blackspot projects, and 300 heavy vehicle safety and productivity projects.

We have increased investment in rail tenfold.

We are rebuilding over one-third of the Interstate Rail Freight Network – over 4000 km of new or upgraded track.

We are taking seven hours off the journey from Melbourne to Brisbane.

We are taking nine hours off the journey from the east coast to the west coast.

We have committed more to urban public transport since 2007 than all previous governments combined since Federation.

This investment is already paying dividends.
The Bureau of Infrastructure, Transport and Regional Economics estimates that for each dollar spent in our $36 billion dollar Nation Building Program, projects will return $2.65 in benefits.

**RAIL INVESTMENTS**

Our investments are targeting projects that deliver the greatest productivity benefits.

For example, investments to separate the freight and passenger tasks on our busy train networks.

I recently opened the one billion dollar Southern Sydney Freight Line.

This has ended the previous curfew which operated during peak morning and afternoon periods for rail freight from Port Botany because the passenger line received priority.

A common-sense reform, but one which took determination to achieve.

Similarly construction has begun on the Northern Sydney Freight Corridor project.

This will separate freight and passenger lines and improve productivity on what has been the single largest bottleneck on the interstate freight network.

These two projects, and the development of the Moorebank Intermodal Terminal, are vital infrastructure projects for Sydney.

Moorebank will remove 3,300 trucks off Sydney’s roads every single day.

It will create 1700 jobs.

It will enable increased modal shift from road to rail, reducing traffic congestion and delivering benefits for the environment and productivity.

Moorebank is also a great example of how the Government can use its land ownership to facilitate and drive private sector investment in infrastructure.

The Moorebank Intermodal terminal will provide the facilities needed for the next five decades, not just the next five years.

**ROAD INVESTMENTS**

We are also investing significant funds in important road projects in Sydney.

Investments that will ease traffic congestion, reduce commute times and increase productivity.

We invested in a widening of the F5 freeway, which I officially opened last year.

This is one of Sydney’s busiest roads which services more than 80,000 vehicles per day.
We have invested $300 million in the upgrade of the Great Western Highway, which is currently underway.

All up, we have invested $3.2 billion in the Sydney basin in these critical transport infrastructure projects.

Today we announced we would make substantial funds available for Western Sydney motorways.

We want to get the planning right.

This is why we allocated $25 million for this in last year’s Budget.

Common sense tells you that we need to get people to the city on the M4, and freight to the port on the M5.

This contrasts with the other side of politics who are prepared to commit to half-baked proposals.

For the whole of NSW, we are investing $11.6 billion – or one in every three dollars of our Nation Building Program – in the State’s road and rail networks.

In coming months, the full duplication of the Hume Highway will be complete.

Almost two centuries after the explorers Hume and Hovell plotted a path from Sydney south to Port Phillip Bay, Australians will finally be able to enjoy a safe and separated 21st century road between our two biggest cities.

On the Pacific Highway, right now there are more than 1300 people at work on the duplication.

This month the Kempsey Bypass will open.

This includes Australia’s longest bridge – some 3.2 km long – over the Macleay River and floodplain.

Work is going gangbusters on the $1.7 billion Hunter Expressway which is on track to be completed this year.

Under the Nation Building Program we are also investing in ‘smart technology’ to upgrade and better utilise our existing infrastructure.

Through the Managed Motorways Program we are tackling congestion by using the latest technology on some of our major motorways such as the M4 in Sydney.

Smart infrastructure includes entry ramp signalling, variable speed limit signs, lane control, CCTV’s, and digital message signs which provide live updates on traffic conditions and delays.

These technologies can mean significant travel time savings and greatly reduce the frustration of the daily commute, and boost productivity.
Future construction projects will be required to incorporate smart infrastructure in the design from the outset.

**REGULATION**

Our infrastructure agenda is broader than investment.

We are delivering historic reforms to the maritime, rail and heavy vehicle sectors.

We are replacing 23 regulatory authorities with just one for each sector.

These reforms will increase the efficiency of the freight transport sector, delivering substantial productivity gains and boosting national income by up to $30 billion over the next two decades.

The COAG Infrastructure Working Group that I chair, has also been rolling out reforms to streamline procurement processes.

Reforms to reduce red-tape, deliver greater competition within the construction sector, and promote a seamless national economy.

For example, the National Prequalification System in the construction industry which means a private contractor registered in one State can now have their qualifications automatically recognised nationwide.

National policies and guidelines for PPPs and Alliance Contracting have been developed to standardise project appraisal techniques.

These will drive greater value for money.

Another initiative, led by my Department, was the development of the National Infrastructure Construction Schedule – the NICS.

I am particularly proud of this one-stop-shop web-site, which details every major economic and social infrastructure project in planning or being delivered by governments around the country.

The NICS provides a deeper pipeline of construction projects.

Right now, the NICS site lists more than 90 projects worth over $60 billion.

The recent Industry and Innovation Statement is a major new initiative aimed at boosting opportunities for local companies and suppliers to win more work on major projects in Australia.

The NICS is already assisting with this in the construction sector by providing greater transparency to suppliers and constructors.

This website has been a huge success with over 1.8 million hits, including much interest from overseas.
Another important initiative of my Department is work on patronage risk and better forecasting practices.

Late last year I launched a report into the phenomenon of over-optimistic bidding on toll road projects, and my Department is now following up with further work.

Addressing this issue is important in order to underpin a strong PPP market.

It is clear that an increased level of private investment in infrastructure will be required if Australia is to meet our infrastructure needs.

Recognising this, I created the Infrastructure Finance Working Group which comprised nine experts from the private and public sectors.

This group investigated ways to improve the capacity of governments to invest in infrastructure projects, and ways of attracting greater private sector investment in infrastructure.

The group’s report delivered thirteen recommendations and presented a range of options for consideration by State and Federal governments.

We have begun to implement measures in response to these.

**SYDNEY AIRPORT**

Before I conclude, I want to make some comments about the Sydney infrastructure issue that has been on the agenda for longer than I have been around.

I talk of course of the need for a second Sydney airport.

I believe we are making progress toward actually getting an outcome that will stick.

We are doing this through an evidence-based approach.

The *Joint Study on Aviation Capacity in the Sydney Region*, jointly chaired by my Department and the NSW Government, shows that Sydney’s aviation infrastructure will not cope with future demand.

Capacity pressure is already evident at KSA.

Passenger numbers in the Sydney region will double by 2035.

They will quadruple by 2060.

Bearing in mind how long an airport takes to build, it is imperative that we act sooner rather than later.

This will require a few preconditions.

Firstly we need strong political leadership and a bipartisan approach.

This requires a recognition that saying no to a second airport for Sydney is saying no to jobs, no to economic growth, and no to Sydney’s future position as a global city.
The Joint Study shows that unmet demand for aviation in Sydney will cost the national economy $6 billion by 2035 and $34 billion by 2060.

Sydney is the linchpin of our aviation network, as four out of ten flights in Australia pass through Sydney.

When Sydney is disrupted the whole network is disrupted.

That is why this is a national productivity issue.

Sydney is already losing out on economic activity, and growth is slowing compared to its rivals of Melbourne and Brisbane.

While 50 per cent of international flights were to and from Sydney in 2000, this share has dropped to 41 per cent.

In 2011, Melbourne’s international traffic grew at 10 per cent - nearly four times the rate of growth in Sydney.

Sydney is now the worst mainland capital for on-time flights.

The opposition to a second Sydney airport ignores that this is an economic issue.

As Premier O’Farrell said last year:

“The fact is that no other part of Sydney is going to be contaminated by the sort of noise that is connected with an airport.”

He has argued that a second Sydney airport should not be in NSW, but in Canberra.

The Greens political party argue that Kingsford Smith Airport should be closed down, and they oppose Badgerys Creek, Richmond and Wilton.

I presume that under the Green’s proposal people could just parachute into the city of Sydney.

The critics of aviation often raise High Speed Rail in a manner that pretends that this infrastructure project is free from any environmental or disruptive consequences.

As a High Speed Rail train passes, the noise level will reach 100 decibels.

The study I’ve commissioned into High Speed Rail from Melbourne to Sydney proposes a track that is approximately 1750 km long.

Importantly it includes over 144 km of tunnelling, much of it in Sydney, which is the only way a High Speed Rail line can be built.

It requires a substantial corridor in as straight a line as possible, in order to facilitate the 350 km/hr speeds.

This is not to argue against such a project.
It is simply to assert that modern vibrant cities require infrastructure development, and that infrastructure development by definition will have effects that are not desirable or perfect.

I predict that when I release the High Speed Rail study in coming months, some of the strongest opposition to the reality that such an ambitious proposal represents, will be from those who embrace the abstract idea of High Speed Rail.

But as a concept, not as the reality that has a wide corridor, major tunnelling, significant noise impacts, and that's before we consider the significant economic costs.

**WHAT NEXT?**

While I've covered some of the achievements of this Labor Government to date, I've only scratched the surface of our ambitious productivity agenda.

I've also made the point that there is much more to be done to arrest the decline in national productivity.

In my portfolio we will continue to pursue reforms across a wide range of areas.

For example, the Infrastructure Working Group will continue to reform procurement processes.

We will also continue to work on problem areas like patronage risk, and implement other measures in line with the Infrastructure Finance Working Group's report.

Such reforms are not easy, but they are necessary.

We will also continue to tackle the big problems and provide leadership.

Our major infrastructure challenges like Sydney's second airport will not go away. They will only become more urgent.

More broadly, the Labor Government will continue to implement our wide-ranging reform agenda to support productivity growth.

And we will continue to strengthen this agenda. It's not just about the roll out of reforms and programs underway.

As the commodities boom tapers off, the productivity imperative gets bigger and more urgent.

It is no longer somewhat disguised by the high terms-of-trade.

Labor's approach to productivity rejects a WorkChoices approach.

After all there is no point having a wages race to the bottom, as there is always another country with lower labour costs.
To maintain our high standard of living, but remain competitive and increase productivity will require more innovative work and management practices and other measures to make our economy more efficient.

For our part we will continue to take the high road to productivity.

Through cooperative workplaces, working smarter, improving skills and education, encouraging innovation and adaptability, and providing better infrastructure.

That is Labor’s way.

[ENDS]