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07 August 2009

Mr Evan Moorhead, MP
Chair, Economic Development Committee
Parliament House, George Street
BRISBANE QLD 4000

Dear Mr Moorhead

**Response to Economic Development Committee Issues Paper No. 1 –
July 2009**

In response to your recent invitation to the Lord Mayor to make a submission to the Economic Development Committee, I enclose a submission on behalf of Brisbane City Council.

Brisbane City Council takes very seriously the impacts that the economic downturn is having on the residents and businesses of Brisbane. Council has undertaken its own analysis and consulted with peak industry bodies on the impacts of the Global Financial Crisis on Brisbane.

We believe that the role of government in these challenging times is to restore confidence among consumers and businesses and to ensure that the economic environment is as efficient and supportive of business led growth as it possibly can be. Past evidence has shown that government is less effective in trying to influence directly the growth of specific industries. The most efficient use of public resources is to provide the best environment for businesses to grow and innovate.

As outlined in the attached submission, Brisbane is responsible for nearly half of Queensland's contribution to national economic growth and accounts for almost half of Queensland jobs growth.

Unfortunately, Brisbane's economic growth has been unnecessarily constrained by a history of inadequate infrastructure investment. The Federal Government has estimated that in 2005, the cost of congestion to Brisbane was roughly \$1.2 billion. This congestion was already constraining local employment growth and investment prior to the collapse of the global economy in 2008.



The economic value to the local, State and national economies that has been lost due to inadequate infrastructure cannot be recovered, but Council recognises that the economies that present the most efficient and competitive environments will also be those that bounce back most quickly.

The Lord Mayor therefore continues to sustain the largest capital investment program ever undertaken in Brisbane. Maintaining strong public investment in infrastructure during a period of slower economic growth is the single most important policy lever available to government to tackle the negative impacts of recession and to set the economy up for quick recovery.

Stronger infrastructure investment by all levels of government is of particular importance in tackling unemployment. Of the 125,000 unemployed persons recorded in Queensland in March 2009, 78,000 live in the South East Queensland Region (SEQ).

Although difficult to estimate, it is believed that a substantial portion of unemployed people in SEQ have lost their jobs because of the slowdown in the construction and building industries. Moreover, the financial hardship experienced by people in this sector flows through to reduced demand for other services, leading to more job losses in other sectors of the economy.

The problems faced by Brisbane are also issues for the whole of the SEQ Region, which operates as an interconnected regional economy. Bringing forward much needed infrastructure investments across the whole of the SEQ region would not only offset the hardship that is currently being experienced across SEQ but would also be a prudent investment to drive stronger economic and jobs growth for Queensland as the global economy recovers.

I trust that these issues will be duly considered by the Committee in its deliberations.

Thank you for the opportunity to provide a submission on employment creation opportunities for government.

Yours sincerely



**Councillor Jane Prentice
Chairman for Public and Active Transport and Economic Development
Brisbane City Council**



Dedicated to a better Brisbane

**Brisbane City Council Submission to Economic Development Committee Issues
Paper No. 1**

Inquiry into identifying world's best practice by governments to effectively stimulate
employment opportunities in Queensland

Submitted by:

Councillor Jane Prentice
Chairman
Public and Active Transport & Economic Development
Brisbane City Council

Jane Prentice
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(signature and date)

7/August 2009
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Introduction

Brisbane City Council commends the Economic Development Committee of the Queensland Parliament for inviting submissions on how to effectively stimulate employment opportunities in Queensland. In January 2009 Brisbane City Council undertook its own review of how the global financial crisis was impacting on the businesses and residents of Brisbane and some of the key findings of this review are highlighted in the submission that follows.

In reviewing the paper circulated by the Economic Development Committee, Brisbane City Council would like to draw the Committee's attention to the large body of global evidence and research which demonstrates that urbanising regions are the main generators of national economic growth in advanced national economies (and also in the fastest growing developing economies). This is also the case for Australia, where it is estimated that between 2001 and 2006, Australia's capital cities contributed 78% of national economic growth (Minister Albanese, 2008) and accounted for nearly 60% of national population and jobs growth.

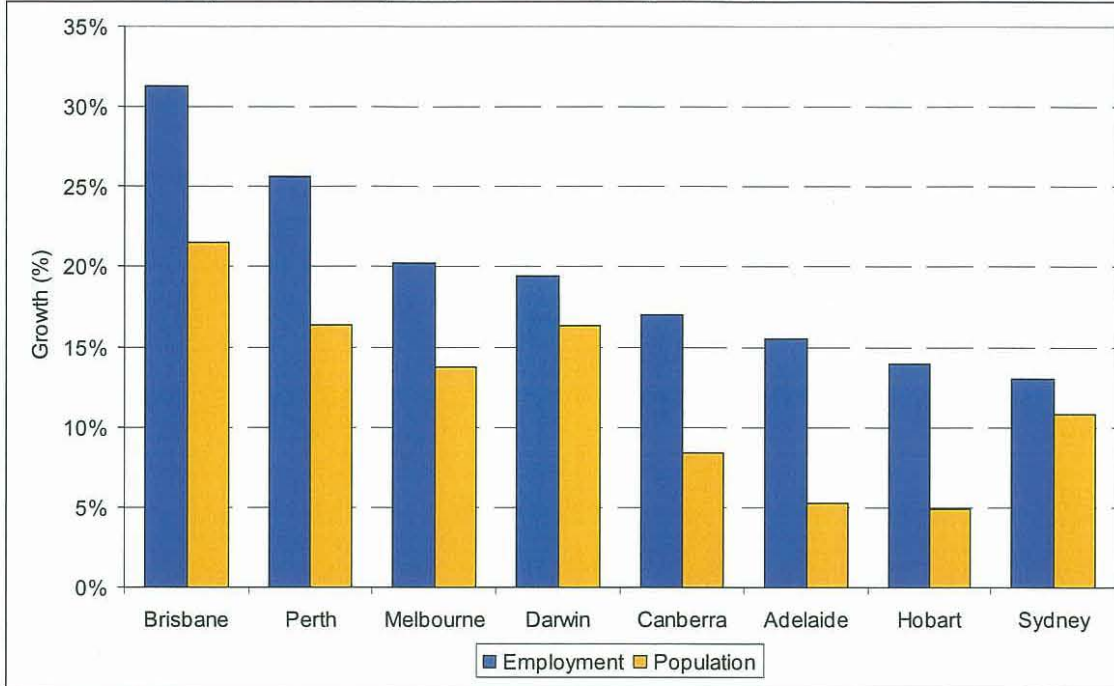
Cities also play a key role in driving national productivity growth through the greater efficiencies that can be achieved when economic activity and household consumption is concentrated. Hence every public dollar invested in the infrastructure that supports city economies and their populations is not only a dollar invested that will serve the community for decades and even hundreds of years into the future, it is also an investment that will benefit the largest share of the nation's businesses and residents.

Brisbane's Economic Performance and Contribution to the Queensland and National Economy

Over the past decade, Brisbane has been Australia's fastest growing capital city. Brisbane's growth has been underpinned by strong population growth largely comprised of working age migrants arriving in South East Queensland from overseas and interstate. Over this period, employment growth in the Brisbane Statistical Division was even stronger than population growth as new migrants settled in the affordable areas on the urban fringe and travelled to jobs which were more centrally located.

Over this period, Brisbane has also experienced strong economic growth in building and construction and in the growth of high value-adding businesses. These have been stimulated by the mining, construction and employment booms since the mid-1990s, and the growing number of visitors to the city for both tourism and educational purposes. For Brisbane Local Government Area, a major challenge has been the adequacy of the transport network to cope with the rising demand generated by an increasing number of people travelling into and through the city for work, coupled with growing demand from freight and other trips generated by businesses.

Chart 1: Employment and Population Growth, Capital City Statistical Divisions, 1996 to 2006

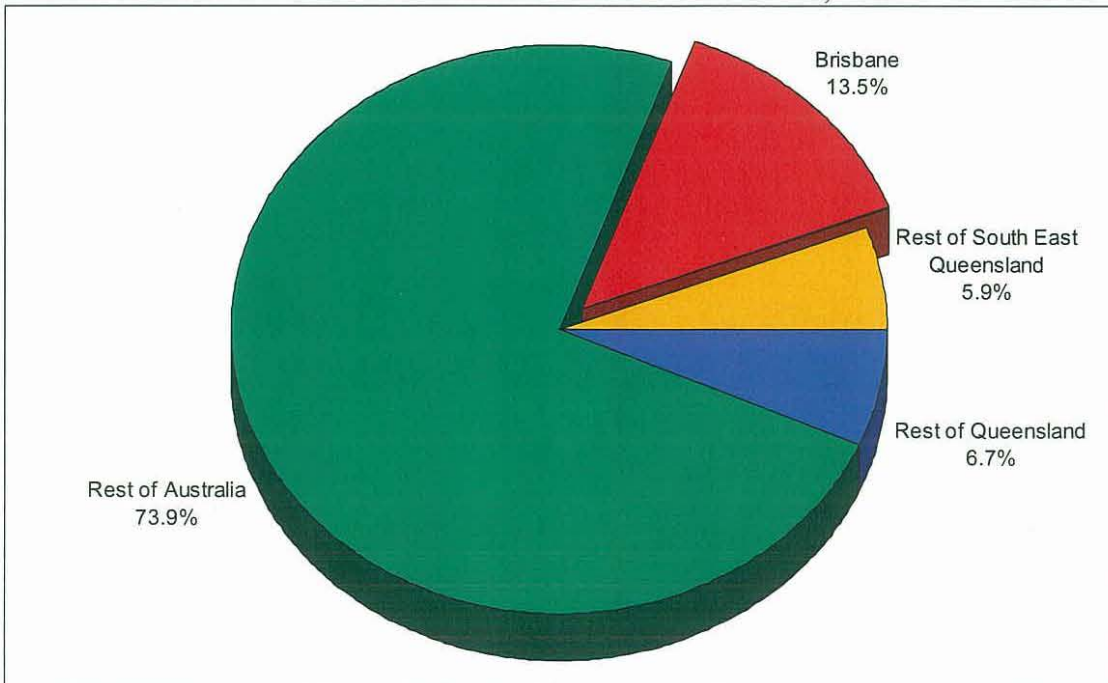


Source: ABS

Brisbane is a key contributor to both national and State economic performance. Valued at \$85 billion in 2005-06, the Brisbane economy accounted for almost half (46.4%) of the total Queensland economy.

Over the 2001 to 2006 period (latest data available) Brisbane, punched above its weight, accounting for 13.5% of the total growth of the national economy (representing almost 50% of Queensland’s contribution to national growth) and increasing its total share of the Australian economy from 8% to 8.8%. This is particularly notable as it occurred at the same time as the mining boom was generating strong growth from regional Queensland.

Chart 2: Brisbane’s Contribution to National Economic Growth, 2000-01 to 2005-06



Source: OESR

In relation to Queensland's employment and population growth, Brisbane also punches above its weight, contributing 47% of total Queensland jobs growth (270,000 jobs out of 573,000 jobs) and 44% of total Queensland population growth (372,000 residents out of 840,000 residents) over the decade since 1997-98.

Brisbane's experience over the past decade in supporting both jobs and employment growth demonstrates the key role that Brisbane plays in sustaining the economic well being and prosperity of the South East Queensland Region (SEQ).

Given the significant contribution that Brisbane and SEQ continue to make to jobs growth and economic performance for Queensland, it stands to reason that any policy on stimulating economic recovery must separate the issues affecting regional Queensland and the quite different challenges facing the urban economies of SEQ. Moreover, given the jobs and population density characteristic of urban areas, policy levers to tackle unemployment and stimulate economic performance are likely to be more effective for every dollar spent due to the significant spillover effects that can be achieved.

The strong growth in population and employment in Brisbane has not been matched by investment in employment-supporting infrastructure (including road, public transport, telecommunications), resulting in price and supply side constraints upon Brisbane businesses and residents. These constraints continue to limit the capacity of the Brisbane economy to grow, and impose additional costs on businesses and residents which would otherwise be available for more productive uses.

The most pressing challenge facing Brisbane is the cost of congestion, which was estimated at \$1.2 billion in 2005 or \$670 per person. This was significantly higher than the cost to Australia as a whole of \$460 per person. It is estimated that the total cost of congestion in Brisbane by 2020 will reach \$3.0 billion, or approximately \$1,330 per person (BITRE, 2008).

Congestion at the level estimated and seen each day on both public and private transport networks in the greater Brisbane area provides clear evidence of the unnecessary and avoidable costs borne by business and society where infrastructure investment has been inadequate. Though congestion has resulted in a permanent loss to the economy which cannot be recovered, the task now at hand for Brisbane is to undertake the much needed investment that will set the economy on its recovery path and return it to strong growth when the world and national economies return to healthy growth rates.

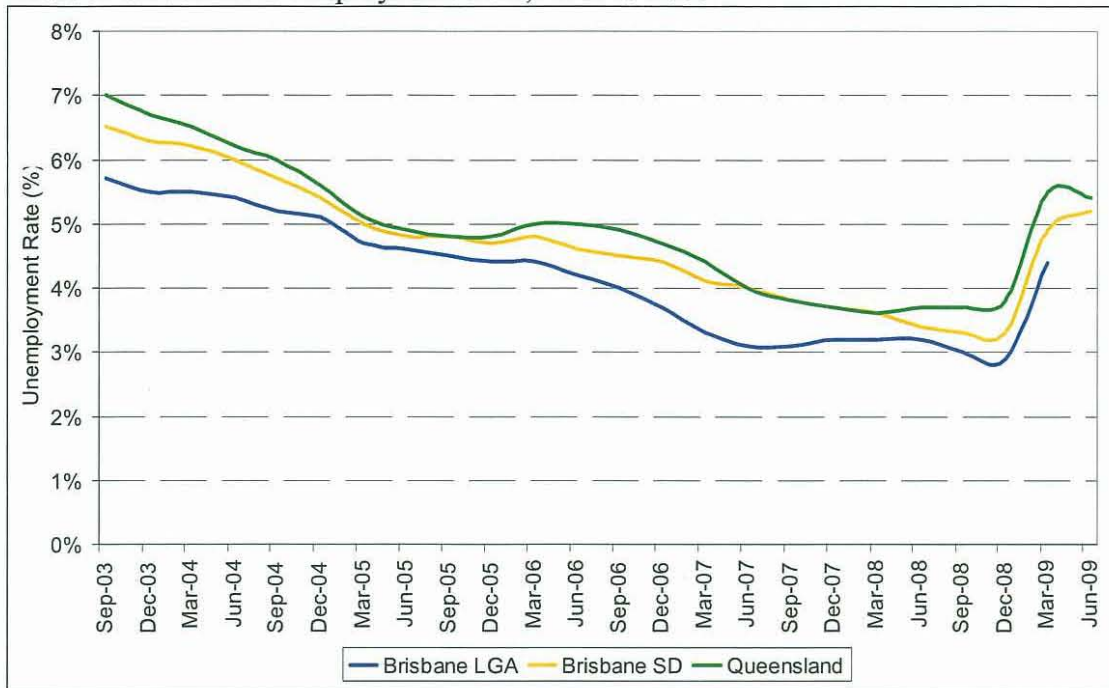
Impacts of the Global Financial Crisis

The Global Financial Crisis (GFC) has had an uneven effect on the Brisbane and South East Queensland economies, and has been less severe than in other parts of Australia and other countries. One of the reasons for this was the extremely strong performance of the economy when the global economy entered into recession. The comparatively stronger performance of the region is expected to continue, but it is important to recognise that the impacts of the slowdown impact some economic sectors and members of the community more severely than others.

Up until the end of the 2008 calendar year, strong demand for workers created by the rapid growth of the local and SEQ economy brought the Brisbane unemployment rate to record lows. This was achieved despite the strong population growth and growing workforce participation rate that brought more and more workers into the region. The unemployment rate for Brisbane LGA has been consistently below the unemployment rate for Brisbane SD and both have been below the unemployment rate for Queensland.

However, during times of recession, high jobs growth can also revert to high jobs losses. As pointed out in the discussion paper and shown below, the unemployment rates in areas of Brisbane have rapidly deteriorated in recent months.

Chart 3: Smoothed Unemployment Rate, 2003 to 2008



Source: DEEWR, Australian Regional Labour Markets

It is also important to note that the DEEWR unemployment rates, as presented in the Issues Paper (page 10) may be of interest in considering the magnitude of unemployment in different regions. According to the March 2009 DEEWR Labour Force Survey, there were 125,000 unemployed people in Queensland. Of this total, the SEQ region accounted for 78,000 unemployed, representing almost 63% of the total number of unemployed in Queensland. The other 47,000 unemployed in the State are spread across Wide Bay Burnett, Darling Downs –South West, Mackay-Fitzroy-Central West, Northern-North West and Far North.

Unemployment in regional Queensland is most commonly associated with a decline in specific industries, including mining, agriculture and tourism. The lack of economic diversification in regional Queensland is a characteristic of local economies which rely heavily on a natural resource base for their competitive advantage.

In contrast, SEQ represents a diverse economy which is less vulnerable to the impacts of resource booms, droughts and weather conditions and the international tourist sector. The greatest impacts of the recession on employment in SEQ have been in the building and construction industry, retail and personal services. These are principally the industries that provide jobs for low skilled and unskilled workers.

In terms of location, unemployment rates are higher for the Statistical Division of Brisbane as compared with the Local Government Area, demonstrating that the hardest hit areas have been those on the urban fringe, where housing is more affordable but accessibility to employment opportunities is poorer.

Policies specifically targeted at creating employment opportunities in the construction and building industry are likely to be of particular benefit to the unskilled and lower skilled workers who make up a large proportion of the working population living in the urban fringe areas. Stimulus in the

construction sector also has strong flow through effects as raised income levels for lower income households tend to translate into increased local spending, thus bringing in an additional spending effect, creating additional jobs in retailing and personal services.

The single most important policy lever to stimulate the SEQ regional economy, create jobs and reduce unemployment, is direct investment in infrastructure by government. The current lull in market conditions presents a significant opportunity for Government to embark on a strong infrastructure program which will not only create jobs but will also address the significant capacity constraints outlined earlier. The concentration of unemployment within SEQ makes it possible for public investment in infrastructure to maximise its impact in driving economic growth as well as creating jobs for the unemployed.

Lack of credit, reluctance by banks to take on risk and high interest rates where credit is available are acting as significant constraints on private sector led activity. In Brisbane, premium office accommodation in the city was in extremely low supply in mid-2008. Though the situation has eased somewhat, a number of major projects have been postponed indefinitely, which is expected to return the local office market to another critical shortage situation in the near future.

The Federal Government proposal to address credit constraints through a bank credit guarantee could ease this financial bottleneck and assist in stimulating more private sector activity. It is also a concern that current market conditions are unlikely to favour Public-Private Partnerships without Government willingness to assume more risk.

Apart from unemployment effects on the lower skilled, there have also been increased job losses in some of the professions associated with the building industry and in the take-up of new graduates from the Universities. Policies to assist the take-up of new graduates in positions appropriate to their skill level could assist in stimulating more graduate absorption and avoiding the serious detrimental impacts of long term unemployment or underemployment on young entrants to the labour market. At the same time, these policies would generate more vacancies in the service sector which are currently being occupied by over-qualified graduates.

To ease this situation and to augment Council's succession planning for the future, in 2009/10 Brisbane City Council has increased its graduate intake to a record 42 new graduates.

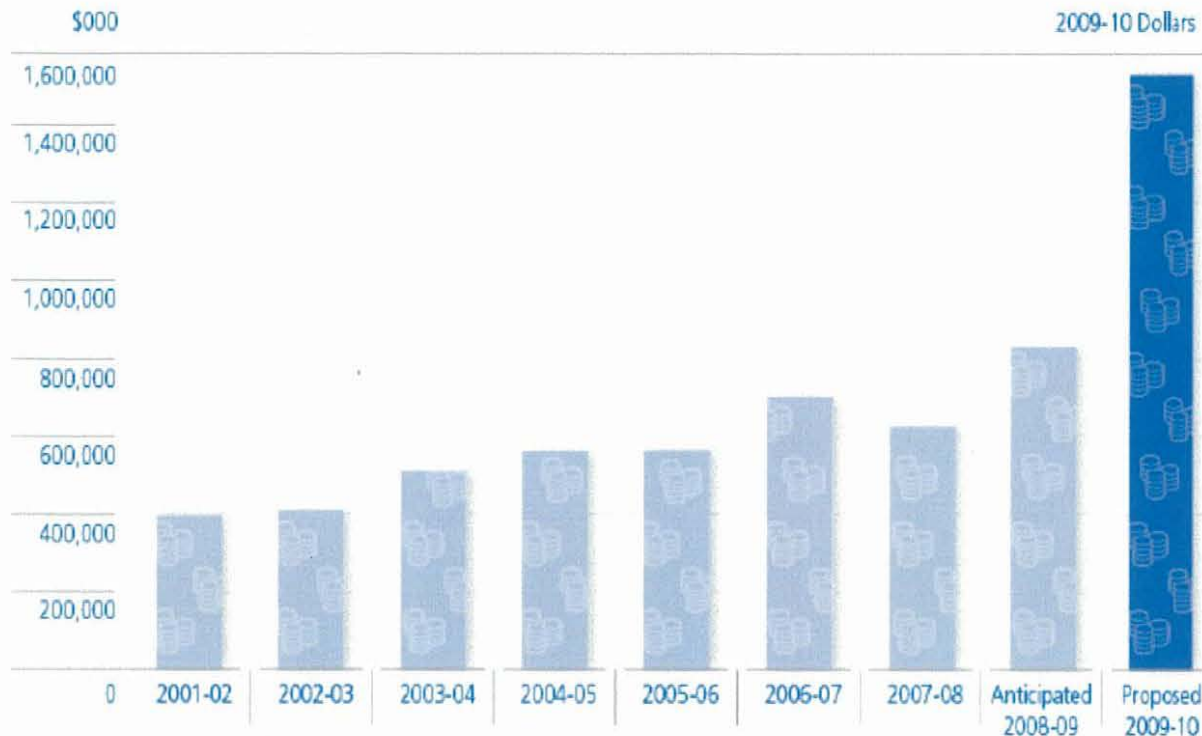
Brisbane City Council's Policies to Target Employment Growth and Economic Recovery

Brisbane City Council's priority is to address the key infrastructure constraints faced by Brisbane businesses and residents. Despite the additional pressures and economic uncertainties brought on by the global downturn in 2008, Council has steadfastly maintained its commitment to deliver the infrastructure required to support the city's long term economic prosperity.

The slow down in private sector led projects has eased the previously difficult conditions faced in the construction market, which included higher prices, supply shortages, difficulty in obtaining capital equipment and logistical issues in managing a capacity constrained road network. Council has used this opportunity to continue its delivery of the largest infrastructure program in Brisbane's history and in doing so, is making a significant contribution to growing jobs in the most seriously affected parts of the workforce. Council recognises that such projects are not only greatly easing the impacts of the GFC on Brisbane, but they are setting up Brisbane for a rapid return to strong growth and economic performance within the next 12 to 18 months.

Economic analysis of major infrastructure investments made by Governments in the past demonstrate that the economic growth facilitated by appropriate infrastructure investment creates a future revenue stream for Government and widespread benefits for the economy and society that far exceed the costs of the initial investment.

Chart 4: Brisbane City Council’s Capital Expenditure



Source: Brisbane City Council, Budget Documents

For the 2009-10 financial year, Brisbane City Council has committed \$1.53 billion in new infrastructure, including roads, transport and other capital works. Current infrastructure priorities include the delivery of two major components of the TransApex network – the Clem Jones Tunnel and the Hale Street Link Bridge. Together, these projects will deliver the biggest boost to Brisbane's accessibility in many decades. Council will also continue the procurement phase of the Northern Link component of the TransApex network, which has been delayed due to the global financial downturn.

Recognising the critical and increasingly important role that public transport needs to play in supporting Brisbane's future economic growth, Council is also investing \$160.4 million in public transport in 2009-10. Council is on track to add another 125 new buses to its fleet in the next financial year and to deliver 500 new buses by 2012. Council will also buy another two CityCats resulting in a doubling of the fleet in just six years.

However, Council does not have the resources to deliver the full scale of investment that is currently required to ensure that the residents of SEQ are able to enjoy the fruits of a successful and prosperous economy in future years, and in particular, to ensure that the resumption of strong economic and productivity growth is not stymied by inadequate infrastructure.

Given that in 2007-08 Australian local governments received only 2.9% of total government taxation revenue and 5.8% of total government revenue, it is appropriate that state and Commonwealth Governments provide significant funding for large infrastructure projects. These levels of government derive considerable revenue from the additional economic activity generated

by infrastructure investment (including GST, income and company tax, and stamp duty), which can be used to repay the cost of infrastructure over the life of the asset.

Council also acknowledges the contribution being made by Queensland Government to addressing the infrastructure constraints in South East Queensland. Key transport projects that have been competed or are underway include Airport Link, the Gateway Upgrade and the Northern Busway.

Going forward, to ensure that infrastructure investments deliver the maximum potential benefit to the region, it is important that all levels of government work together in prioritising and sequencing infrastructure investments.

Conclusions

This submission outlines some key opportunities for Government to address critical economic issues for Queensland, and in particular, to ensure that public investment and spending delivers the best value for money and long term outcome for the State.

Specific policy opportunities for Government to mitigate the effects of the current downturn include the following:

- Public investment in infrastructure;
- Policies to ease tight credit conditions for private sector development
- New arrangements for PPPs and alliances
- Programs to facilitate employer take up of skilled graduates.

Infrastructure investment is the most pressing issue facing Brisbane. Public investment in infrastructure retains activity in the construction sector, which is one of the most volatile employment sectors in a recession. Construction costs are also likely to be lower as material and commodity prices decline and construction firms have spare capacity.

Brisbane City Council remains committed to delivering \$1.53 billion in new infrastructure in 2009-10, the largest infrastructure program in Brisbane's history. Council recognises that such projects are not only greatly easing the impacts of the GFC on Brisbane, but they are setting up Brisbane for a rapid return to strong growth and economic performance within the next 12 to 18 months.

However, given the demands on public resources from all sectors of the community, it is critical that selected investments deliver the best possible impact over the long term in supporting long term economic prosperity and well being. It has been demonstrated in this submission that investments in built up urban areas are able to deliver benefit to the largest share of the State's and nation's population, grow jobs in places where the highest number of unemployed people currently live and stimulate the primary location of economic wealth generation.

The Brisbane Statistical Division contributed 47% of total State employment growth and 44% of total State population growth over the last decade. This concentration of employment growth in a single small region of the State demonstrates the substantial contribution that the Brisbane economy makes to the State. However, lack of infrastructure investment in SEQ is seriously undermining the capacity of the local economy to continue to generate the jobs to support the future prosperity of Queensland and the growing population in the South East region.

It is also the case that unemployment and underemployment is impacting the most vulnerable in the urban community – the young and the unskilled workers living on the urban fringe. Urgent investment is required in the greater Brisbane and SEQ region to unlock the region's potential, to

grow the local jobs and to ensure that the social problems that become entrenched over time in economically marginalised communities do not become part of the landscape of SEQ.

Investment in infrastructure supporting the continued development of the Brisbane economy also aligns with national and international thinking on the role of cities in driving national economic development. There is an increasing recognition and appreciation of the importance of cities to economic development both locally, through the Council of Capital City Lord Mayor's Partners in Prosperity project, and internationally, through the Brookings Institution's Blueprint for American Prosperity. James Johnson, former Chair of the Brookings Institution has noted:

"...to achieve true prosperity, we must leverage the key assets needed to excel in today's global economy. They are innovation, superior infrastructure, outstanding human capital and quality places to live. And those assets are principally concentrated and leveraged in our metropolitan areas."

(quotation from James A Johnson, *Blueprint for American Prosperity: Unleashing the Potential of a Metropolitan Nation*, 6 November 2007, Brookings Institution).