

# Sydney's slide puts brakes on economy

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## Jason Murphy

Economic momentum is diminished because Australia's biggest city is no longer propping up growth, according to new research.

Sydney's contribution to gross domestic product growth has halved, its productivity growth has begun to fall and economic growth per person is going backwards.

In findings that add urgency to the need to make cities work better, an analysis by consulting firm SGS Economics and Planning shows that in the 1990s, Sydney contributed 27 per cent of Australia's GDP growth, by far the strongest result in the nation.

In 2000, then NSW premier Bob Carr declared Sydney "full". The state then began to slip. Between 2000 and 2010, Sydney's share of the national economy fell to 14.5 per cent and other capitals struggled to pick up the slack. Melbourne grew to 18 per cent and Brisbane trundled along at 11 per cent, but economic growth overall could not match the previous decade.

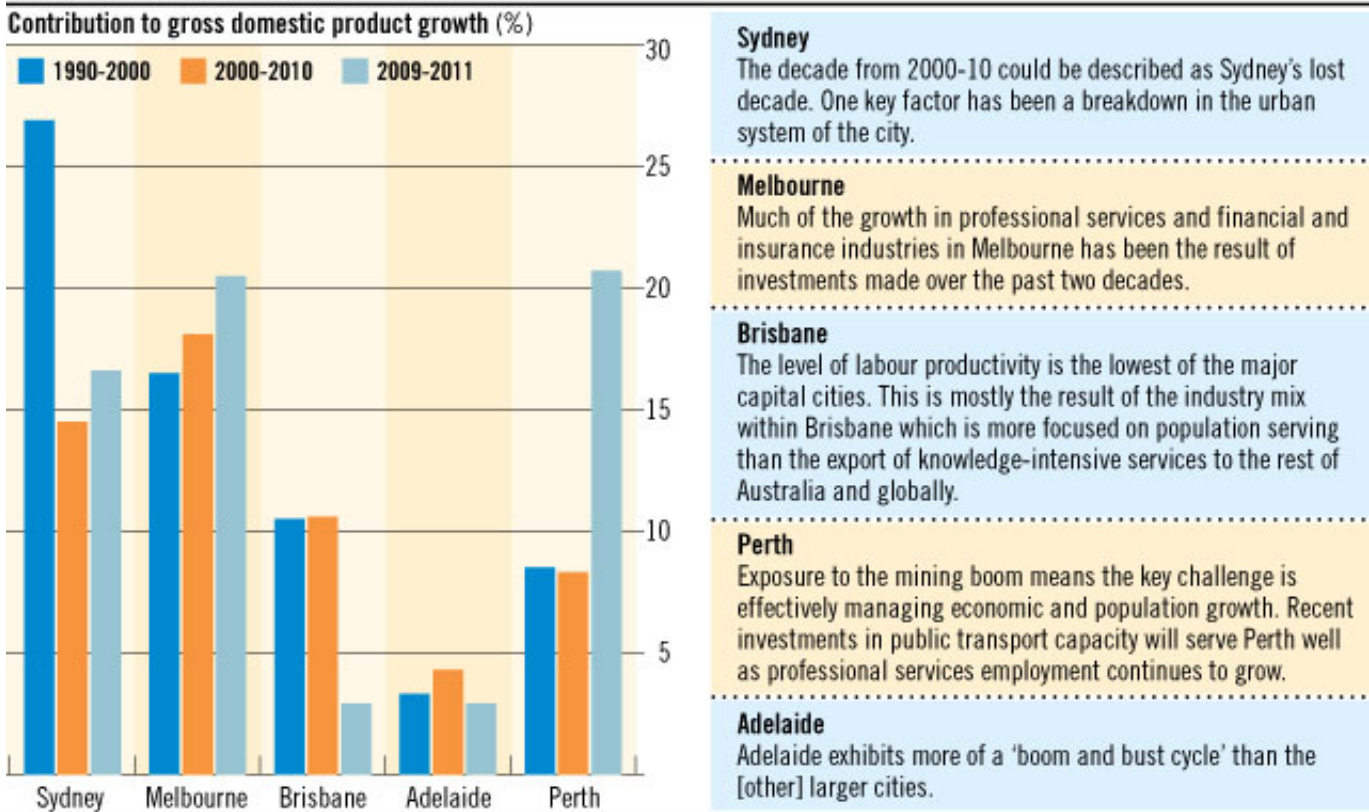
Australia's economy expanded by 38 per cent in the 1990s, and 34 per cent in the 2000s, in real terms. Since then, growth has fallen to 2 per cent.

SGS blames Sydney's malaise on a breakdown in the urban system of the city. The firm's principal executive, Terry Rawnsley, said good transport links promoted labour flexibility.

"A lot of people aren't prepared to drive all the way, even for a highpaying job, into the CBD," Mr Rawnsley said. "This whole pool of labour has been cut off from the prosperity of the central core and, also, the central core needs labour."

As well as long-term trends, the research found Sydney's labour productivity – the highest in Australia – had stalled. Sydney's economic growth is being driven by an increase in population. But economic growth per person has tumbled from about 1.5 per cent in 2009-10 to negative in 2010-11.

## Changing fortunes



Good rain in the previous financial year meant regional NSW contributed more to Australia's GDP growth than Sydney's enormous financial and retail economy.

But Mr Rawnsley said the NSW capital could take heart from Melbourne's transformation since the early 1990s recession. "It went from a rust belt to a renaissance between the early '90s and what we see today."

The focus needed to be on access to opportunities by investing in the inner city, in mass transit systems, and in higher-density development, Mr Rawnsley said.

Discussion about the economic importance of cities has risen to a roar in recent years.

The federal government has inserted itself squarely into the space by establishing a major cities unit in its Department of Infrastructure.

"Our cities play a pivotal role in securing the social, economic and environmental wellbeing of our nation," Infrastructure Minister Anthony Albanese said at the launch of the *Our Cities, Our Future* policy in May.

Victorian Planning Minister Matthew Guy has said the federal government does not understand the planning needs of local residents.

State governments must fund much of the infrastructure, but dividends in terms of higher income and company taxes go to the federal government.

The federal government's greater involvement in city infrastructure has brought bundles of money but it has also caused waves. In Sydney, the NSW and federal governments disagree over which of two railway lines should be built.

The federal government supports a rail line in the west, between Parramatta and Epping, and has committed \$2.1 billion. It refuses to allocate the money to the NSW government's preferred project: an \$8.5 billion line between the city and the north-west.

NSW Premier Barry O'Farrell and Transport Minister Gladys Berejiklian announced last week that the government had applied for planning approval for the 23 kilometre line which extends Sydney's City Rail network into the growing Hills district. But the plan was criticised by a key transport adviser to the government, David Hensher, who described it as an "absolutely" political project, saying a high-speed busway would deliver the same results at a fraction of the cost.

In its funding submission to federal advisory body Infrastructure Australia, the NSW government said the project's preliminary benefit-cost ratio was between 0.9 and 1.15. A ratio below one means the projects costs exceed its benefits.

Professor Hensher said, on that basis, the project was not justified.

The Australian Financial Review

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