# Attachment 1 for Sheena Watt.

# SGS Economics: Melbourne booms while regional Victoria sinks

**By Peter Martin**
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Melbourne has pipped Sydney to become Australia's fastest-growing city, but risks a "lost decade" after years of underinvestment in public transport.

The latest spatial breakdown of economic growth produced by SGS Economics and Planning puts Melbourne at the top of the pack at 3.1 per cent, a growth rate exceeded only in regional Western Australia and the Northern Territory. Sydney's economy is growing at 3 per cent, Brisbane's 0.9 per cent and Perth's 0.3 per cent.


Trains that could ease the peak-hour crush are sitting idle. *CREDIT: PAUL ROVERE*

Adelaide is growing faster than the other second-tier capitals at 2.1 per cent, Canberra at 1.4 per cent, and Tasmania (no separate results are calculated for Hobart) at 1.6 per cent.

But regional Victoria is languishing. Away from Melbourne the calculations put Victorian growth at just 0.3 per cent, a rate that fails to cover population growth, meaning income per person is going backwards.
"It's been a bad year for both manufacturing and agriculture," said SGS partner Terry Rawnsley. "The closure of the Alcoa refinery in Geelong hit manufacturing, and we had drought in the Wimmera. Agriculture is seasonal so things might improve, but Melbourne is where the growth is."

Driving Melbourne's economy has been a rapid growth in the financial sector and a boom in apartment building, but Mr Rawnsley says both are at risk from years of underinvestment in public transport.

"Putting aside the regional rail link which has just opened, Melbourne's last big investment was the city loop in 1985. It expanded the capacity for people to get into the city, and the banks moved their operations to the Docklands. But by 2009 or 2011 that capacity was exhausted and the trains became extra crowded. While you can throw extra rolling stock at the problem, you really need an uplift in capacity."

Mr Rawnsley says the Melbourne Metro won't be completed until 2026 and the government's program of removing level crossings will achieve only incremental benefits.

"Like Sydney after the Olympics, we are facing a lost decade because of infrastructure which has failed to keep pace. Global and national firms are likely to bypass Melbourne because they won't be able to get their workers to work. They will go to Sydney or Brisbane or Auckland instead."

The 2014-15 accounts show Sydney was responsible for 23.3 per cent of Australia's gross domestic product and Melbourne 17.7 per cent. The next most important locations are Brisbane (9.6 per cent), Perth (9.5 per cent), regional Queensland (8.9 per cent), regional NSW (8 per cent), and regional Western Australia (7.5 per cent). Regional Victoria accounted for just 4.4 per cent.

In order to demonstrate the different economic fortunes in different parts of Australia, SGS Economics calculates what the Reserve Bank should do to interest rates in each location to allow it to grow at its long-term potential. In Sydney the bank should lift its cash rate from 2 per cent to 3.5 per cent, in Melbourne it should keep it steady at 2 per cent, and in much of regional Australia, including regional Victoria, it should cut it to 1 per cent.

The exceptions are regional Western Australia and Northern Territory where the Bank should increase rates to 2.75 per cent and 5 per cent.

*Like Sydney after the Olympics, we are facing a lost decade because of infrastructure which has failed to keep pace.*

Terry Rawnsley, SGS Economics & Planning

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