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Road to a big Australia is in poor repair

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Illustration: Eric Lobbecke

Like a python that has swallowed a pig, we are struggling to digest the population bulge the resources boom left behind. Unless immigration levels are reduced, the costs of that adjustment will only continue to mount, undermining public support for the migration program and jeopardising our ability to continue reaping the large gains migration brings.

To say that is not to make too much of the milestone reached the other day, when Australia's population hit 25 million.

It's true the 2002 Intergenerational Report estimated that wouldn't occur until the 2030s. But that forecast was prepared before the dramatic rise in the terms of trade, which only got into its stride in 2003-04. As with every resource boom in Australian history, that upswing required a sharp increase in labour supply, which only a higher migrant intake could provide, and made Australia a more attractive destination.

Indeed, with thousands of projects trebling the mining sector's capital stock in a decade, it was the boost in net overseas migration that made it possible to absorb the boom without placing unbearable pressure on other parts of the economy.

But the costs are also apparent, and nowhere more so than in our major cities. With Sydney's population growing by 21 per cent since 2004 and Melbourne's by a staggering 36 per cent, every aspect of the urban fabric has come under intense pressure.

The road network is an obvious flashpoint. In Melbourne, for example, average travel speeds in the afternoon peak have declined by about 20 per cent since the early 2000s, while the already much lower morning speeds are down by more than 10 per cent.

Every bit as importantly, as average speeds have fallen, actual travel times have become increasingly unpredictable. It is easy to understand why: when roads are either uncongested or at gridlock, small changes in traffic typically have little effect on travel times; but at the intermediate congestion levels that prevail in our major cities, marginally higher or lower traffic loads can tip speeds one way or the other.

Reflecting that fact, a Grattan Institute analysis of data from Google Maps finds that commuters going from Heidelberg in Melbourne's northeast to the city experience at least one day a week where peak travel times are 70 per cent greater than they would be were traffic flowing freely, and one day a month when completing the trip takes 2½ times longer.

As it is impossible to know in advance when those delays will occur, commuters, to avoid arriving late, must leave home far earlier than is ideal.

To make matters worse, time spent stuck in traffic, or on increasingly crowded buses and trains, greatly understates the costs of congestion. As the Israeli traffic engineer Yacov Zahavi showed many years ago, once the average time spent on a one-way commute in a city begins to exceed 35 minutes, commuters change where they live and work in such a way as to return the average to around that level.

A significant share of the adjustment to rising congestion has therefore occurred through locational shifts, with the result that in Sydney, which has the country's longest commuting times, the average commute has remained almost constant at 35 minutes over the past decade, despite a pronounced drop in road speeds.

The flip side of that stability, however, is that many commuters have had to accept locations, jobs and working hours they would not otherwise choose, aggravating outcomes in already badly distorted labour and housing markets.

And rising congestion also affects labour force participation, with commuters who have especially lengthy commutes leaving the labour force about two years before the average retirement age.

The massive investments now under way on roads and rail will not ease those pressures anytime soon. As governments pour a record \$20 billion a year into transport infrastructure, capacity in major cities will expand; but it will take another decade before the capacity increases are fully felt, and even then they are unlikely to restore average travel speeds to anywhere near the levels of 15 years ago.

As for the schemes that seek to divert immigrants to regional areas, they are little more than a waste of money: economists and geographers have long known that high rates of migration ultimately lead to rapid population expansion in large urban centres, as it is there that newcomers find the economic and social connections they require.

It is therefore unsurprising that every regional diversion scheme attempted in Australia since the 1920s has failed. There is no reason to expect the Turnbull government's initiatives will be an exception to that rule.

But the issues associated with high levels of migration obviously go well beyond the impacts on our cities.

It is, for example, absurd that there will be more international students on Australian university campuses by the end of this year than in Britain, which has well over twice our population. With the number of international students attending Australian institutions rising by 77 per cent in five years, the result has been to aggravate the already steep decline in the quality of undergraduate teaching, reducing the benefits Australian students obtain from tertiary studies.

And every bit as troubling are the longer-term issues associated with cultural integration. Citizenship and Multicultural Affairs Minister Alan Tudge is right that we have to reaffirm “the Australian integration path” to absorbing new arrivals, rather than the European model of “separatist multiculturalism”.

But there is plenty of evidence that the opposite is happening — and neither Tudge's statements nor Peter Dutton's have been accompanied by credible policies that could turn the tide.

None of that is to slight migration's overwhelming benefits, not least the entrepreneurship and aspiration migrants bring. As a migrant myself, I am immensely grateful for the opportunities I have received — and like many others, mindful of the enduring responsibility to my adopted home.

But the best way of preserving those benefits is to ensure the migration program remains within sensible bounds.

As things stand, there is an overwhelming case for cutting net overseas migration from last year's 262,000, which is very close to the annual number of live births, to about 100,000 annually, while reducing the intake of international students at least proportionately.

The alternative is simply to allow the costs to accumulate and the resentments to fester. If the goal is to create real xenophobia, it is hard to think of a surer way of achieving it.