



Australian Government

Australian Government response to the
Senate Rural and Regional Affairs and Transport References
Committee Inquiry into
Australia's rail industry

December 2018

**Australian Government Response to the
Senate Rural and Regional Affairs and Transport References Committee
Inquiry into Australia's rail industry**

The Australian Government welcomes the Senate Rural and Regional Affairs and Transport References Committee (the Committee's) report and its recommendations relating to its inquiry into Australia's rail industry (the Inquiry).

Manufacturing continues to be important to Australia's economic growth and is critical to a diversified local economy. Its future lies in embracing new technologies, linking into global value chains, and developing high value-added products and pre- and post-production services including research and development, design, engineering, marketing, sales and after-sales.

The Australian Government has an integrated set of policy settings and initiatives that are helping the economy and businesses to transform in response to global and domestic economic and social changes.

The Australian Government is committed to ensuring that our manufacturing industry is internationally competitive and moves in step with the global transition to the smart, niche and export-focused industries of the future. The Australian domestic demand for rail-related goods and services provides opportunities for Australian rail manufacturers and service providers to engage with global supply chains of original equipment manufacturers.

The Australian Government supports the Australian rail industry by:

- investing in nationally significant rail infrastructure projects;
- providing manufacturing programs and packages focused on driving innovation and entrepreneurship across the economy, so that Australian suppliers can be competitive in gaining work in public and private projects; and
- working with industry to identify the skill needs and priorities for training product development in the vocational education and training sector.

While the Australian Government no longer has a role in the procurement or management of freight or passenger rolling stock, it is a substantial investor in new and upgraded rail infrastructure. In the 10 years from 2018-19, the Australian Government plans to invest nearly \$19.2 billion in national rail infrastructure. Significant commitments made in the 2018-19 Budget include:

- up to \$5 billion for a future Melbourne Airport Rail Link;
- \$475 million to construct a new rail line to the Monash Precinct in Melbourne;
- \$225 million to electrify the Frankston to Baxter rail line in Melbourne;
- \$50 million to plan and deliver further upgrades to the Geelong Rail Line;
- \$1.05 billion to develop further stages of the METRONET in Perth;

- \$400 million to duplicate a section of the Port Botany Rail Line and construct the Cabramatta passing loop;
- \$50 million towards a business case for the Western Sydney Airport North-South Rail Link which will be jointly funded with New South Wales as part of the landmark Western Sydney City Deal;
- \$390 million to upgrade the Beerburrum to Nambour rail line in Queensland; and
- \$220 million to complete the electrification of the Gawler rail line in Adelaide.

This funding builds on the Australian Government's commitments to rail projects since 2016, including the \$9.3 billion in grant and equity funding committed to deliver the Inland Rail which will create the north-south spine of the Australian freight rail network.

The Australian Government continues to work with state and territory governments early in the planning process to ensure that Commonwealth funding is targeted to high priority infrastructure projects.

In delivering infrastructure projects, the Australian Government promotes local content through the National Partnership Agreement on Land Transport Infrastructure Projects (NPA) and similar arrangements.

Under the NPA, states and territories agree to develop and implement a Local Industry Participation Plan (LIPP) for all projects in receipt of Commonwealth payments of \$20 million or more.

The forum for intergovernmental cooperation for Australian Government support of the rail industry, investment in rail infrastructure and rail policy is primarily through the Council of Australian Governments (COAG) Industry and Skills Council (CISC) and the COAG Transport and Infrastructure Council (TIC).

The CISC was established by COAG to develop and implement high-level policies that will assist Australian industry to be competitive and motivated to create jobs and investment. The CISC is responsible for industry competitiveness, productivity, labour market pressures, skills development and national training arrangements.

TIC brings together Commonwealth, State, Territory and New Zealand Ministers with responsibility for transport and infrastructure issues, as well as the Australian Local Government Association. The role of TIC is to coordinate national reforms to improve the efficiency and productivity of Australia's infrastructure and transport systems. It is supported by the Transport and Infrastructure Senior Officials' Committee (TISOC) and the National Transport Commission (NTC).

The remainder of this document provides the Australian Government's response to the nine recommendations from the Committee's report into Australia's rail industry, which was tabled on 18 October 2017.

Recommendation 1

The committee recommends that the Australian Government establish a National Rail Manufacturing Industry Plan to maximise the benefits of the \$46 billion in investment expected over the next decade.

The Australian Government **notes** this recommendation.

The Australian Government works with state and territory governments to determine nationally consistent policy settings and support for the rail manufacturing industry.

On 23 March 2018, TISOC agreed to the development of a new National Rail Plan. This will update the 2016 TIC endorsed National Rail Vision and Work Program and incorporate appropriate elements of the Australasian Railway Association's (ARA) National Rail Industry Plan.

The update to a new National Rail Plan will include a new governance structure, which will help coordinate rail activities across multiple organisations to improve planning for rail industry reform priorities. This will minimise duplication, target government activity where it can offer the best support to the rail industry, and provide industry with a means to engage in and inform the program of work going forward. The National Rail Plan will encompass a range of work activities and reporting items to provide visibility to industry of work currently being undertaken across other areas of government.

The first National Rail Plan Workshop was held on 31 July 2018 with around 30 Commonwealth, state and territory officials and industry representatives attending. The Workshop was the first step in identifying and prioritising key rail reform activities.

The new National Rail Plan will include activity that is currently being undertaken to harmonise passenger rolling stock standards to increase opportunities for the Australian manufacturing sector. This is intended to reduce procurement costs through economies of scale by enabling harmonised standards to be embedded as a requirement in jurisdictions' procurement frameworks for new national rolling stock orders. It is also expected to increase local content by growing demand for locally manufactured componentry, and the development of Australian suppliers' capabilities to participate in global markets for rolling stock.

The new National Rail Plan will build on work being undertaken by some state governments with the Rail Industry Safety and Standards Board (RISSB) to create draft specifications and guidelines for a harmonised and uniform market place approach for bogies and glazing componentry that can be used by state and territory governments when procuring rolling stock.

Industry is engaged in the development of the National Rail Plan, with initial consultation held in July 2018. It is expected that the National Rail Plan will be finalised and considered by TISOC in mid-2019, ahead of consideration by TIC in late 2019.

The Australian Government also has an integrated set of policies and programs that are helping the manufacturing sector to build competitiveness and innovation. These include the:

- Rail Manufacturing Cooperative Research Centre (CRC)
- Advanced Manufacturing Growth Centre (AMGC);
- \$100 million Advanced Manufacturing Fund;
- Entrepreneurs' Programme; and
- R&D Tax Incentive.

The Industry Capability Network (ICN) is an independent organisation financially supported by Australian, state and territory governments to find the most suitable Australian and New Zealand suppliers and service providers for projects.

Composed of an online database (ICN Gateway) and a network of consultants, the ICN gives companies access to large and small projects, partnership opportunities and supply chain development, and channels to promote company capabilities to its business network.

Companies register on the ICN Gateway to express interest in work, receive notifications and be recommended to project owners.

The Australian Government is currently working with the ICN to transition the ICN Gateway supplier matching service to a broader national platform, to reduce the burden for Australian businesses, ensure that their capability is comprehensively presented, and provide additional opportunities.

Funded by the Australian Government, the new platform will provide an enhanced service to Australian businesses seeking to supply to major public and private projects.

The new platform will be flexible, contestable with open access across jurisdictions and the wider business community to best serve full, fair and reasonable outcomes for Australian industry.

Recommendation 2

The committee recommends that a National Rail Manufacturing Industry Plan develop a mechanism for the Commonwealth to smooth out the peaks and troughs in market demand and create more certainty and predictability for manufacturers servicing the rail industry.

The Australian Government **notes** this recommendation.

The Australian Government has undertaken a number of reforms to enable the development and maintenance of a pipeline of priority infrastructure projects, including rail initiatives, to inform private sector investors and industry.

Infrastructure Australia (IA) was tasked with undertaking an audit of Australia's infrastructure and the development of a 15 year plan to guide future policy reforms. In conjunction with the release of the Australian Infrastructure Plan in February 2016, IA published its revised Infrastructure Priority List (IPL) of nationally significant infrastructure projects and initiatives to inform governments and the private sector on its view of future infrastructure priorities. The IPL is regularly updated as business cases for the priority projects and initiatives are developed by state and territory governments or private sector proponents and provided to IA for assessment. IA will also produce an updated Australian Infrastructure Audit for release in 2019.

The Australian Government is committed to being an informed investor. This is achieved by engaging early in the development of business cases to inform good investment decisions, committing to a long-term pipeline of projects that deliver on national priorities and ensuring that projects deliver on their objectives. Examples of this include:

- early involvement in the Western Sydney Rail scoping studies and commitment of \$50 million towards a business case for the Western Sydney Airport North-South Rail Link, which will be jointly funded with New South Wales as part of the landmark Western Sydney City Deal;
- a commitment of up to \$5 billion for a future Melbourne Airport Rail Link, building on the commitment of \$30 million towards the development of a business case in the 2017-18 Budget;
- the Australian Government's \$20 million commitment under the Faster Rail Prospectus to support the development of three business cases that will explore opportunities for faster passenger rail and investigate improvements to rail connections between Australia's cities and surrounding regional areas;
- a commitment of \$475 million in the 2018-19 Budget for planning and pre-construction of a new rail line to the Monash precinct in Melbourne;
- the \$9.3 billion committed to delivering Inland Rail; and
- a \$225 million commitment to duplicate and electrify the Stony Point line from Frankston to Baxter.

As projects are fully developed and funding commitments are confirmed based on the robust analysis of business cases, the Australian Government will include them on the National Infrastructure Construction Schedule (NICS), which provides information on public infrastructure projects expected to be coming forward to market over the short to medium term.

Separately, the infrastructure-sector run Australia & New Zealand Infrastructure Pipeline (ANZIP) provides a forward view of public infrastructure activity across Australia and New Zealand, providing visibility of the forward work program to investors, constructors, governments and other agencies.

Recommendation 3

The committee recommends that, following the Australian Government's establishment of a National Rail Manufacturing Industry Plan, state and territory governments endorse the plan and agree on methods to adequately support, resource and progress the plan.

The Australian Government **notes** this recommendation.

While the purchase of rolling stock is undertaken by state and territory governments or by private freight rail operators as owners and/or operators of rail networks, the Australian Government will continue to work with state and territory governments through TISOC and TIC to develop and implement national reforms to improve the efficiency and productivity of the rail industry.

Recommendation 4

The Committee recommends the development of a National Rail Procurement Strategy by the Commonwealth in coordination with all states and territories. As signatories to the strategy, states and territories should include procurement contract measures – consistent with international trade obligations – which allow for the development of industrial capabilities for small and medium sized enterprises (SMEs). As part of these contract measures, consideration should also be given to:

- a. maximising local content for the manufacture of passenger, freight and light rail rolling stock in procurement;
- b. the relevant financial and non-financial costs and benefits of each project including, but not limited to:
 - i. the quality of goods and services;
 - ii. fitness for purpose of the proposal;
 - iii. the potential supplier's relevant experience and performance history;
 - iv. flexibility of the proposal (including innovation and adaptability over the lifecycle of the procurement);
 - v. environmental sustainability of the proposed goods and services (such as energy efficiency and environmental impact);
 - vi. whole of life costs.
- c. requirements for contractors to undertake training strategies to educate and engage local apprentices, trainees and engineering cadets;
- d. commitments to local industry development and supply chain engagement; and harmonisation of safety standards.

The Australian Government **notes** this recommendation.

The Government's Australian Industry Participation (AIP) policy encourages full, fair and reasonable opportunity for Australian industry to compete for work in major public and private projects in Australia.

Australian industry participation requirements also apply to Australian Government procurements, grants and payments through state and territory governments, and Clean Energy Finance Corporation and Northern Australia Infrastructure Facility investments valued at \$20 million or more.

The Australian Government promotes local content through the Infrastructure Investment Program, which is delivered through the NPA.

Under the *National Land Transport Act 2014*, in considering whether it is appropriate to approve a transport infrastructure project as an Investment Project, the Australian Government is required to consider a number of factors including:

- the extent to which the project is likely to improve the ability of industries and communities to compete in international, inter-state or inter-regional trade and commerce;
- the extent to which the project will improve the efficiency, integration, security or safety of transport operations;
- the results of any assessment of the economic, environmental or social costs or benefits of the project;
- the extent to which the project is likely to improve access for communities to services and employment.

Australian governments have responded to the rail industry's calls for greater uniformity and consistency in governance through the establishment of the Office of the National Rail Safety Regulator (ONRSR) in 2013 and the enactment of a Rail Safety National Law, first established in South Australia and then mirrored by other jurisdictions. Queensland became the last jurisdiction to adopt this national approach in July 2017.

Under the co-regulatory framework in rail, it is the rail industry's role to harmonise operational practices, with the ONRSR providing the overarching regulatory framework and accreditation process.

The RISSB is an industry owned and operated body that develops and manages national rail industry standards, rules, codes of practice and guidelines. The Australian Government has partnered with jurisdictions to provide a total of \$1.65 million annually towards the operations of RISSB on the basis that this funding is matched by industry contributions.

The purpose of developing nationally harmonised operational and management standards for the rail industry is to improve safety, efficiency and productivity outcomes. In developing its standards, RISSB, similarly to the ONRSR, is generally focused on outcomes and performance rather than prescriptive rules.

Recommendation 5

The committee recommends that a National Rail Procurement Strategy be used to work with all states and territories to maximise investment in local research and development, as well as engagement with universities and research agencies.

The Australian Government **notes** this recommendation.

In line with the response to Recommendation 2, the Australian Government is working with the rail industry to explore opportunities to better engage industry in the development and publication of a rail project pipeline. A pipeline of projects allows industry to better predict and position manufacturing and skills capacity to respond to future rail projects.

The Australian Government has made substantial investments in rail innovation since 2001, including the Rail Manufacturing Cooperative Research Centre (CRC).

The Rail Manufacturing CRC, co-funded by the Commonwealth (up to \$31 million) and rail industry participants (up to \$21 million) over the period 2014-2020, is tasked with developing products, technologies and supply chain networks to increase the capability and globally competitive position of the Australian rail sector. The Rail Manufacturing CRC also funds postgraduate research programs to encourage postgraduate researchers to participate in the rail sector. The Rail Manufacturing CRC invites proposals from time-to-time, including the recent Rail Innovation Gateway Project program which is open to applications from businesses working in the rail industry or with the potential to do so. Applicants are asked to submit research and development project proposals focused on increasing their competitiveness, capacity and productivity in Australian rail manufacturing. Rail Manufacturing CRC grants are matched dollar-for-dollar by the industry organisation/s involved. The funds are paid to Australian publicly funded research institutes to undertake research projects in partnership with the respective industry organisation/s.

The Australasian Centre for Rail Innovation (ACRI) was established by industry and state governments. ACRI provides professional, independent applied research, strategic analysis, advice and innovative solutions for the Australasian rail industry on significant challenges and opportunities affecting rail. Its participants include the Australian Rail Track Corporation; NSW, SA and WA transport departments; the ONRSR, and private companies such as BHP Billiton Ltd and Fortescue Metals Group. Its strategic participants include the University of Adelaide, CQ University, QUT, and the University of Wollongong.

The ARA also undertakes research including the Smart Rail Route Map for industry to develop a long-term vision for technology in the rail industry over the next 20-30 years with Deakin University.

Recommendation 6

The committee recommends the establishment of a Commonwealth coordinating body – to be headed by a tripartite council – to drive and coordinate a National Rail Manufacturing Industry Plan, a National Rail Procurement Strategy and industry consultation.

The Australian Government **does not support** the establishment of a new entity.

As outlined in Recommendation 1, the COAG Transport and Infrastructure Council endorsed the National Rail Vision and Work Program with state and territory governments to lead national reform in the rail sector. On 23 March 2018, TISOC agreed to update the National Rail Vision with the development of a new National Rail Plan. This will involve cooperation between the Commonwealth Department of Infrastructure, Regional Development and Cities, Department of Industry, Innovation and Science, and the Department of Education and Training, as well as key stakeholders from the rail industry, including the ARA.

As highlighted in the Inquiry Report, the ARA is promoting its proposed National Rail Industry Plan, which includes a call for more coordination. The Australian Government is engaged with the ARA to achieve greater government/industry coordination including through the development of the National Rail Plan (see Recommendation 1).

Recommendation 7

The committee recommends the re-establishment of a Rail Supplier Advocate to promote the rail industry in dealing with Commonwealth, state and territory governments and industry bodies.

The Australian Government **notes** this recommendation, noting that a supplier advocate program is not current government policy because the activities of a Rail Supplier Advocate are being fulfilled by current Australian Government policies and programs including:

- the Entrepreneurs' Programme Supplier Improvement Plan service and Business Advisers; and
- the Industry Capability Network.

The Advanced Manufacturing Growth Centre has been working with the rail sector. The Australian Government encourages the ARA to continue to work closely with the Advanced Manufacturing Growth Centre and to draw on the range of programs in place to support the manufacturing sector detailed in the response to Recommendation 8.

Advanced Manufacturing is one of six key high growth industry sectors of competitive strength and strategic priority where the Australian Government is concentrating its investment through the Industry Growth Centres Initiative.

Growth Centres are working to lift the levels of collaboration between businesses, industry, research organisations and government in order to better capitalise on the excellent scientific knowledge generated in Australia and research and development undertaken in this country.

A new \$100 million Advanced Manufacturing Fund was announced in May 2017. This includes a \$47.5 million Advanced Growth Fund for capital upgrades to support high value manufacturing in Victoria and South Australia, and an additional \$20 million under the Cooperative Research Centre Projects initiative for advanced manufacturing research projects of up to \$3 million.

Recommendation 8

The committee recommends that a Commonwealth coordinating body be given direct terms of reference to work directly with the rail manufacturing supply chain in developing and expanding industry capability networks.

The Australian Government **notes** this recommendation.

As indicated in the introduction, the Australian Government has a range of programs and policies in place to support the Australian manufacturing sector.

The Australian Government financially supports the Industry Capability Network Limited to provide national leadership and IT support for the Industry Capability Network (ICN). The jurisdictionally-based ICN introduces Australian suppliers to contract opportunities, particularly those in major public and private projects.

The Entrepreneurs' Programme is an Australian Government initiative to improve business competitiveness and productivity. Using advisers and facilitators drawn from industry, the primary focus is on providing access to the best advice and networks to improve competitiveness and productivity.

To assist Australian SMEs improve their supply chain performance, the Entrepreneurs' Programme offers the Supply Chain Facilitation service. The service offers eligible SMEs a practical approach to developing their capabilities and improving their ability to interact with and supply into new and existing supply chains.

Entrepreneurs' Programme Business Advisers and Supply Chain Facilitators are currently engaging with prime contractors and industry bodies in the rail manufacturing supply chain to work with their SME suppliers to deliver supply chain projects aimed at increasing the capability and performance of Australian SMEs.

The Advisers and Facilitators in the Supply Chain Facilitation service, act as independent and expert brokers to engage with large businesses to identify supply chain opportunities and issues. By engaging with these large businesses, the Entrepreneurs' Programme gains an understanding of the pressure points and changing requirements of these supply chains and develops benchmarks on what it means to be an effective and capable supplier.

Using these benchmarks, the Advisors and Facilitators work with SME suppliers to deliver Supplier Improvement Plans, tailored to each participant's unique needs, focused on becoming a better supplier not only domestically, but also globally.

Case study

The ICN National Passenger Rail Alliance (NPRA) was developed in 2015 by ICN Victoria and supported through the Commonwealth SAMP program. The aim of the NPRA was to maximise the use of locally manufactured steel products in rail infrastructure and rolling stock contracts. The NPRA provided central coordination for communication, support and information between the ICN and Australian industry regarding opportunities from a number of key passenger rail projects.

An example of the success of ICN Victoria was its achievement in providing assistance to local industry on the \$500 million Melbourne Metro Tunnel – Early Works project, resulting in a strong relationship with the constructor John Holland. This, in turn, led to a great opportunity for ICN Victoria to assist John Holland to engage businesses seeking opportunities in the supply chain of the project.

Recommendation 9

The committee recommends that the Australian Government work with state and territory governments, and the rail industry, to develop Rail Industry Skills Centres at local TAFEs and colleges.

The Australian Government **notes** this recommendation.

Priority setting for training delivery and the use of Technical and Further Education (TAFE) facilities are the responsibility of state and territory governments.

The development of the new National Rail Plan provides an opportunity for the Australian Government to work with state and territory governments to ensure the vocational education and training (VET) sector is meeting the skills requirements of the rail industry.

The Australian Government is committed to the VET sector and working with industry to ensure VET responds effectively and efficiently to the skills required by employers. The Australian Government has committed around \$3 billion to VET in 2018-19. This includes \$1.8 billion in payments to states and territories for the operation of their training systems and \$1.2 billion for the Commonwealth's own programs.

The Skilling Australians Fund (the Fund) provides an estimated \$1.5 billion from 2017-18 to 2021-22 to grow the number of apprentices and trainees to support Australia's future productivity, jobs and growth. In the 2018-19 Budget, the Australian Government strengthened its commitment to the Fund by guaranteeing a level of funding to the states and territories in addition to the revenue collected through the new Skilling Australians Fund levy.

The Australian Government will manage the Fund through a new project based National Partnership Agreement (the Agreement) with states and territories, worth an estimated \$1.2 billion, which will commence on 1 July 2018 and includes provisions for matched funding to ensure achievement of the outcomes of the Fund. To date, six states and territories have signed up to the Agreement, including Western Australia, New South Wales, South Australia, Tasmania, the Australian Capital Territory and the Northern Territory.

Under the agreement, each state and territory will have the opportunity to develop projects for consideration by the Commonwealth. Funding will be prioritised to projects from states that support apprenticeships and traineeships across a range of key priority areas including occupations in high demand and industries and sectors of future growth. All projects will need to demonstrate engagement with, and support from, industry and employers.

Industry also has a central role in identifying the skills needs and priorities for competency development in the vocational education and training sector. This is undertaken through COAG Industry and Skills Council's (CISC) Australian Industry and Skills Committee (AISC), established in 2015, and its 68 Industry Reference Committees (IRCs).

IRCs are the formal channel for considering industry skills requirements in the development and review of training packages. Each IRC is made up of people with close links to industry.

As part of their role to advise the AISC on the skills needs of their industry, IRCs develop a four-year Industry Skills Forecast and Proposed Schedule of Work (Skills Forecast). These provide industry intelligence, including qualitative and quantitative data, analysis of new and emerging skills, and associated training needs for the industry, including optimal timing for reviewing relevant training package components.

The latest [Rail IRC Skills Forecast](#) advises that employment is expected to grow by 10 per cent between 2018 and 2023. Challenges include the emergence of new technologies including driverless vehicles and automated management systems, skills shortages and increased demand from infrastructure projects. In response to these findings, the Rail IRC has prioritised the:

- development of new units of competency that describe the skills and knowledge needed for autonomous vehicles and for the management of human factors for rail safety workers in 2017-18;
- proposed revision of seven rail infrastructure qualifications to ensure adequate supply of appropriately trained staff for current and future infrastructure projects in 2018-19; and
- proposed revision of training for passenger train guards to accommodate a versatile rail operations workforce in 2018-19.

Further information is available at

<http://www.australianindustrystandards.org.au/projects/?c=projects>.