

# NATIONAL RAIL PROCUREMENT AND MANUFACTURING PLAN

## National Rail Procurement and Manufacturing Plan

A Shorten Labor Government will establish a National Rail Procurement and Manufacturing Plan to create jobs and ensure that Australia can maintain critical capabilities in rail manufacturing.

Over the next two decades significant investment is projected in rail infrastructure (passenger, freight and light rail), with a pipeline of over \$100 billion already committed or planned for rail-based public transport projects throughout Australia, including:

- Cross River Rail (Brisbane)
- Melbourne Metro
- Sydney Metro
- Sydney Light Rail
- Perth's METRONET
- Inland Rail

A Shorten Labor Government wants to maximise the proportion of this investment spent in Australia and ensure we retain the capability to make railway rolling stock and other infrastructure as well as the jobs that go with it.

## What's the problem?

Australia's state-based rail manufacturing sector is fragmented, inefficient and disconnected. Currently, states and territories are not required to coordinate or benchmark their procurement efforts for rail infrastructure and rolling stock.

The effect of this fragmentation has repercussions throughout the industry, the supply chain and the broader economy, including:

- Potential clashes in timing of tenders.
- Unnecessary complexities in the design and build phase.
- Unpredictable order volumes.
- No national pipeline for wagon builds.
- Difficulty in maintaining a standing workforce and tooling lines.
- No long-term strategic vision for manufacturing and procurement.
- Absence of a supply chain capacity to meet larger project requirements.

Due to a lack of coordination and no national approach, the rail manufacturing sector has operated on a 'boom and bust' business cycle, with very high volume years sometimes followed with years where no orders are placed at all.

The Australian rail manufacturing industry employs 5000 workers, with another 7000 in the supply chain. But the industry has lost over 3000 jobs in the past decade.

The lack of certainty with regard to employment and contracts in the Australian rail manufacturing industry has also impacted investment in research and development.

State and territory governments have justified overseas purchases as providing “better value for taxpayers”, but introduction often reveals the holes in this argument, when it is discovered that the rolling stock is not fit for purpose and requires onshore modification. (For example, NSW’s Korean-built intercity trains are wider bodied than existing trains and required extensive platform modifications; Queensland Rail’s Next Generation Rolling Stock had to undergo extensive modification at Downer Rail’s workshop in Maryborough.)

## **Labor’s Plan**

### ***Council of Australian Government (CoAG)***

A Shorten Labor Government will make the *National Rail Procurement and Manufacturing Plan* a standing agenda item of the Transport and Infrastructure and Industry and Skills Councils of CoAG.

In this forum the Commonwealth will negotiate with states and territories on how future Commonwealth grant funding for infrastructure projects will be contingent on the states and territories agreeing to be active partners in the development and implementation of a National Rail Procurement and Manufacturing Strategy.

### ***The Office of National Rail Industry Coordination (ONRIC)***

ONRIC will be based in the Department of Industry, Innovation and Science and responsible for the development and implementation of the Strategy.

ONRIC will be tasked with working with the states to prepare and implement the Strategy which will be adopted by the Transport and Infrastructure and Industry and Skills Councils of CoAG.

As part of the development of the Strategy ONRIC will be asked by the Minister to:

- Conduct assessment (audits) to determine the adequacy, capacity and condition of passenger rolling stock nationally, taking into account: forecast demand, relevant technology developments and economic, social and environmental sustainability;
- Develop rolling stock priority plans, based on the assessments above and any additional research and analysis, to prioritise rolling stock needs nationally, including a proposed delivery schedule for the next ten years;

- Identify impediments to investment in nationally significant rolling stock facilities and capabilities and identify strategies to remove any impediments identified;
- Review and provide advice on proposals to facilitate the harmonisation of policies, laws, and manufacturing standards relating to rolling stock, including rolling stock equipment, components and operations;
- Develop and promote a set of national reference rolling stock specifications, together with a common set of relevant equipment standards and operational standards, for rolling stock equipment, components and operations;
- Review Commonwealth rolling stock funding programs and their alignment with rolling stock plans and national rolling stock standards;
- Undertake or commission research relating to the rolling stock agency's functions;

### ***Rail Supplier Advocate***

Labor will re-establish the position of Rail Supplier Advocate that was abolished by the Liberals 2013.

Central to the Advocate's role will be helping small and medium-sized enterprises market their products to government purchasing bodies and champion sectoral initiatives to improve competitiveness.

The Advocate will also be tasked with helping Australian manufacturers find export opportunities and to assess and provide advice on local content targets for rolling stock.

### ***Rail Industry Innovation Council***

The decline of the rail manufacturing industry in recent years has discouraged rail manufacturing firms from investing in their businesses and forced many skilled workers from the industry.

There is a need to move beyond the boom and bust cycle to create a pipeline that will provide certainty so that companies are able to invest in people, capital and innovation. It will also signal to graduates that there is a future in the industry with tangible career pathways.

The Rail Industry Innovation Council will have the role of transforming the Industry and addressing these issues of research & development, skills and capabilities. The Rail Innovation Council will:

- provide strategic advice on innovation priorities to the Minister;
- champion innovation in the industry; and
- build connections and collaborate across states jurisdictions and with other innovation initiatives and organisations.

The membership of the Council will be determined by ministerial appointment. Innovation leaders from industry, unions and professional organisations, science and research agencies, and government will be appointed for their knowledge, experience and expertise.

## Labor’s record

During the 2016 election Labor made a commitment to work with the states and territories, industry and unions to implement a National Passenger Rail Procurement Strategy, to generate significant improvements in passenger rail and rolling stock manufacturing efficiencies, through coordinated procurement and harmonisation of standards across Australian jurisdictions.

In government, Labor delivered a suite of measures which supported the industry:

- The Steel Transformation Plan to support jobs and investment in Australia’s steel industry.
- Put in place the Australian Jobs Act and the \$1 billion Plan for Australian Jobs, including stronger Australian Industry Participation (AIP) measures to help more Australian businesses win work on private and public projects.
- Established the Anti-Dumping Commission and the International Trade Remedies Forum to ensure a level playing field for local and overseas businesses.
- Boosted the capacity of the Industry Capability Network (ICN) to connect Australian businesses to major projects.
- Appointed Industry Supplier Advocates, including a Rail Supplier Advocate, as part of the Buy Australian at Home and Abroad suite of measures.
- Strengthened the Enhanced Project By-law Scheme, requiring large projects to do more to involve Australian businesses in their global supply chains to qualify for duty-free tariff concessions.

And in terms of the nation’s rail infrastructure, the former Federal Labor Government rebuilt more than a third of the Interstate Rail Freight Network – 3,800 kilometres of track – and committed more funding to urban passenger rail than all our predecessors since Federation combined (\$13.6 billion).

## Financial Implications (\$m)

2018-19	2019-20	2020-21	2021-22	Total <sup>1</sup>
-	-1.4	-2.2	-2.2	-5.8

Labor is able to make this investment as a result of policy announcements that make our tax system fairer and improve the budget position.

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<sup>1</sup> Totals may not sum due to rounding

This includes reforms to negative gearing and capital gains tax concessions, closing loopholes for multinationals, and limiting tax minimisation through incoming splitting from discretionary trusts. Labor will announce further budget improvements prior to the election.