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SUMMARY REPORT


Australia’s population growth rate – around 1.5% a year – is among the highest in OECD countries, and since the year 2000, our population has grown by more than 25%. This growth, projected into the future, has startling consequences: Australia’s population is forecast to double by 2070, reaching almost 45 million people. This means that, on average, the population will increase by 370,000 people every year for the next 50 years. To put this into perspective, by around 2035 it will be as if another NSW has been added to Australia, by around 2045 it will be as if the entire population of Greece has been added to Australia’s population and by 2065 it will be as if the population of the Netherlands has been added to Australia’s population.

This growth in population won’t be evenly spread. The majority of this increase will occur in our major cities. In fact, Sydney and Melbourne will add the largest number of people to their current residents. Both Sydney and Melbourne will add approximately 3 million people each by around 2060. This is roughly equivalent to adding the population of Brisbane and Adelaide to both of these cities.

The challenge of accommodating this growth in population is exacerbated by the fact that our cities can’t continue to grow in geographic size forever. Natural boundaries, preferences of residents and commuting challenges will work together to limit the growth of the footprint of our largest cities. This means that there will almost certainly be a major increase in the density of our cities: more people living closer together.

Larger, more populous and more dense cities create significant challenges for achieving quick, convenient and affordable transport. Projections indicate that, with current vehicle technology and ownership trends, the stock of private motor vehicles will grow from around 14.8 million today to around 28 million by 2050. More vehicles will be accompanied by more travel and more congestion. Over the period to 2050 it’s likely that travel in private motor vehicles will increase by 40% and congestion costs will increase by far more than this.

A similar, but more extreme, story is seen in freight with growth likely to follow along the path of GDP rather than population: a potential 88% increase in kilometres travelled by 2050 and an increase in vehicle stock of some 2.5 million trucks and light commercial vehicles.

To manage these challenges Australia will have to develop its transport infrastructure with rail in a central role. Currently, rail is a significant industry in its own right and makes a large contribution to the Australian economy of around $26 billion a year (1.6% of GDP) and over 140,000 jobs. Rail is also an efficient, environmentally and socially beneficial mode of transport. Rail has lower emissions than road transport, is safer and can help reduce congestion in our cities.

Significant investments are being made into Australia’s rail infrastructure, with projects such as Inland Rail and movements towards metro operations in Sydney and Melbourne underway. In some sense these investments are making up for a prolonged period of underinvestment in rail infrastructure. Looking to the future, rail will continue to have a central role as a focus for investment in transport infrastructure.
Sustained investment in transport infrastructure (and rail more specifically) will not only allow us to manage the challenges posed by population and economic growth but will allow us to develop a better integrated and prosperous society.

This report looks at the value of rail to Australia and the benefits it creates in terms of GDP, looking at how rail as an industry fits in with the broader Australian economy, the employment it generates and its share of the national economy. The report also values the contribution of rail to our quality of life by providing transport that is safer, less emissions intensive and by helping to reduce congestion. Four areas of current activity in rail in Australia are examined: Woolworths’ use of rail, the development of Inland Rail, improvements to Victoria’s regional rail network and the growing inter-relationship between heavy and light rail.

THE VALUE OF RAIL IN THE ECONOMY

Each year Australia’s rail network moves millions of Australians and, via freight, helps facilitate billions of dollars in Australian exports. This activity generates billions in value added to the Australian economy and supports thousands of jobs.

In particular, based on analysis of data from the Australian Bureau of Statistics, in 2016, the rail industry had a direct economic contribution of $13.3 billion. Of this, $6.7 billion was in the form of wages to workers and $6.6 billion accrued to owners of capital. Furthermore, the rail industry directly employed an estimated 53,490 FTE workers. Through its purchase of intermediate goods, the rail industry generates output in upstream industries. The industry’s economic activity created $12.8 billion in indirect value added: $7.1 billion in labour income and $5.7 billion in GOS, this supported an estimated 88,798 FTE workers.

These employment figures are conservative. Employment in the industry has likely grown in recent years due to the increase in large rail projects. This trend will continue with projects such as Inland Rail employing additional workers in the order of tens of thousands of people. Forecasts of employment in the industry suggest growth of around 19.4% within the next ten years - potentially bringing total employment to around 170,000 by 2027.

The total contribution of the rail industry to the Australian economy in 2016 was $26 billion, supporting 142,288 FTE employees. This represents around 1.6% of the Australian economy and 1.4% of FTE employment.
Rail manufacturing is an important component of Australia’s rail industry, where it works as part of the global rail supply chain. The rolling stock manufacturing industry has revenue of just over $3 billion a year and a value added of $825 million. This industry supports around 4,000 FTE workers. Rail manufacturing has a strong regional presence – a significant proportion of activity occurs in regional cities and towns. According to the 2011 ABS census, 46% of Railway Rolling Stock Manufacturing and Repair Services employment is outside of the eight capital cities. This is significant and makes rail the third most regionally concentrated industry in Australia – after agriculture and mining.

Turning to the relative contribution of freight and passenger rail, in 2013-14, households purchased $5.7 billion in rail transport. This represents just under 17 billion kilometres of passenger travel and some 900 million passenger trips. Passenger rail employs around 27,400 FTE individuals in Australia, mainly in the eight capital cities. In 2013-14, Australian industries collectively spent $2.8 billion on rail freight. The mining industry was the largest user of freight rail, spending $800 million on rail transport. Freight rail employs around 13,500 FTE workers in Australia. A majority of rail freight workers are based in regional areas – based on the 2011 ABS Census – 58% of rail freight workers’ place of work is outside of the eight capital cities.
THE VALUE OF RAIL TO SOCIETY

Increased use of rail generates benefits to society, as rail imposes fewer costs on the community than road transport. Common examples of these costs include:

- **Crash costs**
- **Travel time and reliability costs relating to congestion**
- **Environmental externalities** (including air pollution, greenhouse gas emission, noise, water pollution, urban separation, nature and landscape, and upstream/downstream infrastructure costs).

Not reflecting these costs in prices means that travellers do not make correct transport decisions and so they overutilise transport modes with higher external costs compared to what would be best for society as a whole. Importantly, rail transport generates fewer external costs than road transport. Looking at passenger transport:

- **Every road passenger journey replaced by rail potentially reduces time spent waiting in traffic by between 7 to 27 minutes, depending on the city. This means that for every additional train load of people choosing the train rather than the car, congestion costs are reduced by between $1,970 and $7,380.**

- **Road passenger travel causes almost eight times more accident costs per kilometre travelled than rail transport. This suggests that every train that replaces car trips reduces accident costs by around $1,570.**

- **Road passenger travel generates more than 40% more carbon pollution than rail travel for each kilometre travelled. This means that every time a train load of people replace their car journey, carbon emission costs are cut by around $32.**

*Each train load of people choosing not to drive generates total benefits for society of between $3,120 and $8,500 by reducing congestion, accident and carbon costs.*

- **Carbon emissions are 40% higher on road than rail for each km.**
- **Road travel causes almost eight times more accident costs per kilometre than rail.**
- **Every road journey replaced by rail is estimated to reduce congestion costs by between $2.46 and $9.22.**
- **Every train full of commuters reduces carbon emissions costs by at least $16,640 per year.**
- **Train users obtain health benefits of $6.62 per trip from walking to the station.**
- **Every road journey replaced by rail can reduce time spent waiting in traffic by 7-27 minutes.**
In addition, rail transport generates benefits in other areas such as health, social inclusion and amenity. For example, it's estimated that train users in Sydney walked 301 million kilometres in 2016, generating $881 million in health benefits, equivalent to a benefit of $6.62 per train user. In terms of social inclusion, interviews across Melbourne indicate that those at higher risk of social exclusion make fewer journeys per day and that individuals with lower incomes stand to benefit significantly from increased mobility.

Turning to freight, rail plays a larger role in freight transport than it does in passenger transport, accounting for over half of land based freight, when measured in tonne kilometres. The benefits of moving freight by rail include:

- Road freight produces 14 times more accident costs than rail freight per tonne kilometre. This means that every tonne kilometre of freight moved from road to rail results in a reduction in accident costs of around 0.67 cents.
- Road freight produces 16 times as much carbon pollution as rail freight per tonne kilometre. This means that every tonne kilometre of freight moved from road to rail results in a reduction in carbon pollution costs of around 0.78 cents.

Moving freight by rail instead of road generates benefits for society of around 1.45 cents per tonne kilometre.

If all road freight moving between Sydney and Melbourne travelled by rail this would generate social benefits of $111 million a year.

External costs have tangible effects on the lives of Australians and the economy. Congestion increases travel times and costs thereby reducing people's leisure time and economic productivity. Carbon pollution creates social costs to be borne by current and future generations who will face the dual costs of climate change and the need to reduce emissions. Vehicle accidents lead to numerous fatalities and injuries per year, creating pain and grief to the victims and their families and affecting the economy by reduced ability to work and the need for care.
1 peak hour Sydney train can get **800 cars** off the road

VS

1 freight train can get **110 trucks** off the road
Inland Rail

Currently, the only freight rail line connecting Melbourne and Brisbane goes through Sydney. Passing through Sydney’s crowded urban network makes moving freight via rail slow, and there are often delays – passenger trains take priority and freight has to wait. This, coupled with the fact that tunnels and overhead obstacles prevent double stacking of freight trains, has meant that road carries 74% of eastern corridor freight (ARTC, 2015), and this will only increase as the freight task grows and Sydney’s passenger network carries more commuters.

Inland Rail has been developed to address these problems. The Inland Rail project is a national scale transport initiative. Once built it will run along the East coast of Australia, bypassing Sydney to connect Melbourne and Brisbane and making rail competitive with road, taking some of the strain off the road network.

The project is expected to deliver significant benefits, both for the transport network and for regional development. It is projected to increase GDP by $16 billion during construction and the first 50 years of its operation, and will create up to 16,000 new jobs at its peak (ARTC, 2015).

Some of the benefits of the Inland Rail project include:

• Increasing rail’s share of the Melbourne Brisbane route from 26% to 62%
• Reducing freight in the Sydney passenger network. Almost one third of freight moving through Sydney is just passing through and one freight train takes four passenger train slots as it moves through the network (Sexton, 2015)
• Reducing carbon emissions by 750,000 tonnes
• 15 fewer serious road crashes a year
• Improve access to ports and global markets for regional areas
• Encourage regional development in places such as Parkes, which will become a ‘National Logistics Hub’ (ibid).
V/Line Regional Rail Link

V/Line is a government owned corporation that operates regional passenger train services in Victoria. It operates services to the regional cities of Ballarat, Bendigo, Geelong, Seymour and Traralgon, and services out past these cities into more rural areas. In June 2015 it completed the Regional Rail Link – a project that separated V/Line services on the Geelong, Bendigo and Ballarat lines from the electrified metropolitan train lines in order to reduce delays on the regional lines.

The $3.65 billion project took five and a half years to complete, and involved 90km of new track, two new stations (Tarneit and Wyndham Vale), upgrades to five existing stations, as well as various other upgrades such as the removal of level crossings (DEDJTR, 2016a).

The Regional Rail Link was one of Australia’s largest infrastructure projects in recent times (DEDJTR, 2016a), and is delivering generational change for public transport users in Victoria. Building a separate rail track for the regional trains has meant that travelling to regional centres such as Geelong, Ballarat and Bendigo by train is much faster and has enabled growth in both metro and V/Line services as the two are no longer competing for space on the tracks.

The result has been unprecedented growth on the Geelong and Ballarat lines. In 2015-16 there were 6.74 million passenger journeys taken on the Geelong line, 2.5 million more than the previous year. Further, while growth on the Geelong line averaged 2.1% a year between 2011-12 and 2014-15, in the first year that the new rail link opened, patronage on the Geelong line grew by 59.0%. Similar growth was observed on the Ballarat line, annual growth from 2014-15 to 2015-16 was 12.8% with 3.79 million passenger trips completed, when annual growth had averaged 4.2% for the previous four years.

Geelong, Ballarat, and Bendigo are all significant growth areas, with populations forecast to grow in all three of the cities by at least 34% over the next 20 years (.idcommunity, 2017). That equates to an additional 162,000 extra people living in these centres, and the Regional Rail Link better connects them to the rest of Victoria. It gives them the option to work locally or to work in Melbourne with ease.

Rail modes working together

Sydney is Australia’s largest city, home to 5 million people (ABS, 2017b). It is growing quickly with another million people expected to live and work in Sydney over the next decade (Transport for NSW, 2016). In the face of this growth, existing heavy rail in the Sydney CBD will near capacity with no easy way to build additional stations to service new development areas within the CBD.

Therefore, the NSW Government announced the development of the Sydney Metro, a heavy rail project specifically designed for commuters. It involves 66 kilometres of train line running from Rouse Hill to Chatswood, under the harbour, and out to Bankstown. The Sydney Metro is expected to cost approximately $12 billion with a BCR of 1.53, meaning it is expected to deliver over $18 billion in value (Transport for NSW, 2016). The new train line will support growth in rail patronage from 168,000 to 288,000 trips in the morning peak hour (or a 60% increase in total rail network capacity).
By 2031 trips to the city are expected to have increased by 25%, and trips within the city by one third.

The new train line will support growth in rail patronage from 168,000 to 288,000 trips in the morning peak hour (or a 60% increase in total rail network capacity)

It will reduce travel time for commuters, reduce traffic and bus congestion across Sydney Harbour and into the CBD, and improve the resilience of the network by providing a separate train line (Transport for NSW, 2016).

New metro line will enable development in the Barangaroo area – which will provide 24,000 jobs.

The metro will overlap with the existing heavy rail network extensively, particularly in the CBD. In some cases the metro service will reduce strain on existing stations (such as Town Hall and Wynyard), while in other cases there will be a close interchange between the two services. For example, the Martin Place station will be redeveloped as an interchange between the existing train lines and the metro.

At the same time, light rail in the CBD is being constructed. Currently most movement within the CBD is done by bus, but this is less than ideal given the significant congestion in the CBD and the smaller capacity of buses than rail. The light rail project involves expanding Sydney’s existing light rail network further into the city centre, and integrating the light rail with heavy rail and bus timetables. The light rail will reduce the number of buses in the CBD by 180 in the morning peak hour, and is forecasted to have 97% of services running with three minutes of the timetable. The light rail project is estimated to cost around $1.2 billion with a benefit cost ratio (BCR) of 1.4.

The areas being served by the light rail are high commuting corridors but they present particular geographical challenges, and are not as densely used as core CBD areas so are not suitable for a heavy rail solution. Dedicated heavy/light rail interchanges are being constructed throughout the CBD, including at Central, Town Hall, Wynyard and Circular Quay (Transport for NSW, 2013). This will ensure that people can easily switch between the two with minimal difficulty, and be able to get around the CBD more quickly.

The combination of existing heavy rail, the Sydney Metro, and the light rail will maximise the capacity of the transport network in the CBD and it is critical that light and heavy rail are used in conjunction to achieve maximum impact on the Sydney CBD.

Short haul rail freight

The increasing levels of congestion seen in our major cities combined with the growing size of the freight task mean that rail is a good option for some businesses in making fairly short journeys from the port to nearby facilities. Two particular examples are Woolworths and Breville, both of which use rail for transport from the port to their distribution centres in Sydney.

Woolworths is one of the most significant freight movers in Australia. Woolworths generates 20 million cartons of product each week, distributed in part by 3,000 truck movements daily (Victoria University, 2014). Woolworths is making greater use of moving goods by rail where possible for both economic and social reasons. Economically, increasing use of rail will allow Woolworths to reduce the cost of transport. Socially, rail is a key part of achieving goals such as reducing emissions, enhancing safety and improving outcomes for communities.

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In Sydney, Woolworths makes use of rail at its distribution centre in Yennora where it has 74,000 square-metres of dedicated storage space. The use of rail at Yennora by Woolworths is estimated to eliminate 30 trucks from Woolworths’ fleet – reducing congestion for Sydney’s residents.

Elsewhere in Sydney, a number of businesses have decided to relocate to Minto in order to take advantage of the benefits of rail freight in metropolitan areas. In particular, Breville has made a significant investment in its supply chain, recently relocating to a new, purpose designed national distribution centre at Minto. The new distribution centre replaces two outdated warehouses at Botany totalling over 23,000 square-metres with a new 15,000 square-metre distribution centre on a 4 hectare site.

Breville’s facilities make use of a private road connection to the rail terminal. Breville states that this approach “eliminates a lot of time and unnecessary handling and transport costs associated with receiving containers by road transport” and that they have been able to cut back on road transport creating benefits for the residents of Sydney, the environment and the people who travel on Sydney’s roads every day.
Australia is currently committing to significant investments in its rail network. Inland Rail has recently received a significant budget commitment from the Commonwealth Government; Sydney and Melbourne are taking the first steps in introducing metro style operation to their networks; Brisbane and Perth continue to grow their heavy rail network and Canberra, Newcastle, Parramatta, Adelaide and the Gold Coast are investing in light rail. These investments in the rail network are being made to address a number of challenges that are emerging in transport in Australia:

**Population and economic growth**

Australia's population is forecast to grow to 46 million by 2075, almost double what it is now, and by 2053 Sydney and Melbourne are predicted to have almost 8 million people apiece (ABS, 2013a). This sheer increase in population and city size will create significant challenges for transport – particularly commuting into dense urban areas.
Resource constraints

The volume of work underway to upgrade the transport system (particularly in metropolitan areas) is beginning to create a resource constraint – there is increasing competition for the skilled labour required to complete the range of projects that are currently underway. It is unlikely that this wave of construction is just a phase – population growth means that the transport network will never be complete and that disruptive additions to the transport network will, increasingly, become part of the normal way of life. The chart below shows the number of major projects coming up in the construction pipeline with each colour representing a different project. The upcoming pipeline will mean that the next 5-10 years will each involve more expenditure than any year in the past decade. The chart presents data only about currently planned projects, and this forecast will change as new projects are announced. It is unlikely the pipeline will drop off after 2023, it is just that by this time the current projects will be almost complete.

Chart i: Estimated expenditure on major rail projects (2005-2030)

In addition, growth in the freight task is likely to outpace growth in the population. For example, in 2013-14 the freight task was 50% larger than it was in 2006 and is expected to grow 26% further by 2026, and much of this increase will be moved by rail.

There is forecast growth of 19% in the passenger task and 26% in the freight task over the period to 2026 (NTC 2016). Any modal shift towards rail will mean that growth rates in rail transport will be even higher.
To address these capacity constraints, the Commonwealth, State and Territory Governments need to coordinate their investment plans and activities. This could smooth the demand for particular skills and minimise costs and delivery risks for these projects. However achieving coordination between the Commonwealth, State and Territory Governments, and, in some cases, local government is difficult. Each level of government has its own set of priorities and is reluctant to change their plans.

Modal neutrality in policy making

From a policy perspective, modal neutrality is important because it allows resources to be distributed in the most efficient manner possible. However, road and rail policy and projects are often developed independently, and other factors such as political considerations can enter the decision making process. A challenge for rail is that many of its benefits take a long time to materialise, and this can disadvantage rail if decisions are being made with a view to short term benefits or opportunities rather than long term returns.

Introducing a genuine cost recovery model for road transport would be significant, although challenging to implement, step in achieving modal neutrality between road and rail. A genuine cost recovery model would help achieve more accurate pricing of transport and so would help ensure that decision makers make the most efficient transport choices. In the longer run, pricing could start to reflect the externalities caused by transport (such as congestion, accidents, and greenhouse gas emissions).

Technological change

While technological change opens up many opportunities, it also presents challenges. Perhaps the most significant challenge is adapting to autonomous driving technology. For rail, driverless technology offers the potential to achieve great efficiency for operations, however it also presents the challenge of ensuring that signalling and communications infrastructure will support trains making the transition to driverless technology. The timing and extent of the transition to autonomous vehicles in road will also have significant impacts on rail, creating a challenge for adapting existing transport systems. For example, even in a world of autonomous vehicles, rail will likely remain the most efficient way to move large volumes of people into and out of CBDs and around crowded cities.
ENSURING RAIL CAN ADDRESS AUSTRALIA’S TRANSPORT CHALLENGES

Looking to the future, rail will play an important role in Australia’s future economic success and in ensuring connectivity in our urban and regional areas. As the population grows (particularly in metropolitan areas), rail will likely remain the backbone of commuter transport for dense commercial areas. Rail’s role as the backbone of commuter transport will enable it to help in creating accessible and interesting urban centres through connecting regions and enabling concentrated development around stations. Rail will be crucial in managing the growth in freight moving increasingly toward shorter hauls in urban areas. In both freight and passenger tasks, rail will help ensure that the transport task is completed in an energy efficient manner. Finally, one of rail’s key contributions in the future will be to continue to provide a source of skilled work and employment opportunities around Australia.

Australia is investing in a number of prominent passenger rail projects. In Sydney, the Sydney Metro project is currently under construction, which is to be completed in 2024. Melbourne has announced a new rail tunnel through the city, the Metro Tunnel, early enabling works for the line have begun with the main construction set to begin next year. Similarly, Australia’s freight network is continuing to expand. The Commonwealth Government has earmarked $8.4 billion to build the inland railway and the Commonwealth and Victorian Governments have jointly funded a project to standardise the regional freight network in Victoria.

But the continued success of Australia’s transport system and its ability to contribute to the economy and society is not guaranteed. To get the most out of rail in the future, policy-makers will need to be active in pursuing sound policy and adopting a number of reforms. Government and industry will need to work collaboratively to ensure rail can contribute to the economy and society to its full potential. While not exhaustive some areas for focus are set out below and grouped by whether they are best pursued by government, industry or a combination of the two. These areas for focus are based on consultations with industry experts and the evidence developed in previous sections of this report.

**Government**

In the area of rail transport, government’s core responsibilities are in the areas of planning, procurement and regulation. Steady improvements can be made in all three of these areas to help ensure that rail can meet Australia’s future transport challenges. In particular, Government could focus on:

- Enhancing its future plans and ensuring that investment decisions are driven by considering costs and benefits rather than politics
- Executing project procurement in a coordinated and efficient manner
- Ensuring that road usage is charged in a manner that accurately captures the cost of road infrastructure provision and, further, the negative externalities of road usage, such as congestion, vehicle emissions and accidents.

**Industry**

Industry is best placed to focus on the systems and execution of rail transport strategies, including in the design of equipment and the use of technology. As a result, industry could focus on:

- Harmonisation of equipment and standards to make it easier for government to undertake its procurement
- Embrace digital disruption in transport technology and adapt to new areas of competition.
Government and Industry together

There are a range of areas where neither government nor industry can make significant improvements alone, but by working together, can help ensure that rail can address Australia’s transport challenges. Areas for focus include:

- Improving customer experience by considering continual improvements in areas such as pricing, payment systems, on-board experience and infrastructure functionality
- Enhancing rail productivity through a combination of upgrades to infrastructure and rolling stock, and improvements in regulation and day-to-day operations
- Ensuring that Australia has the necessary type and number of skilled workers to deliver the ongoing stream of projects that will be required through an industry skills and requirements review.

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   - Enhancing future planning
   - Executing project procurement in a coordinated manner
   - Ensuring that road usage is charged in a manner that accurately captures costs.

2. **Industry**
   - Industry is best placed to focus on the systems and execution of rail transport strategies including in the design of equipment and the use of technology.
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3. **Together**
   - There are a range of areas where neither government nor industry can make significant improvements alone, but by working together, can help ensure that rail can address Australia’s transport challenges.
   - Improving customer experience
   - Enhancing rail productivity
   - Ensuring that Australia has the necessary type and number of skilled workers to deliver the ongoing stream of projects.