

17 March 2023

## Rail procurement policies cost governments \$1.85 billion

The Australasian Railway Association (ARA) has called for a national approach to rollingstock procurement in response to a new report that found governments missed out on \$1.85 billion in cost savings over the last decade due to inefficient local content policies in place across Australia.

ARA Chair Danny Broad said state-based local content policies made operating in different states akin to operating in different countries.

This led to the duplication of facilities and inconsistency between states, and made it too hard for some organisations to bid for key contracts.

“It is unfortunate to see cost savings on such a huge scale being left on the table at a time when demands on government budgets have never been higher,” Mr Broad said.

“State-based policies make it harder for industry to gain scale, drive innovation and adopt greater efficiency and productivity across their operations.

“This hampers their competitiveness over time and puts local jobs at risk in the long term.

“Australia has fantastic capability in rollingstock manufacturing, but its effectiveness is hampered by inefficient state-based local content policies that make it difficult for organisations to work across state lines to build economies of scale.

“These lost savings could have contributed to funding the huge infrastructure pipeline currently underway, or supported 1500 health and education jobs over the 10-year period.”

The report, authored by BIS Oxford Economics and the Hadron Group, identified foregone procurement cost savings from the last decade included:

- \$717 million of savings from increased scale
- \$811 million of savings from reduced complexity in planning and design
- \$318 million of savings from major componentry harmonisation

Assistant Minister for Manufacturing and Trade Tim Ayres welcomed the report’s findings.

“We know the different approaches by the states and territories to rail procurement and manufacturing leads to capabilities being duplicated,” Assistant Minister Ayres said ahead of today’s launch.

"This pushes up costs, exacerbates skills shortages, and constrains investment.

"By working together to build and maintain modern passenger trains, Australia can reduce procurement costs while boosting manufacturing capability and creating high-skilled jobs in regional and outer suburban Australia."

States and territories use different procurement policies for purchasing rail assets such as rollingstock, including state-based local content requirements.

The report found that while this approach supported local jobs in the short term, it undermines the long-term sustainability of the rollingstock manufacturing industry.

A national approach to rollingstock procurement would allow both governments and industry to achieve improved outcomes, realising the cost savings outlined in the report.

A national approach would also support the growth and competitiveness of the industry, supporting further jobs growth in this essential market.

The rail manufacturing and supply sector generates \$2.4 billion in revenue per year and supports more than 4000 jobs, many of which are in regional areas.

To view the full report, [click here](#).

ENDS

**Note to editors:** ARA Chair Danny Broad will hold a doorstep to launch the report's findings with Assistant Minister for Manufacturing Senator the Hon Tim Ayres at 11.30am on Friday 17 March. The doorstep will take place at Pandrol's Sydney facilities at **7 Bessemer Street, Blacktown, NSW, 2148**.

#### Further information

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