AUSTRALASIAN RAILWAY ASSOCIATION

ARA Submission

Inquiry into Australia's productivity performance

Productivity Commission

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The ARA

The Australasian Railway Association (ARA) is the peak body for the rail sector in Australia and New Zealand, and advocates for more than 170 member organisations across the industry.

Our membership covers every aspect of the rail industry, including:

- The passenger and freight operators that keep essential rail services moving;
- The track owners, managers and contractors that deliver a safe and efficient rail infrastructure network; and
- The suppliers, manufacturers and consultants that drive innovation, productivity and efficiency in the rail industry.

Our members are driven to support vibrant, sustainable and connected communities through greater use of rail across Australia and New Zealand. We bring together industry and government to help achieve this ambition.

Our advocacy is informed by an extensive research program to ensure we offer solutions that are grounded in evidence and focused on delivering tangible value in our daily lives.

We believe the rail industry has a crucial role to play in the region's sustainable development and growth, and know that the industry offers meaningful and rewarding careers for tens of thousands of people in the regions.

Our significant program of work is focused on supporting a strong advocacy agenda, and creating opportunities for the rail industry to network, collaborate and share information, and maximise the benefits we have to offer the wider community.

The ARA thanks the Standing Committee on Infrastructure, Transport and Cities for the opportunity to provide a submission to the *Inquiry into procurement practices for government-funded infrastructure*.

Any questions regarding this submission should be directed to Simon Bourke, General Manager – Policy and Government Relations via sbourke@ara.net.au or 0437 176 308.

Introduction

The rail network in Australia is much more than stand-alone infrastructure, it supports an entire industry made up of over 900 businesses that support more than 165,000 jobs, which contribute $30 billion to the Australian economy[1]. The rail industry in Australia is also currently experiencing an unpresented level of infrastructure investment, with over $155 billion forecast to be invested in rail over the next 15 years.

Despite this huge pipeline of rail infrastructure investment and considerable economic contribution, the rail industry is plagued by many legacy issues which significantly impact the productivity of the industry. Many of these issues are related to the very jurisdictional nature of rail, with a lack of coordination across governments and many differing policies and requirements. This results in significant impacts on productivity for the rail supply chain and the rail freight sector, both of which operate across multiple jurisdictions.

The ARA welcomes the opportunity to contribute to the Productivity Commission's Inquiry into Australia's Productivity Performance. This Inquiry provides a useful opportunity to highlight several the significant productivity challenges facing the rail industry and the role the Australian Government can play in addressing these issues.

The ARA has a considerable ongoing program of work focussed on creating greater coordination, efficiency, and overall productivity in the rail industry, with much of this centred around government procurement processes, infrastructure reform, and addressing interoperability issues.

The following submission outlines several issues and recommendations that the ARA believes would be very beneficial to improving rail productivity outcomes in Australia and we trust the Commission finds it useful.

[1] ARA Value of Rail, Deloitte Access Economics, 2020

Opportunities to improve productivity

The following section outlines several opportunities within the rail industry where policy changes and initiatives could be implemented to improve Australia's productivity.

1) Procurement Reforms

The powerful growth of the infrastructure market in the last 20 years has brought with it a legacy of relatively high costs compared to many of Australia's global peers. On simple metrics, the cost of building core infrastructure in Australia is expensive in world terms, with tendering costs in Australia estimated to be around 1-2% of a project's total cost, at least double the world benchmark of 0.5%.[2] Reducing these costs would deliver multiple benefits: more bidders would be likely to join the tender process, increasing competitiveness; cutting red tape would see tender processes completed faster; and resources saved in the tender process could be focused on project delivery. Ultimately these costs are borne by taxpayers and infrastructure users.

The future of Australia's rail construction sector hinges upon driving down the high costs of tendering, more consistent project planning on behalf of governments, and greater industry collaboration. A sustainable rail construction industry is vital to deliver the rail infrastructure pipeline and reboot Australia's economy.

Given this period of uncertainty due to the global pandemic, governments are faced with tighter budgets while also needing to progress initiatives to stimulate employment. In these difficult circumstances, it is vital that we strive to improve procurement processes with increased clarity, collaboration, and efficiency. COVID-19 should be utilised as the catalyst for change.

It is estimated that $155 billion of rail investment is planned in the next 15 years.[3] This will require specialist skills, at a time of skills shortages, to devote towards the procurement and delivery of projects. This will amplify the need to develop more productive and efficient approaches to procurement. If processes do not improve, contractors may be more selective in which tenders they will bid on. Procurement practices that are resource intensive, expensive, high risk, or likely to be delayed are considered less attractive.

It should also be acknowledged that the Australian rail industry operates within a global market, with many other countries competing strongly for investment, resources and technical support. If the Australian market is seen as too expensive or uncertain for rail infrastructure, then international companies will redirect their interest and resources into other more favourable locations.

In consultation with rail infrastructure constructors, the ARA developed and published Best Practice Principles for Rail Construction Procurement in 2020, which summarises the principles that would

[2] Rail Express, The Sustainability of Rail Contracting in Australia, 2012
[3] BIS Oxford Economics, 2020

help achieve improved outcomes for both governments and industry. Implementing these principles would aid rail construction procurement efficiencies for both procurers and tenderers, assist in reducing costs, get more rail projects off the ground faster, and create more jobs.

The key considerations outlined in this document include:

- Ensuring tender size and requirements do not obstruct tier 2 and 3 contractors bidding
- More transparent evaluation and weighting of tender criteria
- Streamline the pre-qualification process
- Reduce red-tape while still meeting probity obligations, by ensuring probity requirements are risk-based and that the costs and impact of mitigations are proportionate to the risks involved
- Standard contracts and standardised T&Cs could save time and reduce administration costs
- Contract models need to support a collaborative partnership approach for the benefit of both parties
- Risk needs to be defined, quantified, fair and capped
- Key performance indicators (KPIs) need to be proportionate to the margin of the contract
- Reasonable recompense should be provided to all tenderers to help recover costs associated with a competitive tender process through a claims process
- Consistent implementation of progressive cost reimbursement during the tender process
- Ensure commercial model and tender processes do not limit productivity and project outcomes, but support new technologies and processes

There are clear signs that the industry faces capacity challenges in delivering the pipeline of projects. Resources consumed in the procurement process are taken away from the industry's capacity to deliver. With every rail infrastructure project, there will be subsequent requirements for supporting operations and maintenance tenders. The rail industry requires relatively specialist, scarce and high-value technical skills. This is particularly true in the areas of rolling stock and signalling. The typical procurement process requires high levels of access to the most skilled of these specialists.

Ensuring a more efficient tender process that minimises the consumption of resources on redundant and non-productive outcomes would also reduce procurement timeframes, reducing costs and improving productivity outcomes. Further, standardised contracting models and risk allocation frameworks for delivery will also reduce tender development and negotiation costs. Creating a consistent and well understood delivery environment will also lead to more successful project delivery outcomes.

In consultation with rail manufacturers and suppliers, the ARA developed and published a Best Practice Guide to Rollingstock and Signalling Tendering in the Australian Rail industry. Many of the principles in this guide, reflect those highlighted in the construction guide.

Inevitably, the benefits arising from any process optimisation and standardisation are multiplied when adopted across Australia's procurement agencies. The ARA therefore supports the national convergence and practical standardisation of procurement practices across jurisdictions to the greatest extent possible.

A national registration portal that supports pre-qualification, (for example, with expanded functionality of Tenderlink, or Industry Capability Network Gateway, or Aust Roads pre-qualification scheme) could enable suppliers to input information once, so contractors as well as purchasers can easily identify registered suppliers and access necessary supplier information, including accreditations. Harmonising accreditation recognition across jurisdictions (as well as internationally) will assist in addressing costly inefficiencies.

The development of such a scheme requires close consultation and support from state and territory government transport agencies, Rail transport Operators, OEMs and Tier 1 contractors.

The ARA has commenced investigating the benefits of a national pre-qualification scheme (including options for mutual recognition) for the rail industry and is establishing an Advisory Committee with all relevant stakeholders to progress this important initiative.

Recommendation:

1. The ARA recommends that the Commonwealth Government adopt ARA's best practice principles for all rail infrastructure procurements and make the application of these principles' conditional on state and territory governments via the National Partnership Agreement, as part of the Agreement's next revision in 2024.
2. The ARA recommends the Commonwealth Government coordinate the establishment of a national registration and pre-qualification program to streamline processes and create efficiencies for suppliers and constructors, as well as procurers.
3. The ARA recommends that a Procurement Working Group be established under the Infrastructure and Transport Ministers' Meeting to pursue an increased harmonisation approach to procurement reform and infrastructure pipeline planning and reporting. This group could also consider the lessons learned from past procurement processes (in rail and other sectors) to inform the development of policy reforms.

2) Local Content Reforms

The ARA acknowledges that both governments and industry often need to be incentivised to engage with local suppliers and contractors to in turn realise and appreciate the local capabilities that exist in the sector. The Australian Industry Participation Plans and the state and territory local content policies support initiating this engagement. However, research and analysis on the benefit and effectiveness of these policies is required to measure the impact of these requirements as part of tenders.

A key area of concern for the Australian rail industry is the inconsistent application of local content policies (LCPs), which can disadvantage the parts of the local supply chain outside of the jurisdiction where the LCP is originated. This is counterproductive when rail suppliers are nationally focused yet need to accommodate jurisdictional requirements that reduce efficiencies relating to capital investment and economies of scale. This often results in rail suppliers having to set up multiple facilities across different jurisdictions in an effort to be awarded contracts based on their location, yet at the same time reducing their price competitiveness. This increases the risk of stranded assets and can be seen as a disincentive for investment in the Australian market by international organisations.

McKell Institute's 2021 report *Build It Here* provided three worthwhile recommendations for the Government to consider:

> *Recommendation 1: The cost increases observed in overseas procurements should be investigated to determine whether inefficiencies resulting from offshore contract sourcing are consistent, and how they may be mitigated via local production.*
>
> *Recommendation 2: The Government should establish an international sourcing comparator based on the public sector comparator to promote transparency in significant procurement decisions. The international sourcing comparator should be published alongside contract award notices.*
>
> *Recommendation 3: Government agencies should publish wider economic benefits as part of a holistic cost-benefit analysis when making decisions about major procurement contracts that exceed $1 billion.*

The ARA believes there are significant benefits to be achieved by both the Commonwealth and state and territory governments taking a more holistic and national approach to the application of local content policies in procurement processes. Where products and services are readily available in the Australian market, government procurement processes should ensure these Australian-based suppliers are given preferential consideration. This consideration would assess the broader economic benefits and supply chain certainty that flows from locally based suppliers.

The ARA and the Rail Industry Safety Standards Board (RISSB) have partnered to undertake quantitative research to quantify the delta between current state-based LCP compared to a national local content policy. The research will consider the various national, state, and territory-based LCP objectives and requirements currently in place and the impact on the supply chain.

It is expected that the research will demonstrate the type of local content policy that could meet the jurisdiction's local content objectives that also provide better value for money outcomes, whilst not disadvantaging local suppliers in other Australian jurisdictions.

Recommendation:

4. The ARA recommends the Commonwealth Government take a leadership role to:
    - Working with industry to develop a national content or capability engagement strategy;
    - encourage state and territories to define local content as Australian and New Zealand, to not disadvantage other domestic jurisdictions; and
    - encourage state and territory governments to apply consistent policies/targets regarding social requirements, workforce development requirements, sustainability targets and provide increased transparency regarding weighting of requirements.

3) Infrastructure policy reform

Last year Infrastructure Australia released its 2021 Australian Infrastructure Plan, which provided a vision and roadmap to progress some critical reforms to ensure that Government and industry can deliver better infrastructure outcomes for Australian communities.

The Plan included important recommendations for reforms in areas such as sustainability, industry productivity and innovation, as well as critical sectors such as transport. The ARA welcomed this Plan, as did many other industry bodies closely involved in the delivery of infrastructure across the country.

Unfortunately to date, the Government has not responded to the Australian Infrastructure Plan released in September 2021. It is critical that the Government does not delay any longer and responds to the Plan as a matter of priority to ensure we can begin progressing these important reforms.

It is also important to note the 2021 Ernst & Young report commissioned by Infrastructure Australia (Progress since the 2016 Australian Infrastructure Plan), which confirmed the urgent need for the Australian Government to lead a coordinated reform program. The report highlights the lack of progress in improving sector productivity and implementing market-based reform, noting there is no suitable federal body established to financially incentivise the states and territories. As stated in that report, there has been 'no sustained and holistic approach to the provision of reform incentives', despite this being a high-priority recommendation.

A key recommendation from the 2021 Australian Infrastructure Plan that will help begin resolving many of the issues facing the infrastructure sector is the creation of a federally led government and industry collaborative leadership group.

A collaborative approach between federal and state governments and industry can result in a more coherent implementation of reforms through sharing and adoption of best practice. While industry and some state governments are already taking steps to achieve best-practice reforms, a consistent and coordinated approach by all jurisdictions and industry sectors will maximise benefits to all parties. The Australian Government is best placed to facilitate such an outcome, which could be managed through a clear process agreed to by the Infrastructure and Transport Ministers Meeting (ITMM).

The ARA believes this new government and industry forum could share insights and innovations, and collectively consider best-practice principles to bring about positive reform in the sector. This would help expedite the productivity enhancing reforms outlined in the Australian Infrastructure Plan.

Recommendation:

5. The Australian Government establish a collaborative leadership group between industry and all government jurisdictions to begin implementing the critical infrastructure reforms outlined in the 2021 Australian Infrastructure Plan.

4) Infrastructure pipeline certainty

A nationally coordinated infrastructure investment pipeline would provide clarity and enable forward planning for both industry and governments. Having a frequently updated and transparent public pipeline of projects would also allow contractors to invest, plan and train to prevent capability and capacity challenges. Coordination of the project pipeline across jurisdictions would better support industry's capacity to deliver, given current skills shortages, particularly in key specialised skill roles.

It is widely recognised that the unpredictability of government infrastructure investment inhibits private sector investment in long term capacity. The ARA's Australian Rail Supply Chain report published in 2020 highlighted the importance of this issue, recommending that infrastructure pipelines be regularly reviewed and published well before procurement phases commence. This would ensure local firms have adequate time to prepare and invest to meet the forecast demand.

This issue is broader than just having a visible long-term pipeline of work. The promise of work is not enough. The supply chain cannot make commercial decisions to invest in specific capacity and capability until they are contracted to a project. Therefore, delays in the procurement process and the execution of contracts can be an impediment to timely delivery of project milestones. In the absence of a national coordinating body, state governments should regularly review and re-publish their rail investment pipelines, as well as committing to the priority project recommendations of Infrastructure Australia.

Existing investment and procurement processes are highly fragmented, with each state's planning and policy developed in isolation from the other states. Most firms in the Australian rail industry operate across state borders and are therefore in direct competition with other local firms over human and capital resources, a situation which is exacerbated by uncoordinated local content policies, indigenous and workforce requirements, and social requirements. This poses risks to both the number of tenderers, delivery timeframes and quality of supply to Australian rail projects, as well as the growth and sustainability of local firms and jobs.

Ensuring that individual pipelines are developed in recognition of other investment plans allows Australian rail firms to plan, prepare, and coordinate several projects in multiple jurisdictions. Coordination of the project pipeline would also better support industry's capacity to efficiently deliver against government project milestones and improve productivity outcomes for Australia.

Rail construction activity in Australia increased to $8 billion per annum between FY15 and FY20, with activity expected to nearly double again over the next five years reaching around $14 billion by FY23.[4] Given the current significant levels of investment, it is vital that the rail investment pipeline is transparent, has long lead times for major projects, and provides sustainability to encourage private investment in capacity and capability building.

[4] ARA Australian Rail Supply Chain, Bis Oxford Economics, 2020

The ARA acknowledges that Infrastructure Partnerships Australia (IPA) already has a well-established Australia and New Zealand Infrastructure Pipeline known as ANZIP. This excellent initiative seeks to assist in addressing the issue of uncertainty in infrastructure pipelines by collectively mapping all major civil infrastructure projects across Australia and New Zealand.

The ANZIP portal currently records all construction projects and operations valued at $300 million and over, as well as any Private Public Partnerships (PPPs) and investable projects and divestments valued at $100 million and over. The ARA believes there may be value in considering a lowering of the current project thresholds to capture a broader pipeline of projects and provide even greater transparency. The ARA will engage with IPA directly to discuss the viability of a lowering of current project threshold limits, recognising this would only be possible through additional funding commitments by government agencies to support this change.

The ARA also believes that including a skills profile for each project in the ANZIP pipeline would be very beneficial. The data collected by Infrastructure Australia as part of its Market Capability report could be utilised for this purpose. A great example of this planning pipeline and supporting workforce data is demonstrated in the UK's Skills Intelligence Model.

This issue has already been identified through the National Rail Action Plan (established by the Infrastructure and Transport Ministers), where it has been acknowledged that this approach to data collection and planning would be instrumental in supporting industry to appropriately plan and train employees to ensure capacity and capability to deliver against the project pipeline.

Recommendation:

6. The ARA recommends the Commonwealth Government engage with state and territory governments and industry to establishment of a new mechanism to coordinate the announcement and delivery of major infrastructure projects to maximise resource efficiencies for both industry and governments. The ANZIP portal should be considered as the basis for informing these discussions.

5) Interoperability

An efficient and agile national supply chain with the capacity to rapidly cater to the projected growth in Australia's freight task over coming years must by definition be multi-modal in nature. Effective national freight planning with a focus on optimising outcomes for customers, the economy and society is essential. This would require investments to be based on fitting the infrastructure to the demand, ensuring the right load on the right mode, and mean as a nation we could stop investing in competing infrastructure which erodes economic and social benefits.

Rail freight in Australia is considerably constrained by the differences which exist between jurisdictions and intra-state networks. A lack or absence of interoperability across the country is the single most significant drain on productivity for the rail freight sector, directly contributes greatly to the cost of operating rail freight services, reduces operational efficiency and flexibility, dampens the uptake of new technology and pace of innovation, and ultimately hampers the ability to compete with other transport modes.

With the increasing sophistication of below and above rail technology, rolling stock, signalling and communication systems over time, interoperability issues will almost certainly continue to worsen.

This lack of a national rail systems perspective is compounded by the increasing sophistication of below and above rail technology, rolling stock, signalling and communication system. These factors stand to exaccerbate interoperability issues over time.

There are many existing examples of the technological divergence by jurisdiction which add significantly to the cost and administrative burden for above and below rail operators. For instance, eastern states all continue to use radio communications systems which are incompatible with each other and result in multiple radio systems being fitted to all locomotives that move goods across state borders. Further, train automation systems or train management systems are being pursued by national and state authorities, but again are not harmonised in their approach. Whilst work is underway to develop a system interface between the various platforms being pursued, there is still no proven technological solution, and this remains a major risk for the industry. Not only does this represent poor use of resources, but it also sets industry on the path for future decades of compounded interoperability challenges, just as this step-change in technology should be delivering the opposite.

Recent work has identified four most significant interoperability challenges at a national level constraining rail freight productivity:

1. Rolling stock approval regimes – Network approval processes for rolling stock are unique to each network and requirements differ between them resulting in major impacts on productivity, innovation, adds cost and uncertainty and dampens competition.
2. Environmental regulation - Environmental regulation as it relates to rail freight is inconsistent between jurisdictions, is not adequately informed by expert knowledge of the rail freight industry and does not sensibly consider the negative externalities of regulatory responses to poor performance.

3. Communications and signalling technology - The multiplicity of train control, communications and signalling systems currently being employed and developed within industry is one of the most significant operational 'breaks-of-gauge' impacting the efficiency, cost and productivity of rail freight in Australia.
4. Rail freight drivers - Inconsistency of requirements for drivers operating freight trains, and the lack of evidence-based decision-making that inform these requirements, is one area of interoperability challenge which could most readily be resolved with a direct and rapid productivity and efficiency dividend for industry, without compromising safety.

The National Rail Action Plan (NRAP), managed by the National Transport Commission (NTC) and progressed through the Infrastructure and Transport Ministers Meeting (ITMM), is an agreed set of actions that will be undertaken by the Commonwealth, state and territory governments and key members of the rail industry.

The NRAP aims to implement changes to improve delivery of rail infrastructure and improve the safety and productivity of rail operations. The focus is to improve the efficiency and safety of Australia's rail system by continuing to align or harmonise operating rules, infrastructure and operational standards and systems across the nation's rail network.

Implementation includes a working group on Interoperability with a focus on communication and control systems. This group has made significant progress towards establishing a framework for more coordinated national decision making about network investments and their impact on national operability. However, with a forward-looking focus, this forum will not address the vexing legacy challenges articulated above.

The ARA, in collaboration with the Freight on Rail Group (FORG) and the Department of Infrastructure (DITRDC), is pursuing a project conducting a detailed analysis of rail freight productivity drivers, challenges and recommendations, including structural challenges which undermine interoperability. The ARA believes this new research an analysis will help outline a path forward for industry to work with governments to address the interoperability issues that are impeded rail freight productivity. It is expected this report will be completed later this year

Recommendation:

7. The ARA recommends the Commonwealth Government work with industry and state and territory governments to consider implementation of the recommendations outlined in the joint ARA, FORG, DITRDC report on rail freight productivity (to be completed later this year).

6) Skills and Workforce Development

The Australian rail industry directly employs more than 71,000 people across infrastructure delivery, operations, maintenance and manufacturing, and more than 93,000 people indirectly. Passenger rail employed about 37,000 FTE workers in 2019, a 35 per cent increase from 2016. Most passenger rail jobs are clustered around major state capitals, particularly in Brisbane, Sydney and Melbourne.

Freight rail employed about 21,000 FTE workers in 2019, a 50 per cent rise since 2016. More than half of these roles are located outside of capital city regions, with significant clusters in Rockhampton, Newcastle, Mackay and Gladstone. The rollingstock manufacturing sector accounts for about 11 per cent of rail employment in Australia and is largely concentrated in Sydney and Melbourne, particularly in outer metropolitan areas.

The *ARA Skills Capability Study*, published in 2018, found overwhelming evidence of a skills crisis in the Australian rail industry. By 2023, workforce gaps of up to 70,000 skilled workers across all skill levels are predicted.

The increasing number of major rail projects underway or planned has also driven increased employment, with key projects located across the country. While the full impact of COVID-19 on short to medium term employment in the industry remains to be seen, the industry continued to operate as an essential service through the pandemic. The ARA's 2020 Value of Rail report confirmed that longer term employment growth projections for the industry were expected to resume post pandemic, even if short term impacts were experienced by sections of the industry.

The rail industry in Australia is already experiencing skills shortages as investment grows in new rail infrastructure and rollingstock and operations expand, with the number of train drivers, controllers, track workers, signalling engineers and technicians, maintenance workers, electrical technicians and tunnellers not keeping up with growing demand. Skills gaps are also growing, largely as a result of increasing digitalisation, with emerging technologies that require new skills in areas including rail signalling, autonomous and remotely operated rail vehicles and operating or driving rail vehicles.

These skills and workforce development challenges put significant pressure on the industry, and this is only going to worsen moving forward. This will result in substantial detrimental impacts on productivity across the sector if the issues are not addressed in a meaningful way.

The ARA recently published a new report titled *Building Australian Rail Skills for the Future*, which aims to provide recommendations (based on research, industry feedback and comparisons from overseas) that offer tangible strategies and solutions to increase rail workforce capacity and capability.

The report bases its key findings and recommendations around the four key themes of: Leadership collaboration and partnership; Strategic workforce planning; Attracting, recruiting and retaining our workforce; and Skilling our workforce.

The theme of 'Leadership collaboration and partnership' recognises there is a need to achieve greater collaboration and partnership between the rail industry, governments and the education sector to optimise the value of their individual contributions to achieve capability uplifts and better overall outcomes. This can be done by working together to deliver an Australian rail training system that provides consistent, accessible, high-quality provision across all our jurisdictions.

The theme of 'Strategic workforce planning' recognises that the growth in rail investment is having a fundamental impact on rail's ability to deliver new projects due to existing skills shortages - an issue that has been exacerbated by the pandemic through fast-tracked projects and reduced international skills supply. To address this issue the industry and government must understand and plan for future workforce needs, ensuring skills supply meets industry demand.

The theme of 'Attracting, recruiting and retaining our workforce' recognises that with an ageing rail workforce and increased digitalisation and adoption of new technologies, the industry will need to attract a new and different workforce, competing with other industries seeking similar talent. Improved promotion of careers available in rail, and of the industry itself, will be key to Key findings and recommendations 06 Building Australian Rail Skills for the Future achieving this goal. This also provides the industry with an unprecedented opportunity to attract a workforce that better reflects the composition of Australian society.

Finally, the theme of 'Skilling our workforce' recognises that greater standardisation and improved collaboration across industry, governments and the education sector must be established to optimise workforce skills development and deliver more consistent outcomes. Moving forward there must be a focus on building and future-proofing industry capability, as well as supporting individual career progression through transferable skills development.

Within each of these themes, the report outlines a series of specific actions and assigns responsibility to various stakeholders, with many involving the federal and state governments. In order to meaningfully address the industry significant skills and workforce development challenges and mitigate the impacts this has on the industry's productivity, there must be consideration given to implementing the report's recommendations.

Recommendation:

8. The ARA recommends the Commonwealth Government engage with state and territory governments and industry to implement the recommendations outlined in the 'Building Australian Rail Skills for the Future' report.

Summary of Recommendations

The following section provides a summary of the key recommendations for the Commission's consideration.

1. The ARA recommends that the Commonwealth Government adopt ARA's best practice principles for all rail infrastructure procurements and make the application of these principles' conditional on state and territory governments via the National Partnership Agreement, as part of the Agreement's next revision in 2024.

2. The ARA recommends the Commonwealth Government coordinate the establishment of a national registration and pre-qualification program to streamline processes and create efficiencies for suppliers and constructors, as well as procurers.

3. The ARA recommends that a Procurement Working Group be established under the Infrastructure and Transport Ministers' Meeting to pursue an increased harmonisation approach to procurement reform and infrastructure pipeline planning and reporting. This group could also consider the lessons learned from past procurement processes (in rail and other sectors) to inform the development of policy reforms.

4. The ARA recommends the Commonwealth Government take a leadership role to:
   - Working with industry to develop a national content or capability engagement strategy;
   - encourage state and territories to define local content as Australian and New Zealand, to not disadvantage other domestic jurisdictions; and
   - encourage state and territory governments to apply consistent policies/targets regarding social requirements, workforce development requirements, sustainability targets and provide increased transparency regarding weighting of requirements.

5. The Australian Government establish a collaborative leadership group between industry and all government jurisdictions to begin implementing the critical infrastructure reforms outlined in the 2021 Australian Infrastructure Plan.

6. The ARA recommends the Commonwealth Government engage with state and territory governments and industry to establishment of a new mechanism to coordinate the announcement and delivery of major infrastructure projects to maximise resource efficiencies for both industry and governments. The ANZIP portal should be considered as the basis for informing these discussions.

7. The ARA recommends the Commonwealth Government work with industry and state and territory governments to consider implementation of the recommendations outlined in the joint ARA, FORG, DITRDC report on rail freight productivity (to be completed later this year).

8. The ARA recommends the Commonwealth Government engage with state and territory governments and industry to implement the recommendations outlined in the 'Building Australian Rail Skills for the Future' report.