

## Preparing for recovery:

### Rail suppliers, contractors and freight operators and COVID-19

The Australian rail industry has continued to operate during COVID-19, despite supply chain disruptions and some projects being put on hold. But from the disruption comes opportunity, with many shifting their focus to local suppliers as they prepare their supply chains for the post pandemic recovery.

#### About the survey

The Australasian Railway Association (ARA) surveyed 58 Australian and New Zealand rail suppliers, contractors and freight operators about the impact of COVID-19 on their business.

We asked them how their business has been impacted and what needed to be done to support a strong recovery beyond COVID-19. Just over half of respondents employed 250 or more people, with participants representing a wide range of operations across the rail industry.

#### Who the survey represents

- Rollingstock design, manufacturing and maintenance
- Tunnelling
- Track design, construction and maintenance
- Signalling and communications
- Freight
- Safety
- Technology



#### Key findings



Constraints on the international shipment of goods and a decline in customer spending were the biggest impacts of COVID-19 on the rail industry



The most important thing governments could do to support the recovery was maintain their project pipeline



There is a significant opportunity for local manufacturing and production, with 75 per cent of participants considering changes to their supply chain planning to seek more suppliers within Australia or their home state

## The impact of COVID-19 on the rail industry

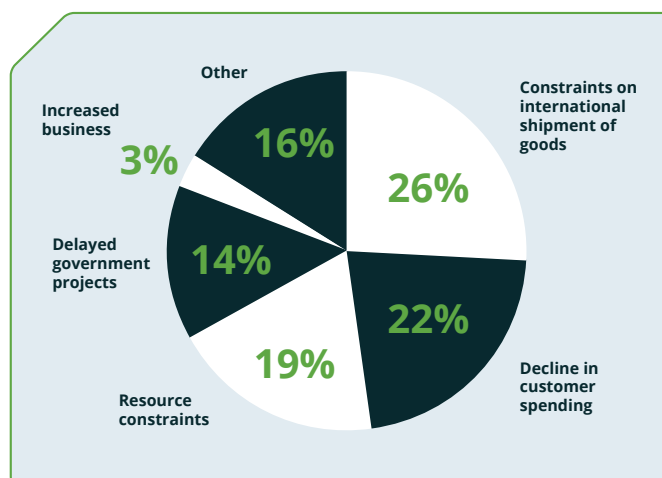
A total of 91 per cent of respondents were concerned about the impact of COVID-19 on their business. This included those that were concerned about significant impacts on their business as a whole (33 per cent) and those that were concerned about impacts of specific parts of their business (58 per cent).

Maintaining supply chains remained a critical issue for the survey respondents, with 68 per cent of participants reporting international supply chain issues had impacted their production, delivery or service offerings. In total, 86 per cent of respondents reported supply chain disruptions as a result of COVID-19.

International freight costs had increased and delivery timeframes were delayed, while securing technical expertise became more challenging as travel restrictions came into force. Those working in manufacturing also found it harder to export goods to countries that had closed borders. While most respondents expected their 2019-20 revenue to be impacted by COVID-19, 39 per cent believed it was too soon to determine the full impact of the pandemic when surveyed in April.

### Biggest impacts on rail industry operations

Disrupted international shipments and falling customer spending were the biggest impacts on rail businesses, while resource constraints had also affected some operations. Delays to government projects had affected 14 per cent of respondents, while a very small proportion of respondents had seen business conditions improve.



### Investment and growth plans are on hold, but keeping people in jobs is a priority

More than half of respondents (53 per cent) were considering deferring or cancelling planned investment as a result of COVID-19. 68 per cent were looking to put workforce expansion on hold, while 65 per cent were considering delaying capital expenditure.

But most respondents had retained their staff as they worked to keep people in jobs to prepare for recovery. In cases where staff had been stood down (18 per cent) or made redundant (16 per cent), these changes had impacted less than 10 per cent of the business. While 32 per cent of respondents were continuing with their recruitment plans as usual, 68 per cent were reducing their recruitment activities during the crisis.

## Keeping the economy moving is a key priority

While the rail industry has moved quickly to respond to COVID-19, the survey highlighted the importance of maintaining project pipelines to support a strong recovery.

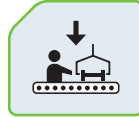
Three quarters of participants expected business conditions related to their operations to deteriorate further, although only 14 per cent thought that would be at significant levels.

Respondents were most concerned about managing the financial impact on their business, and highlighted the importance of forging ahead with government infrastructure projects.

### Top 3 concerns of the rail industry



**Financial impact on the business**



**A slowing or reduction in government infrastructure projects**



**Potential Australian recession**

## Local content opportunity, but governments must act now to support recovery

COVID-19 could represent a significant opportunity for Australian manufacturing and production, with 75 per cent of respondents considering changes to their supply chain looking to boost local content.

Most respondents are planning changes to their supply chain to reduce their dependence on international suppliers or split orders between suppliers to provide greater supply chain resilience.

But respondents said governments must act now to make the most of the opportunity in the months ahead. The right policy settings would be essential to support a strong economic recovery.

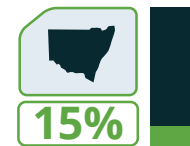
### How the rail industry will adjust supply chains

#### Plan to look for more suppliers in...

**Australia**



**Home state**



**Other countries**



**Other**



## What governments can do to support the recovery

More than three quarters of participants confirmed it was clear that state and federal government assistance was available to impacted businesses.

However, when asked what governments could do to support the recovery, it was clear a strong project pipeline would be critical for the industry. Maintaining the current project pipeline was the single most important thing governments could do today to support the recovery.

Additional stimulus measures, together with strong local content policies and smarter procurement processes also presented opportunities for government to ensure a strong rebound.

A strong project pipeline is critical for the industry.

### Top 5 actions governments can take to support the recovery



Maintain project pipeline



Fund additional stimulus projects



Provide additional direct financial support



Adopt stronger local content policies

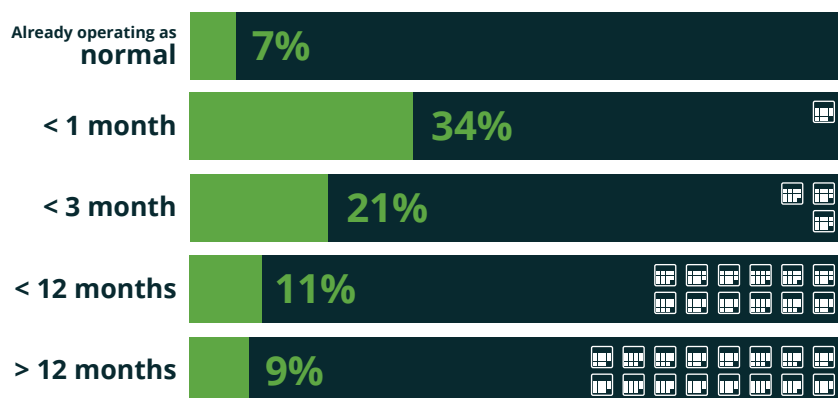


Improve the procurement process

## The rail industry is ready to bounce back

The industry was optimistic that the recovery would be fast once the full impact of COVID-19 was over. When asked how quickly they'd get back to normal once the impact of the pandemic had passed, most forecast a relatively fast resumption to previous activity levels.

### How quickly the rail industry could return to normal operations post COVID-19



**The Australasian Railway Association (ARA)** is the peak body for the rail sector in Australia and New Zealand. We represent more than 150 member organisations including passenger and freight operators, track owners and managers, suppliers, manufacturers, contractors and consultants. Our members include listed and private rail-related companies, government agencies and franchisees.

#### Want to find out more?

For more information on how the rail industry is responding to COVID-19, contact ARA Government Relations Manager **Mal Larsen** at [mlarsen@ara.net.au](mailto:mlarsen@ara.net.au)