

State of the Rail industry - Inquiry Hearing – Canberra 30 August 2017

Department of Infrastructure and Regional Development - Questions on Notice

1. National Procurement Guidelines for Inland Rail and the National Rail Program (Hansard Page 15)

Hansard:

Senator KIM CARR: Mr Collett, the Commonwealth also made changes to the procurement guidelines. What impact do you think they've had on the expenditure of the new Commonwealth initiatives in regard to rail?

Mr Collett: I think at the outset it is important to note that the Commonwealth government doesn't procure rolling stock. The Commonwealth government's investment goes on below-rail commitments. So it hasn't had an impact on rolling stock and on rolling stock manufacturers.

Senator KIM CARR: No, but that's not my question. My question is: what impact have the changes in the Commonwealth procurement guidelines had on the two initiatives that have been announced—the \$8.4 billion and the \$10.4 billion programs?

Mr Collett: I'm not sure they're after specific comment in particular areas or whether there's particular things you want me to comment upon.

Senator KIM CARR: I want to know what impact the changes in the procurement guidelines had on those programs.

Mr Collett: The changes to the procurement guidelines will be followed in terms of those things that were procured.

Senator KIM CARR: I'm sure they will be. I would like to know specifically what impact the procurement guidelines changes will have on the operations of those programs. You can take that on notice.

Mr Collett: I'm happy to take it on notice and find more details. The key point will be that procurements going forward will comply with the procurement guidelines. I would note that, in relation to commitments on inland rail, ARTC, as a government business enterprise, is covered in a different way in terms of Commonwealth procurement rules, so I think that is an important distinction to make.

Senator KIM CARR: Would you please give me a detailed breakdown on how the procurement guidelines affect those two programs?

Mr Collett: I will take that on notice and provide it.

Senator KIM CARR: Presumably, the Commonwealth will be making purchases; local industry participation plans will still operate?

Mr Collett: I believe so, but I'll come back to you with that detail on notice. I'd note that a significant number of the investments that will be made under the National Rail Program, for instance, are yet to be determined by governments. There's an announcement in relation to the funding envelope that attached to the National Rail Program, but no specific projects have yet been funded under that.

Senator KIM CARR: But I've no doubt the Department of Finance would have provided you with some advice.

Mr Collett: They have.

Senator KIM CARR: Can we have a note back from you in that question on notice as to what impact those guidelines will have for the operations of those two programs?

Mr Collett: Certainly.

Answer:

Inland Rail

The Commonwealth will provide investment equity of \$8.4 billion into the Australian Rail Track Corporation (ARTC) for the delivery of Inland Rail. The equity investment is not a procurement and is not subject to the Commonwealth Procurement Rules (CPRs).

In addition, the ARTC is not subject to the CPRs. While subclause 2.2 of the CPRs indicates officials

from non-corporate Commonwealth entities and prescribed corporate Commonwealth entities listed in Section 30 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) must comply with the CPRs when performing duties related to procurement, the ARTC is not listed in Section 30 of the PGPA Rule.

National Rail Program

The Commonwealth Procurement Guidelines will not apply to the grant payments to States and Territories under the \$10 billion National Rail Program (NRP). Payments to States and Territories for road and rail infrastructure projects are made under the *National Partnership Agreement on Land Transport Infrastructure Projects* (NPA) and are not subject to the CPRs. These projects are administered under the *National Land Transport Act 2014*.

The Department's approach to the procurement of goods and services, is consistent with the requirements of the CPRs, including the need to achieve value for money in all purchases.

2. Local Industry Participation Plan (LIPP) and Industry Capability Network (ICN)
(Hansard Page 16)

Text:

Senator KIM CARR: How do the local industry participation plans work within the Department of Infrastructure and Regional Development's policy development process at the moment? What impact are they having at the moment?

Mr Collett: I can give you some more detailed advice in writing, but in essence there are obligations on the states in particular when they are funded through the Infrastructure Investment Program. Those obligations include the production of detail in terms of local industry participation. That sits alongside the state's own requirements, which often differ, and there is an amount of overlap. But the detail which we seek in terms of states putting forward their project proposals et cetera under the Infrastructure Investment Program requires them to provide that detail.

Senator KIM CARR: You've indicated you're prepared to put something more in writing—that would be great. Could you indicate to us what difference they've had? The AIP policies have been in place now for many, many years. Certainly, while I was a minister, they were in place. They affected the department of transport then, did they not?

Mr Collett: They did, yes.

Senator KIM CARR: So you'd be able to quantify what impact they've had?

Mr Collett: I would have to seek some advice from a variety of colleagues.

Senator KIM CARR: Of course you would—you wouldn't have access to the files here. But you could draw upon the files as to what impact they've had, let's say, since the passing of the Australian Jobs Act.

Mr Collett: I'm happy to get you some historical data. I guess there'd be—

Senator KIM CARR: That's only five years, though, isn't it?

Mr Collett: I understand that. I think the issue will be that some caution would need to be exercised, presuming that there's a direct causal link between that and particular levels of local industry participation. There are a whole variety of things which will impact upon the level of local industry participation, not just those plans.

Senator KIM CARR: Sure. I understand that. Also, you'd be able to tell me what impact the ICN has had?

Mr Collett: Again, trying to allocate causal impact is very difficult, as you would be aware. I'm happy to get you some data in terms of what the levels may or may not have been at different points in time. I would be fairly cautious about trying to allocate that to particular approaches.

Answer:

The Infrastructure Investment Program, administered by the Department, is delivered through the *National Partnership Agreement on Land Transport Infrastructure Projects (NPA)*.

Under the NPA, the States and Territories agree to develop and implement a Local Industry Participation Plan (LIPP) for all projects in receipt of Commonwealth payments over \$20 million.

The development and implementation of a LIPP remains a requirement of receiving Commonwealth payments in circumstances where a State or Territory's Local Industry Participation Policy would not normally require a LIPP. Where jurisdictions have local industry participation policies, they may rely on those instead on developing additional plans.

Responsibility for procurement arrangements under the Infrastructure Investment Program rests with the State and Territory governments, which must comply with appropriate policies and legislation.

The Department of Industry, innovation and Science is responsible for monitoring the impact of industry participation policies.

3. Rail Investment in Australia
(Hansard Page 17)

Text:

Senator KIM CARR: Is there any planning agency within the Commonwealth that could tell us what we're going to be spending in Australia on rolling stock and rail in infrastructure?

Mr Collett: I'm happy to come back to you on notice with some advice about what our understanding is of current intentions. The difficulty, as I'm sure you would appreciate, is that, when governments change at elections and other things, there may be a change to a particular jurisdiction's commitments. Being able to definitively say and definitively forecast what future expenditure would be is very difficult. I'm happy on notice to come back to this in detail of our current understanding.

Senator KIM CARR: But, in most of the transport portfolio, there is considerable understanding of what the investment pipeline is likely to be on roads, for instance, is there not? People have a fairly good grip of—that's what Infrastructure Australia does, isn't it?

Mr Collett: Infrastructure Australia has a view across all different modes and a whole variety of sectors.

Senator KIM CARR: So, you can't tell me what it is in rail?

Mr Collett: No. I can tell you what our current understanding is of the likely pipeline. I would note, though, we have considerable work under way, which was touched upon by earlier witnesses, in terms of a commitment by the government to produce urban rail plans for our five largest cities. We have a variety of other planning work in place. I really want to flag a note of caution that any view is heavily caveated in terms of future investments et cetera.

Senator KIM CARR: Could you give me the Commonwealth's figure on what the investment in Australia on rolling stock, freight, passenger and rail infrastructure is likely to be over the next 10 to 15 years? What's the best estimate you have?

Mr Collett: I'm happy to come back to you with a figure.

Answer:

The Commonwealth does not procure rolling stock as the *National Land Transport Act 2014* does not define rolling stock as part of a railway for purposes of investment. The purchase of rolling stock is undertaken by State and Territory governments or by private freight rail operators as owners and/or operators of rail networks.

In the 2017-18 Budget, the Commonwealth committed \$20 billion over 10 years for rail infrastructure.

4. Macromonitor Graphic
(Hansard Page 18)

Text:

Senator KIM CARR: I have a thing here called Macromonitor. Do you know anything about Macromonitor for rail construction?

Mr Collett: I'm not familiar with that product.

Senator KIM CARR: We'll put something on notice for you to have look at it. It's a graph that was presented to us as to what the estimates are across the Commonwealth—not the Commonwealth government; the Commonwealth of Australia. Perhaps you could make an assessment as to how adequate that estimate is given the evidence we've had today. Would you be able to take that on notice, please?

Mr Collett: I'm happy to take that on notice.

Answer:

Macromonitor is a privately owned company. The Department of Infrastructure and Regional Development does not provide data to this company and is not able to verify the company's estimates.

5. Australian Government Investment in freight rail
(Hansard Page 19)

Text:

Mr Collett: There's significant freight work, obviously, associated with the Inland Rail project.

Senator KIM CARR: But that's just one corridor. The Chair's mentioned wheat, iron ore and coal—what about those?

Mr Collett: Absolutely. We have involvement in a variety of projects which touch upon that. The Moorebank project is a significant investment. There's significant funding through the Victorian government for the Murray Basin Rail Project. There are a number of projects we're involved in for freight as well.

Senator KIM CARR: This is the Commonwealth we're talking about?

Mr Collett: We provide funding for a number of rail-freight-related projects.

Senator KIM CARR: Can you give me a list of those, please?

Mr Collett: Happy to.

Answer:

The Commonwealth is currently providing funding for the following rail freight projects:

- Melbourne - Brisbane Inland Project
- Moorebank Intermodal Terminal
- Murray Basin Freight Rail Terminal
- Melbourne Port Shuttle
- Ballarat Freight Hub
- Port Botany Rail Line Upgrade - Stage 3
- Townsville Eastern Access Rail Corridor
- Goodwood and Torrens Junctions
- Adelaide - Tarcoola Rail Upgrade Acceleration
- Tasmanian Freight Rail Revitalisation
- Implementation of the advanced Train Management System

6. Meeting with Rail Manufacturers
(Hansard Page 20)

Text:

Senator KIM CARR: When was the last time you met with a group of rail industry manufacturers?

Mr Collett: I'd need to come back to you on notice with the specifics.

Senator KIM CARR: But you personally? When was the last time you met as the senior officer?

Mr Collett: I would need to check and come back to you.

Senator KIM CARR: Do you recall it? Can you recall the last meeting you've had with them?

Mr Collett: It would have been some time ago with a specific manufacturer.

Senator KIM CARR: A manufacturer?

Mr Collett: With an Australian manufacturer, absolutely.

Senator KIM CARR: You would be able to recall a manufacturer?

Mr Collett: We have a number of meetings. We meet with international manufacturers and we have had meetings with domestic manufacturers. Giving you a specific date and telling you which manufacturer it was, I would need to check the records and come back to you.

Senator KIM CARR: Okay. Thank you very much. But, as a normal course of your work, you would see it as part of your role to meet with manufacturing firms?

Mr Collett: That would depend. As I mentioned, we have significant engagement with the ARA and others who will prosecute the interests and give us an insight into the views of manufacturers and other companies and individuals that they represent. If it was the case that we felt that we needed to have some further consultations—and we're certainly open to meeting with a whole variety of our stakeholders—it would depend on whether we were approached or not, and it would depend upon our view about whether we're getting the advice that we need through our engagement with people like the ARA.

Senator KIM CARR: You said 'if you were approached'. Would you actually seek out meetings with manufacturers?

Mr Collett: If we thought there was a need to get the manufacturer's views on particular policy issues or particular approaches then, yes, we would, but we wouldn't necessarily as a matter of course.

Senator KIM CARR: When was the last time you sought out a manufacturer?

Mr Collett: Again, I'd need to come back to you on notice.

Senator KIM CARR: Thank you, if you would.

Answer:

The last meeting between the Manager of Rail Policy and Planning Branch and a manufacturer was in September 2017 with Talgo (a Spanish rolling stock manufacturer) to discuss higher speed rail in Australia.

7. Contacts between the Department of Infrastructure and Regional Development and Department of Industry, Innovation and Science.
(Hansard Page 22)

Text:

Senator KIM CARR: What role is the industry department having in those developments of those issues around urban rail at the moment?

Mr Collett: We're keeping the industry department apprised of our progress in working with the states on the rail plans.

Senator KIM CARR: You're telling them after the event?

Mr Collett: It's not a matter of telling them after the event. We're working with state governments to work towards producing those rail plans.

Senator KIM CARR: What I can't understand, Mr Collett, is: why isn't the industry department intimately involved in the development of these issues?

Mr Collett: They'll be intimately involved in the issues that actually impact on industry. In the development of these urban rail plans, the impact on industry is one facet thereof.

Senator KIM CARR: Sorry, Mr Collett; all of these things impact upon the development of industry—all of them. Why isn't the industry department engaged directly in this policy work right now?

Mr Collett: They're engaged in the policy work to the extent that it impacts upon the industry. That doesn't mean that they need to be driving the actual development of the urban rail plans though. That's a responsibility that sits with our portfolio.

Senator KIM CARR: Sorry, the normal practice on these sorts of things should be to at least have an interdepartmental committee, surely?

Mr Collett: Whether it's a formal or informal process, I think the point is ensuring that those people who need to be aware of the work are aware of the work.

Senator KIM CARR: But you can't tell me who they are. You can't tell me if there's actually a rail person in the industry department that you're dealing with.

Mr Collett: No, I flagged earlier that there's not someone who has 'rail' specifically in their title. That's different from saying that—

Senator KIM CARR: So, on notice, tell me which officers in the industry department you're dealing with.

Mr Collett: I'm happy to, Senator.

Answer:

The Department of Infrastructure and Regional Development regularly liaises with officers from the Advanced Technologies Branch, Industry Growth Division, and the Business Simplification Branch, Portfolio Policy and Strategy Division, in the Department of Industry, Innovation and Science.