

Australasian Railway Association

Submission - Financial support for state and territory infrastructure projects

Finance and Public Administration
References Committee

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1. About 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 230 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;
- track owners, managers, and contractors that deliver a safe and efficient rail infrastructure network; and
- 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 Australia's journey towards net zero, and we know that the industry offers meaningful and rewarding careers for thousands of people in both cities and regional areas.

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.

2. The importance of rail to Australia

The rail industry provides the foundation for our country's transport infrastructure, connecting people and freight from our cities to the regions, and across the continent. Rail continues to be safer, more efficient and more environmentally sustainable when moving large volumes of people and freight than any other mode of transport in the world.

The [Value of Rail 2025](#)¹ report highlights the rail industry's growing contribution to the economy and the need for continued investment in rail to reduce emissions, improve safety and enhance the liveability of Australian communities.

¹ Value of Rail 2025, Deloitte Access Economics and ARA

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The report confirmed that the rail industry generated nearly \$40 billion for the economy in 2024, which is a 30 per cent increase from 2019. The number of jobs generated by rail has also increased by 19 per cent since 2019, with rail supporting almost 200,000 jobs across the country in 2024.

Overall, rail has outperformed the broader economy's growth in jobs and output. Rail's growth is powered by the industry's breadth, namely passenger and freight rail, manufacturing and repair, supply chain services and construction, all of which support economic growth and national productivity.

Passenger rail is integral for urban and regional connectivity, delivering over 744 million trips annually nationwide. Demand for rail has recovered since the pandemic, with the purpose of rail travel shifting primarily from commuting for work towards more social and recreational journeys. Projects such as Sydney Metro and Melbourne Metro are reshaping urban mobility, promoting more trips from cars to rail, ultimately driving substantial societal benefits.

Rail's social and environmental benefits are significant, comprising of reduced congestion, lower emissions, improved health and safety and social inclusion. Rail is much less carbon intensive than road transport, producing far fewer emissions per tonne-kilometre.

For passengers, greater rail use reduces congestion, improves safety, and could yield a further \$669 million in annual societal benefits if 10 per cent of commuters shift from road to rail. Rail upgrades and continued mode shift improve urban liveability, lower crash rates, and improve air quality.

Freight rail is fundamental for bulk exports, moving most of Australia's iron ore, coal, and grain, which make up about 35 per cent of export value. Australia's freight task grew to 785.4 billion tonne kilometres in 2023-24 (or 2024 financial year) including road, rail, coastal shipping and air freight. This is an increase of one per cent from pre-COVID levels in 2019 and 17 per cent higher than in 2014, with rail freight accounting for 71 per cent of this change since 2014.

Rail's freight task, including bulk and containerised freight, is nearly double that of road, and projects like Inland Rail are expected to further increase rail's share, especially for containerised freight, driving productivity and environmental improvements. Manufacturing and maintenance activities within rail are expanding, supporting skilled jobs and technological progress. Furthermore, rail's environmental benefits are substantial, with freight rail overall being 16 times less carbon intensive than road transport. Shifting even one per cent of freight from road to rail could save \$80 million a year in crash, health and emission costs.

To maximise rail's benefits, the Australian Government must continue investing in network modernisation, rail safety improvement, industry capability, and emissions reduction technologies. Rail is more than just transport – it is a strategic platform for productivity, connectivity and sustainability, with its expanding economic, social and environmental contributions set to underpin Australia's resilience and prosperity into the future.

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3. Response to Terms of Reference

3.1 The criteria and processes used by the federal government to assess, prioritise and allocate infrastructure funding

Effective rail infrastructure investment requires integration between transport planning, land-use planning, and urban settlement strategies. International and domestic experience demonstrates that when these elements are planned in isolation, infrastructure outcomes are sub-optimal, resulting in lower productivity, congestion, and increased long-term costs.

In Australia, transport infrastructure decisions are often made through siloed jurisdictional processes, where federal funding assessments focus narrowly on individual project merit rather than network-wide outcomes. This contrasts with best practice approaches used in countries such as Germany and the United Kingdom, where rail investment is assessed against national freight corridors, passenger demand forecasts, and settlement patterns.

Infrastructure Australia has repeatedly highlighted the need for integrated land-use and transport planning in its Infrastructure Priority Lists, noting that poorly coordinated planning reduces economic returns.

The Commonwealth is uniquely positioned to use funding contributions as a lever to achieve national objectives in rail infrastructure. Conditional funding should be applied to:

- Interoperability and national standards (e.g. digital signalling, rollingstock interfaces, axle loads)
- Increased productivity, including modern methods of construction (MMC), off-site fabrication, and modular rail systems
- Streamlined and standardised procurement, reducing duplicated tendering effort across jurisdictions
- National workforce and industry capability, including local manufacturing, skills development, and supply chain resilience

This approach would reduce inefficiencies caused by jurisdiction-specific standards, particularly in rail systems where fragmentation has historically increased costs and limited rollingstock and signalling interoperability.

3.2 The transparency, consistency and accountability of federal funding decisions

Infrastructure investment should be clearly correlated with population growth, settlement patterns, as well as passenger and freight demand, particularly in rapidly growing metropolitan and regional corridors.

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However, current funding patterns demonstrate a boom–bust cycle that undermines industry stability and long-term value for money.

The IPA (Institute of Public Affairs) report on jurisdictional infrastructure budgets shows a significant drop in infrastructure spending following peaks, creating volatility in the construction and rail sectors. This cyclical discourages investment in skills, apprenticeships, and advanced manufacturing, as industry cannot rely on a consistent pipeline of work.

The Commonwealth should adopt a sequenced national infrastructure pipeline, coordinating project timing across jurisdictions to:

- Stabilise demand for skilled labour
- Moderate wage escalation
- Reduce material price inflation
- Improve project delivery capability

During periods where multiple major rail projects were delivered simultaneously (e.g. Melbourne Metro Tunnel, Sydney Metro, Cross River Rail), labour and material costs escalated significantly due to artificial demand spikes. Major projects should be sequenced to manage market capacity and reduce cost inflation.

Consideration needs to be given to the fact that delays between business case approval and project delivery materially increase costs due to:

- Inflation
- Market re-pricing
- Obsolescence of technology assumptions (e.g. signalling, communications systems)

These impacts must be transparently acknowledged in funding decisions, with escalation mechanisms clearly documented.

3.3 How the viability and appropriateness of state and territory projects receiving federal funding is assessed, including the adequacy of business cases, rural and regional distribution impacts, and use of independent assessments

The viability of state and territory rail projects must be assessed using robust, independent business cases that consider:

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- Network benefits rather than isolated project outcomes
- Rural and regional connectivity
- Freight and passenger productivity impacts
- Long-term operational and maintenance costs

Major rail projects often extend beyond electoral cycles. Without bipartisan support, projects are vulnerable to cancellation or redesign, resulting in:

- Sunk costs
- Workforce dislocation
- Loss of industry confidence

The cancellation and later reinstatement of major rail projects in several jurisdictions has resulted in significant cost escalation and loss of skilled resources. Internationally, long-term rail programs such as HS2 in the UK (despite challenges) demonstrate the importance of cross-party commitment to infrastructure continuity.

Federal funding assessments should explicitly include:

- Digital rail upgrades (e.g. ETCS, CBTC, traffic management systems)
- Climate and resilience upgrades, including flood protection, heat resilience, and asset redundancy

These investments often deliver higher benefit–cost ratios than new track construction by improving capacity, safety, and reliability at lower capital cost.

3.4 How the economic, social, cultural and community impacts of federally supported infrastructure projects are considered during assessments

Assessment frameworks must apply clear, transparent criteria that balance:

- Economic productivity
- Social accessibility and equity
- Environmental sustainability
- Cultural and community outcomes

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Rail infrastructure funding should align with:

- Net Zero emissions targets
- Local content and industry participation policies
- Decarbonisation of freight and passenger transport

Decision-making must move beyond capital cost minimisation to consider:

- Maintenance and renewal costs
- Asset durability
- Operational efficiency
- User experience and safety

For example, rail electrification projects often have higher upfront costs but deliver significantly lower whole-of-life emissions and operating costs compared to diesel alternatives. Failure to consider lifecycle costs has historically led to underinvestment in maintenance, resulting in reliability issues and safety risks.

3.5 Federal oversight mechanisms used to track progress and performance of a state or territory project receiving federal funding and opportunities to improve governance, oversight and public reporting

Strong federal oversight is essential to ensure that public funds deliver intended outcomes. Current arrangements would benefit from:

- More transparent progress reporting
- Independent post-project reviews
- Publicly accessible lessons-learned documentation

A structured approach to capturing and sharing delivery lessons would materially improve future project performance. For example, the UK Crossrail Learning Legacy website provides open access to documentation on governance, engineering, procurement, and systems integration, enabling industry-wide learning. A similar national platform in Australia would reduce repeated mistakes across jurisdictions and improve rail project maturity.

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4. Summary of Recommendations

Recommendation 1

The Australian Government require federally funded rail infrastructure projects to demonstrate clear alignment with integrated transport, land-use and urban settlement planning frameworks.

Recommendation 2

Commonwealth infrastructure funding be provided on a conditional basis to support nationally consistent rail interoperability standards, digital systems, and modern construction and procurement practices.

Recommendation 3

The Australian Government establish and maintain a sequenced, multi-year national rail infrastructure pipeline to improve transparency, reduce investment volatility, and moderate cost escalation across the sector.

Recommendation 4

Infrastructure funding allocations be transparently linked to population growth, regional development needs, and nationally significant freight and passenger corridors.

Recommendation 5

All state and territory rail projects seeking federal funding be supported by independently assessed business cases that consider network-wide benefits, interoperability, whole-of-life costs, and the impacts of delivery delays.

Recommendation 6

Governments seek bipartisan support for major rail infrastructure projects with delivery timeframes extending beyond a single electoral cycle, to minimise project disruption and cost inefficiencies.

Recommendation 7

Digital rail upgrades, signalling modernisation, network optimisation and climate resilience works be explicitly recognised as eligible infrastructure investments for federal funding.

Recommendation 8

Project assessment frameworks apply clear and consistent criteria that evaluate economic, social, environmental, cultural and community impacts, including alignment with national Net Zero emissions targets.

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Recommendation 9

Australian Government funding decisions prioritise whole-of-life value and long-term performance outcomes over lowest upfront capital cost.

Recommendation 10

The Australian Government strengthen federal oversight and public reporting requirements for federally funded rail projects, including cost, schedule, scope and benefit realisation metrics.

Recommendation 11

The Australian Government establish a national, publicly accessible infrastructure lessons-learned repository, modelled on international best practice, to improve governance and delivery outcomes across jurisdictions