



Australian Government

Australian Government response to the independent review of Inland Rail

April 2023



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Australian Government Response

The Australian Government thanks Dr Kerry Schott AO for her time in conducting a comprehensive and insightful independent review of the Inland Rail project, and for providing a detailed report to the Government.

In response to the independent review, the Government is taking prudent and responsible action to get Inland Rail back on track.

Recommendation 1

The Shareholder Ministers should address the skills requirements of the ARTC Board with their next appointments and continue to address these skill requirements.

The Government agrees

The Australian Government will immediately commence work to ensure that ARTC and any potential subsidiary has the necessary skills and experience to deliver its functions.

The appointment of a new Chair of ARTC, Mr Peter Duncan AM and Dr Collette Burke, both with extensive project management and rail experience, is the first step to addressing these issues.

Recommendation 2

The position of Chief Executive of Inland Rail should be filled substantively as soon as possible.

The Government agrees

The Australian Government supports this recommendation and will work with the Chair of ARTC to appoint a substantive Chief Executive of the Inland Rail Program (Program) as soon as possible.

Recommendation 3

ARTC must have governance arrangements to deliver both the Inland Rail project and the business-as-usual operations of ARTC. This can be achieved through the establishment of a subsidiary company of ARTC.

The subsidiary company should have a dedicated board, say five members, and should include the Chair of ARTC as a board member to ensure clear visibility of the Inland Rail project to the ARTC Board, with further ARTC representation limited to not more than one additional ARTC Board member.

The Chief Executive of Inland Rail should report to the subsidiary Board and attend the main ARTC Board meetings to provide any information required and project updates.

The particular skills needed to oversee the Inland Rail project should be concentrated in the subsidiary (although also represented in the ARTC Board). The Chief Executive of Inland Rail should report directly to its subsidiary board and have full control over their budget, approvals, employment and other matters a major project Chief Executive would expect to control.

The Government agrees in-principle

The Australian Government has asked Shareholder Departments to work with ARTC in exploring how a subsidiary model can be best delivered, and provide further advice for Government's consideration.

Recommendation 4

The position of Managing Director/Chief Executive of ARTC should:

- focus entirely on the role of managing an operating rail company;
- ensure that the Inland Rail project and ARTC business-as-usual operations are tightly ring-fenced; and
- continue reporting through to the ARTC Board about the operations business.

The Government agrees

The Australian Government will work with the Chair of ARTC to support ARTC to restructure its governance and business operations to provide an operating environment that enables the Managing Director/Chief Executive of ARTC to focus on leading ARTC's rail network business to meet freight market and customer needs.

Recommendation 5

The Statement of Expectations issued by the Shareholder Ministers of ARTC should be reviewed and provide the necessary clarity and guidance to enable the ARTC Board to effectively deliver the Commonwealth Government's objectives. It should then be reviewed periodically to ensure it remains fit for purpose and continues to reflect the Government's objectives for ARTC.

The Government agrees

The Australian Government will issue an updated Statement of Expectations within three months to provide the necessary clarity and guidance to enable the ARTC Board to effectively deliver the Commonwealth Government's objective.

Recommendation 6

The Inland Rail project team should review its risk management systems and ensure there are appropriate triggers and metrics for the timely escalation of key risks and importantly their mitigation strategies to the Board, Shareholders Ministers and their departments. Reporting processes about risk management, including reporting processes documented in governance arrangements between Shareholder Ministers, their departments and ARTC, should also be reviewed.

The Government agrees

The Australian Government strongly supports the recommendation that ARTC reviews its risk management systems to ensure that there are clearly defined triggers and metrics for the timely escalation and reporting on key risks to the Board and as necessary the Shareholders Ministers. This will also be supported through other stronger governance arrangements that the Australian Government will put in place.

Recommendation 7

The service offering proposed by ARTC, and supported by business, that offers a reliable 24-hour transit service on double-stacked trains of 1,800 metres length should be accepted.

The Government agrees

The Australian Government understands that the service offering is supported by industry and business. It notes, however, that the service offering should not be supported beyond Beveridge in Victoria and Ebenezer in Queensland.

Recommendation 8

Two new intermodal terminals should be developed concurrently in Melbourne. Beveridge should be available as soon as practical and the second, WIFT at Truganina, should in due course expand and become the larger operation. Both terminals should be operated by independent operators providing open access to all rail freight operators. Given that National Intermodal Corporation has an option to purchase land at Beveridge and is a Commonwealth-owned GBE that can offer open access and independence from freight operators, preference should be given to it to develop Beveridge on those conditions.

The Government agrees

The Australian Government supports the two-terminal approach in Victoria and will work with the Victorian Government to settle funding and delivery arrangements.

The Australian Government owned National Intermodal Corporation recently exercised an option to acquire land at Beveridge, previously identified as suitable to connect to Inland Rail.

Recommendation 9

An intermodal terminal should be developed at Ebenezer so that its completion aligns with that of Inland Rail. The final site, lay-out and commercial model should be settled expeditiously between the Commonwealth and Queensland Governments. The terminal should be run independently by a terminal owner/operator with an open access regime. Governments should consider who that terminal operator will be, but I note that such an operator already exists in the form of Commonwealth-owned National Intermodal Corporation.

The Government agrees in-principle

The Australian Government agrees in principle that a terminal should be developed at Ebenezer to support Inland Rail operations, following completion and consideration of the current business case.

Recommendation 10

The Commonwealth and NSW Governments should investigate opportunities for intermodal facilities at Parkes, possibly to be developed by the National Intermodal Corporation.

The Government agrees in-principle

The Australian Government supports the work being undertaken by the NSW Government to develop intermodal facilities in Parkes.

The Government will work with the NSW Government to consider the need for the development of an independently managed open access intermodal facility at Parkes.

This work will be led by the National Intermodal Corporation.

Recommendation 11

ARTC should ensure that the new signalling system being acquired is interoperable with state systems, and if not what the options are to make it so, including possible replacement. Detailed discussions with other relevant Rail Infrastructure Managers must occur to address the issue.

The Government agrees in-principle

The Australian Government is already working with jurisdictions and industry to ensure greater interoperability, this includes the recent signing of a Memorandum of Cooperation to make rail more competitive and interoperable across Australia. The Australian Government expects ARTC to engage effectively to support an appropriate national approach.

Recommendation 12

Where the Inland Rail route bisects regional towns the disruption that additional train traffic causes should be addressed by appropriate modifications to limit noise and enable adequate cross town access if that has not already been done. As Inland Rail train traffic increases significantly the possibility to bypass the town should be investigated and easements protected for a new by-pass corridor.

The Government agrees

The Australian Government supports this recommendation and notes how important it is for ARTC, through the appropriate regulatory environmental approval processes, to assess and mitigate impacts to communities.

It also agrees to continue monitoring freight traffic along the corridor, noting that it is a state responsibility to identify and preserve future transport corridors.

Recommendation 13

The Commonwealth should engage an independent specialist to review the design solutions developed by ARTC to define the scope of the Inland Rail project and meet associated approval requirements and, working with ARTC, define exactly what the scope of this project is on the basis of the latest evidence available through the approval processes. The cost of scope provided beyond the freight requirements for Inland Rail should be allocated elsewhere as appropriate. This work should be coordinated with further cost estimation work discussed in Section 6.3.

Where there is still uncertainty due to outstanding approvals every effort should be made to understand the nature of the matters outstanding and assist the parties to reach an expeditious conclusion. There should be particular attention paid to the Queensland sections.

The Government agrees

The Australian Government supports the engagement of an independent specialist to define the scope of the Program having regard to design solutions developed by ARTC.

The Australian Government agrees that this work should be coordinated with the work of an independent value engineer/cost estimator.

Recommendation 14

ARTC should examine the issues it has had with its approval processes and take measures to ensure they are dealt with. Delays of this kind are costly for the project and their importance must be recognised.

The Government agrees

The Australian Government expects ARTC to work closely with the jurisdictions to more fully explore how Environmental Impact Statements can be delivered in a timelier manner and to a higher quality.

Recommendation 15

ARTC, the Inland Rail project team and the rail operators should examine whether the possessions regime for Inland Rail can be modified to assist in more expeditious completion of stages of the Inland Rail project.

The Government agrees

The Australian Government supports the Inland Rail project team examining the possessions regime and, if possible, modifying that regime to assist in more expeditious completion of stages of the Program.

Recommendation 16

ARTC should continue to examine options for staging the completion of Inland Rail and in particular the option of completing the Melbourne/Beveridge to Parkes sections by 2027. It should also examine options for the subsequent delivery of the project through to Gowrie once it has obtained greater certainty on approvals and costs. From Gowrie to Kagaru the focus should be on the works required to gain approvals to help secure gazettal of rail corridors and completion of land acquisitions. ARTC should use this time to finalise the scope of these sections and gain greater certainty on schedule and cost.

The Government agrees

The Australian Government fully supports ARTC examining options for staging the completion of the Program. The Government has decided to prioritise Beveridge to Parkes, with further work north of Parkes to be undertaken on a least regrets basis, as agreed with Shareholder Ministers.

Recommendation 17

On behalf of ARTC negotiations with Regionerate Rail should commence with a view to changing its scope to exclude double-stacking on the final section to Kagaru, and with a view to limiting costs and structuring payment arrangements in a manner that ARTC can afford. This may include a move away from a pure PPP arrangement to some other contractual arrangements.

The Government agrees

The Australian Government will work with ARTC and Regionerate Rail to examine the feasibility of implementing this recommendation.

Recommendation 18

Work to analyse the project costs of Inland Rail, and the expected timing of those expenditures over the next years of this decade, should be done carefully to ensure that the Inland Rail project team, ARTC and their Shareholder, are fully cognisant of the details. An independent value engineer/cost estimator should be appointed by the Commonwealth to conduct this work given the difficulties that ARTC have had in providing such estimates. This person should coordinate with the work being done to define the scope of the project carefully as noted in Recommendation 13. The estimates should enable both ARTC and the Commonwealth to budget with some certainty for the next five to ten years for this project.

The Government agrees

The Australian Government agrees to appoint an independent value engineer/cost estimator to analyse the project costs to provide credibility to the cost and the timeframe.

This work will allow the Government to consider what, if any, further funding is necessary to support the Program.

Recommendation 19

As Inland Rail proceeds, the local government areas that it passes through, along with the relevant State Government and ARTC, should consider where regional development might focus and what industries may be attracted to expand in those locations. To facilitate this, the Commonwealth Government should raise the issue with their State counterparts in regional development.

The Government agrees

The Australian Government recognises the importance of regional development and will continue to work with its state counterparts to focus on maximising the benefits of the Program in the areas through which it passes.