MINISTERIAL STATEMENT
Alice Springs to Darwin Railway

Mr HATTON (Chief Minister) (by leave): Mr Speaker, ensuring the building of the railway line from Alice Springs to Darwin has been a matter of high priority for successive governments in the Northern Territory. The people of the Territory need no convincing of the need for, and the benefits of, the line. I rise today to assure the Assembly and the people of the Northern Territory that this project remains a high priority for my government and to take the opportunity to report on progress that has been made towards achieving that goal.

The Northern Territory government has pursued this project actively since self-government. I would remind honourable members that the Commonwealth accepted a legislative obligation to build the line back in 1911, when responsibility for the administration of the Northern Territory passed from South Australia to the Commonwealth. That obligation was confirmed in 1949 when Commonwealth legislation made it clear that the Commonwealth was committed to build, and pay for, the line. The initial thrust of the Territory government was therefore to insist that this commitment by the Commonwealth be honoured. It is the only commitment accepted by the Commonwealth under the 1911 legislation that has not been met. Initial results of our efforts convinced the Fraser government that the line should be built and a commitment to that effect was made by the Prime Minister prior to the 1983 federal election. The federal government of the day pledged to complete the line by 1988 and preliminary work was started. The federal ALP, in opposition under the leadership of Mr Hawke, made an unequivocal pledge that it would build the line and, indeed, ALP spokesmen went so far as to say that only a Labor government could be trusted to build the line. Subsequent events have shown what it means to trust a Labor government.

Under Mr Hawke as Prime Minister, the federal ALP immediately repudiated that pledge and came back with an offer which required the Northern Territory to find 40% of the total cost of the line. The Chief Minister at the time pointed out the impossibility for the Territory to accept such a burden and that offer was firmly, and quite correctly, rejected. The Territory government continued to press the Commonwealth to meet its obligations and the Commonwealth then walked away completely.

I will not dwell again on the farce of the Hill Inquiry; all honourable members will remember only too well that appalling episode which demonstrated the cynicism of the federal ALP government, and its total lack of concern for the people of the Territory.

Faced with an unreasonable and intransigent attitude by the Commonwealth, it became necessary for the Northern Territory to consider alternative ways of getting on with the task of building the railway. Canadian Pacific Consulting Services were commissioned to report on the project. Its interim report concluded that the line would be of net economic benefit to Australia as a whole, not a drain
on the nation as the Hill Inquiry alleged. The final report by Canadian Pacific, following detailed investigation and assessment of the technical options for the railway, concluded that the line was a viable project and economically justified.

Armed with this advice, the Territory government, under my predecessor, began to pursue a private enterprise alternative to the railway. Discussions were initiated with a number of companies which would have an interest in such a project. These companies included those in transport, construction, freight-forwarding and finance areas. Considerable interest has been shown by various companies in the railway and particularly in the concept of a privately-owned and operated railway. We are proceeding to build on this interest and to develop an arrangement which will work. Honourable members will appreciate that putting together a project of this magnitude with maximum private sector participation is extremely complex, and the extent to which governments, including the Territory, Commonwealth and possibly South Australian governments will need to be involved in an ongoing way, remains to be worked out.

Mr Speaker, it is relevant to note at this point the implications of the Dibb Report on Australian defence. I will be making a separate statement on the Dibb Report during these sittings. However, the case for enhanced northern defence developed in that report is incontrovertible and lends strong support to the case for the railway. The report says that, 'in a threat situation, convoy by sea might be used for critical civil or military cargoes but Australian defence strategy could not rely on coastal shipping to support operations in the north. Alternative means of transport, less susceptible to interdiction, including road and rail transport, should be used to minimise the defence force being drawn into convoy and other defensive shipping operations at disproportionate cost and to the detriment of other strategic options'. The report also explicitly acknowledges the value of the railway in the defence context.

Returning to the steps now being followed to put the project together, in March this year, the Northern Territory government, inspired by the outstanding success achieved in putting together the Amadeus Basin to Darwin gas pipeline project, established the Railway Executive Group. Comprising a small number of expert and dedicated Northern Territory officers and headed by a former Northern Territory Under-Treasurer, the group has been working hard over the past 3 months bringing together the information required to establish what sort of a railway we need, where it should run, how much it is likely to cost, what earnings can be projected and, most importantly, how it can be financed.

Some of the material required to assist in those decisions already exists; for example, a considerable amount of survey and design work completed by Australian National Railways before the project was totally shelved by the federal government and which, with the approval of the Prime Minister, is now in our hands. In other areas such as the projection of freight tonnages likely to be carried and the freight charges that might be expected to be commercial and competitive, a deal
of work in checking remains to be done. This is expected to take the Railway Executive Group up to another 3 months to complete. Notwithstanding the amount of work that remains to be done in pulling the pieces of the project together and assembling them in a form which will enable confident decisions to be made, it is clear to the Railway Executive Group at this stage that the loan will be possible only under certain conditions.

Firstly, to preserve the viability of the project, the rail service should be for freight only. Long distance passenger services are not profitable. They are not profitable in Australia and, by and large, they are not profitable overseas. Neither the Ghan nor the Indian Pacific makes a profit on passenger services. If we are genuine in our approach, we much accept this fact. If people subsequently demand a passenger service, they, not the freight forwarders, must pay for it.

Secondly, the track structure should be designed and built to the levels required to carry freight level of the early 1990s. Progressive upgradings should be planned and budgeted for as traffic grows. Put simply, the project cannot afford a track design to carry far more freight than is likely to be available for many years. It simply adds too much to the upfront costs.

Thirdly, an important way to achieve savings will be to use the old North Australian Railway alignment for part of the route between Katherine and Darwin. This will mean some operating and maintenance penalties which will need to be budgeted for but, again, there are important capital savings.

Fourthly, we will also need to seriously consider a range of other cost-saving options, such as the acquisition of used steel rail, secondhand locomotives and rolling stock, the use of steel or timber sleepers instead of concrete, and timber trestle bridges as a medium-term alternative to steel and concrete structures with the aim of reducing the upfront costs of the line to the maximum extent consistent with safe and reliable commercial operation. There are significant savings available in these areas although honourable members will appreciate that the use of secondhand or imported inputs limits employment opportunities within Australia. This is an area where common sense will need to prevail if we are to attain our major goal of a cost-effective and efficient railway.

Fifthly, the equipment acquired or leased for the line must be compatible with Australian National Railways equipment to ensure that the line is able to operate as an integral part of the national rail network. I emphasise that, in the pursuit of cost savings and efficiency, we are planning for a safe, modern link which will operate with the equipment used throughout Australia and without unacceptable operational constraints.

Sixthly, it continues to be our view that private sector participation in the financing, construction, ownership and operation of the line should be maximised and, at the very least, that majority
ownership of the corporation owning the line should be in private not public sector hands.

In arriving at its preliminary conclusions, the Railway Executive Group has sought the advice and assistance of a range of people and organisations expert in various areas. Amongst the consultants retained for the task are: Mr Des Smith, until October last year the Chief Civil Engineer for Australian National and the man responsible for organising the project until its removal from AN's hands by the Commonwealth in 1984; Canadian Pacific Consulting Services, the highly professional consulting arm of the private sector organisation that runs one of the few profitable rail services in the world – Canadian Pacific has an international reputation as a railway operator and has developed construction and operation expertise in a number of countries around the world, and under a range of conditions; Australian National itself, responsible for the operation of the existing, albeit incomplete, standard gauge interstate system, and the rebuilding of the transcontinental line to Perth; the engineering consultants, Cameron McNamara, on the bridges, and Gutteridge, Haskins and Davey on the overall cost estimates for the line; John Standingford and Associates Pty Ltd, a South Australian consulting firm with particular economic expertise and a company which has been associated in a very significant way with the Northern Territory’s efforts to secure the railway since the preparation of material for the Hill Inquiry; the firm of Smith, Curry and Partners, accountants and lawyers specialising in taxation matters, who have been engaged to advise on the most tax-effective ways of achieving a successful and viable railway – they also played a major role in providing similar advice for the gas pipeline; and, in due course, financial advisers will be appointed to assist in the development of specific financing options.

Mr Speaker, the objective is to ensure that we have available the best possible information and advice on the engineering, financial and operational issues which will need to be carefully and comprehensively weighed by the government when the time for decisions on specific commitment by the NT government is reached. I am confident that the advice we receive from these experts on the construction and operation of the line, supplemented by the considerable local expertise we have in our own departments, will be the best advice obtainable and will provide a secure base from which the project can be planned in detail. To that end, a team from the Railway Executive Group comprising the Director, Mr Des Smith, and the Director of the Northern Territory Roads Division spent the first week of May in Montreal with the Canadian Pacific organisation, resolving a number of key technical issues regarding the line and its likely cost.

Let me hasten to add that the government has made no firm decisions on any of the matters I have referred to. Not only would that be premature, since there is a deal of work yet to be done by the Railway Executive Group and its consultants, but also inappropriate in circumstances where commercial decision-making is likely to play a major role. The charter we have given our group proceeds from the point that the Northern Territory government wishes to sponsor and facilitate the construction of a commercially viable railway, built as
economically as possible. Private ownership and operation appears to offer the best environment for that to happen, and it is important that future commercial decisions not be pre-empted or inhibited by the government.

There are, however, a number of aspects where the Railway Executive Group is assembling and assessing information which will provide the eventual owners and operators with a flying start on the project. The Railway Executive Group is planning to have available by September a package of materials which eliminates or minimises for potential private sector participants as many of the uncertainties as possible regarding the preferred route, including critical elements of the physical ground survey, ballast sources, water supplies, land and sacred sites, feasible economic construction standards for that route with cost estimates in June 1986 prices, the condition of bridges and formation for any section of the route following the old alignment, together with estimated upgrading and strengthening costs and estimates of capital equipment, including rolling stock and communications, required to operate and maintain the line for a nominated level of traffic, and the likely availability and supply rate of steel and concrete products tracklaying machinery etc, both new and used.

The package will also contain material which will be relevant to the railway company's decisions including a developed tax-effective financing structure, staffing and industrial relations aspects, likely interstate rolling stock and revenue-sharing arrangements, and similar matters which ultimately will be for the company or companies to settle on commercial grounds.

I have asked the Railways Executive Group to report again in time to allow me to make a further progress report to the Assembly during the October sittings. By that time, I expect to have had sufficient information placed before the government to enable a considered decision on the nature and extent of the Northern Territory government's participation in the project. That participation may be in the form of a significant shareholding in the railway company or through the provision of land or through a take-or-pay contract for the carriage of government stores and equipment or some other means or combination thereof. Indeed, it may be none of these means if the project does not survive the rigorous proving up it is now undergoing.

Can I also add that continuing support for the project and the Territory government's approach to it can be expected from the federal opposition parties on their return to government. There have been a series of discussions with the shadow minister for transport, members of the coalition transport committee and the Territory's CLP federal member. They have accepted the approach which I have outlined to the Assembly today and the shadow minister has indicated he will be supporting the railway project and the framework for its achievement which I have described and that he will be presenting and advocating the position through the coalition's policy review procedures. The shadow minister has conveyed to me his confidence that the project and our approach will be endorsed and supported by the joint parties and will be reflected in the coalition's transport policy at the federal level.
Mr Speaker, there should be no mistake about the Northern Territory government's position. The Northern Territory government, of which I am Chief Minister, is determined that the Alice Springs to Darwin railway will be built. It is taking every possible step open to it to ensure that it will be. It is not prepared to write an open cheque but it is prepared to make a significant investment in the project on behalf of all Territorians and, indeed, on behalf of all Australians provided that investment is expected to yield significant returns in the long run. At the October sittings, I hope to be in a position to inform honourable members of further progress.

Mr Speaker, I move that the Assembly take note of the statement.

Mr B. COLLINS (Opposition Leader): Mr Speaker, I criticised the Chief Minister this morning in respect of his address-in-reply to the Administrator for proposing no new initiatives for the Northern Territory. I am glad that today has not expired before a new initiative has been announced. The Chief Minister has just advised the Assembly that he had spoken to the Northern Territory's Country Liberal Party's federal member and asked him to cooperate. That certainly is a new initiative for the Northern Territory government.

The Deputy Leader of the Opposition will speak in this debate tomorrow and will tackle it from his perspective as opposition economic spokesman. Because this is a matter which has been canvassed ad nauseam in the Legislative Assembly over the past few years, I want to make a few responses to it now.

During the last sittings of the Assembly, the opposition raised the prospect that this railway was being considered as a freight-only railway. It was in response to the concerns raised by the opposition that the government finally was forced to reveal that that was in fact the case. We raised that, not because we were questioning the obvious financial fact that there is not a passenger service in this world which pays its way, but to advise the people of the Northern Territory that their expectations and hopes for this railway had been raised to ridiculous heights. This came about through the usual silly statements made by members opposite about proposed developments for the Northern Territory. As past debates have shown, we have had proposals for a $1200m nuclear power-station to be built in Darwin, aluminium smelters, and Concorde landing at Yulara. When such proposals are put forward in the Legislative Assembly, no matter how absurd, anyone who questions them is immediately targeted and called a knocker, a whinger and an opponent of Territory development.

I mention this because this statement is a useful one indeed. It at least brings some degree of rationality to the debate about the railway. It has to be acknowledged by the government, as I am sure it is by the Chief Minister, that this statement will come as a very severe dose of cold water to many Territorians. They have held a vision of the railway far different from the one painted in this statement. We pointed out some time ago that it was likely to be a freight-only railway, and the government acknowledged that. I do not have to remind members. I am sure we all remember the grandiose pictures that were painted of the railroad, the enormous contribution it would make to the Territory's tourist industry and the hordes of
tourists who would be climbing on board and travelling up and down the track. That is why we raised the fact that the government was looking at a proposal which would not include passengers at all.

Having read the statement, a further bucket of cold water has now unquestionably been thrown on the provision of this railroad. Not only has it been made clear that it will not carry passengers, and I have no argument with this, but we are also told that the options under consideration include the use of second-hand railway lines, second-hand rolling stock, and second-hand locomotives. There is probably one at the old Fannie Bay jail which could be pressed into use. The government is also contemplating the use of wooden sleepers and wooden bridges. I find it interesting that, in the same statement, there is a commitment by the Chief Minister that we will eventually have 'a safe, modern railway'. I suggest that there is an apparent contradiction in that, on the one hand, we are told it will be a safe modern railway and, on the other hand, that it will have second-hand engines, second-hand rolling stock, second-hand railway lines, wooden sleepers and wooden bridges.

It should be obvious even to those opposite that I am pleased this statement is before the Legislative Assembly, because it has, for the first time, painted an accurate picture of what the railway line may look like if it is economically viable. We have been pointing this out for some time and I am glad that we finally have a government which is prepared to acknowledge it. If you are interested in the railway line for the Northern Territory, as I am, you would be prepared to do your homework on it. If members opposite actually went to the trouble of reading all the reports that have been prepared, instead of just talking about them in here as so often happens, it would be very clear to them, both from the Hill Report and the Canadian Pacific Report, that this railway will be a marginal economic proposition if it is ever constructed. I have no problem with that. It is obvious that economies will be needed to make this railway viable. It will be line ball, and the grandiose visions that were painted, and which were believed, will have to be laid to rest.

Let me inform members that people in Darwin have talked to me about how great it would be, with a return air fare to Alice Springs now costing about $400, to be able to jump on the train and whip down to Alice and back for the weekend. I told them how unlikely that was. I travelled for laughs on the old railway, on a number of occasions, from Darwin to Larrimah. You could only do it for laughs. Because of the condition of the line between Darwin and Katherine, you could very easily get out and run faster than the train. The alignment was very difficult, particularly through the hills around Adelaide River and the Snake Creek area. It was a very slow train indeed. I was interested to discover that one of the economies being proposed is to use the old alignment. It is obvious that, if we are talking about the old alignment, using second-hand rolling stock, second-hand railway lines, second-hand engines, wooden sleepers and wooden bridges, as the report acknowledges, we are no longer looking at the employment projections which were proposed originally. I am pleased to see that has been acknowledged. I will be supporting this investigation. I have already
indicated as much in discussions I have had with the people involved in the investigation. I am interested in the outcome. I ask people in the Northern Territory to read this statement. It is important, because people will have to revise radically their vision of the railway resulting from past statements made about it by government members in this Assembly.

When I was lobbying very hard for this railway line to be built, and for the federal government to honour the commitments on which it had reneged, I went to the plant in Port Augusta which manufactures railway lines. I talked to both management and unions in South Australia and to the Premier of South Australia, and was enthused. As you would all remember, the Australian steel industry was then in a very sorry state. It is almost difficult to remember now, but it did face the real possibility of closure.

Of course, one of the great disadvantages of being in politics is that people tend to ask what has been done for them recently. They have short memories. If there were one significant achievement that could be laid at the door of the current federal government, and certainly at the door of Senator Button in particular, which has almost been forgotten now, it was the restructuring of the Australian steel industry because it faced imminent closure. One of the key points in pushing for the railway was the very significant boost it would give to the production of new steel rails and sleepers. Clearly, that is a prospective argument - and I concede that it is acknowledged in this statement - that is no longer valid. The same applies to the provision of new rolling stock, engines, and so on. We have to readjust our thinking on the railway line.

On a Territory level, I think that the biggest readjustment that needs to be made in the thinking of Territorians on this issue is obviously in respect of the tourist potential of the railway line. I have said in the Assembly that I am an unashamed railway buff; I love travelling by train. The opportunities to do it in the Northern Territory are extremely limited. I am determined that one day I shall travel back to the Northern Territory on the Sydney to Alice Springs train. I have promised myself that and the only reason I have not been able to do it is ...

Mr Coulter: There is no line from Sydney to Alice Springs, or not direct.

Mr B. COLLINS: What? Oh dear, oh dear, the Deputy Chief Minister says there is no railway line from Sydney to Alice Springs! I am determined to make the Sydney to Alice Springs railway journey which has proven to be an enormous success for Territory tourism. It takes 6 months to obtain a seat on it. I might add that it does not make any money even though every berth on it is full and it charges first class fares. Mr Speaker, do not think that it is cheaper to travel from Sydney to Alice Springs on the train than it is to fly, because it is not. The only thing that prevents me making the journey is that I simply have not been able to afford the time it takes to travel from Sydney to Alice Springs, but I will make time one of these days.
Mr Speaker, I was one of those Territorians who was genuinely enthused about the great potential of this railway. It would have been terrific to have had a passenger line travelling north and south as well as east and west. Obviously I am disappointed in acknowledging the financial reality that it is simply not on because it will lose a poultice; there is no question about that. I believe that is what Territorians will have most difficulty in adjusting to in terms of supporting this railway. I canvassed this issue with Dr Conn when I spoke to him. When people found out a few months ago that the railway would not carry passengers, the obvious question emerged: 'What is the use of it?' Of course, that is still a very crucial question, because of the balance between road freight rates and the potential freight rates to be charged on the railway line.

It is obvious that, if the railway line is to be viable financially, it will have to secure a virtual monopoly on freight into and - what little there is - out of the Northern Territory. I know it is anticipated that it can be done but it can only be effected by making the freight rates attractive, and that is where you get down to the realities of the trucking business. I know something about the trucking business because members of my family are involved in it. Everyone in the trucking business cries poor and, in many cases, that is absolutely valid. One reason is the preponderance of owner-drivers in the trucking business. It is a very good business to get into for someone who wants to be his own boss. Indeed, Mr Speaker, I had a relative who owned an enormous and successful trucking business. He was making a great deal of money, but dying on his feet doing it. He sold it all off voluntarily and kept 1 truck to drive himself so that he would not have to pay worker's compensation insurance, payroll tax ...

Mr Tuxworth: Holiday pay?

Mr B. COLLINS: That is right, all of that ...

Mr Manzie: Fringe benefits tax?

Mr B. COLLINS: Well, whatever. It was not around then, but it might apply now. What made up his mind was that he had employed a new driver, put him in a new Volvo and, on the first day out, he dropped a $10 000 gearbox on the road. That was the finish. He said: 'Fine, I will see you later. I will stop having ulcers. I will make a tenth of what I made before and drive my own truck'. Plenty of people in the trucking business do that. The significance is that there are no overheads. It is not necessary to maintain an office and meet all the related overhead expenses. This particular bloke was a mechanic and able to maintain his own truck. A person running his trucking business that way is able to reduce his freight rates dramatically.

I see that as posing a potential problem which will need to be addressed. I know that it will be assessed very carefully indeed, because the group that investigates the viability of this railway will be forced to do so on the data and information provided to it by the transport industry. Obviously, as a result of those projections, we
will build the railway and set an attractive freight rate. To take a
figure out of the air, let us say 20%, and I hope the government does
not propose that the rate be set compulsorily or by legislation. We
will seek by this means to attract people to convey their freight on
the railway. What will happen? Inevitably, the road transport
companies which operate on what is now a very good stretch of road will
reduce their rates as far as they are able to. Many of them will be
prepared to reduce their rates to the point where the operation is only
just viable in an effort to survive the railway.

I raise this as a genuine concern in terms of assessing the
viability of the railway. Road companies are operating on what, in the
main, are modern roads which are improving all the time. The sealing
of the south road is now in sight. If they are able to compete - and
they have told me that they will give it their best shot - successfully
with the railroad in terms of freight rates then the commercial
viability of the railway will be under a considerable cloud. The only
way the railway can succeed is if it holds a monopoly on freight and is
able to maintain that monopoly by offering extremely attractive freight
rates - and without government subsidies - so that people will simply
stop using road freight. I have examined the question carefully. I
have looked at all the facts and figures. I have spoken to people in
the industry. I have talked to the truckies. Unless the railway
obtains a monopoly on freight, it will not succeed and will lose money.
It has to be one or the other. The truckies tell me they do not intend
to roll over and die. If the railway eventuates, the truckies will
make every effort to offer freight rates that are more attractive than
those offered by the railway in order to remain in business. I shall
be interested in the ongoing work of this committee to see that
important subject is addressed - and I know it will be - in terms of
assessing the financial viability of the railway line.

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One of my early concerns about the private railway that was
announced previously was that anticipated construction costs were in
the order of $400m to $500m. The federal government subsidy that was
considered necessary to build the private railway was $200m - half of
the total amount. I agree that that was only 1 of the options
canvased. From memory, the $200m was to be a $20m subsidy over a
period of 10 years.

That brings me to another part of this statement which interests
me. It is the first time that I have heard this one and it appears on
page 13 of the statement. Maybe I will be corrected, but there is a
reference to participation of government in the railway in the form of
significant shareholding - fine - provision of land, or through a take-
or-pay contract for the carriage of government stores and equipment.
That interests me because my understanding of the term 'take-or-pay' is
that basically it is the same arrangement as was reached with the gas
in Western Australia: a firm booking for freight space on the railway
is made and paid for whether it is used or not. A contract would be
entered into with the railway company to book a certain number of cars
for a 12-month period. That freight space would be paid for whether
the carriages came back empty or full. In most cases, such an option
would only be available to governments because governments would be the
only bodies that have sufficient financial resources to afford that
sort of scheme. Private businesses would be interested to pay only for freight space actually used. I am prepared to be corrected on that, but that is my understanding of take-or-pay.

Mr Finch: It is guaranteed carriage; it is useful to mining companies.

Mr B. COLLINS: Exactly. It appeals to very large companies only. That is relevant because, as the honourable member said, only mining companies, the very large corporations or governments can afford to enter into that arrangement. In terms of the carriage of very large quantities of freight, quite often it works to the companies' financial advantage.

Of course, that is interesting in terms of what was to be a very private-enterprise approach to government from now on. It is an interesting option that we will provide take-or-pay. Obviously, that will not be restricted necessarily to the Northern Territory government. As we know, there is to be a very significant establishment - and hopefully establishments - of the federal government in the Northern Territory, principally at Tindal. It will be necessary to transport substantial quantities of materials on a regular basis to Tindal. It may well be that discussions can be entered into with the Commonwealth government in respect of commitments it may be in a position to give, or at least discuss, in relation to its potential use of the railway for such purposes. If the Dibb Report recommendations are implemented, there will be a substantial army presence in the Northern Territory as well as an air force presence, and that will involve very large numbers of personnel indeed. It is also anticipated that they will be based at Katherine. Some of the local residents are getting a bit nervous about the social implications. They can just about cope mentally with the prospect of having the size of their town doubled overnight with air force personnel, but they will probably end up sweeping the streets or carrying garbage cans for the military if the Dibb Report goes ahead. Stationing battalions in Katherine would be an interesting exercise.

Nevertheless, even with the air force base, there will be a substantial Commonwealth presence in the Northern Territory requiring shipments of large amounts of freight. I hope that the equipment that will be based at Tindal will be a little more modern than the equipment on which the material may be brought up the track otherwise they will be using biplanes and other wooden equipment to match the railway line.

Mr Manzie: Be positive.

Mr B. COLLINS: I am being positive. How positive can I be? I am suggesting that the government begin discussions with the appropriate minister in the federal government to find out how it intends to truck material to Tindal.
Mr Perron: You just went crook about the bulldozing of an old house in Alice Springs and now you are going crook when we want to buy an old train. Be consistent.

Mr B. COLLINS: That is one of the major problems we have in the Northern Territory. We have such second-rate politicians and they keep on wanting to demonstrate that. That is what I cannot understand. If I had that much wind, I would shut up and quit while I was ahead. In respect of that brilliant interjection from the member for Fannie Bay, could I suggest to the government, not that I want to teach my grandmother to suck eggs, that I would be interested in hearing the results of some discussions between this government and the federal government as to the volume of freight which is likely to flow in on a regular basis to Tindal and whether the federal government would be interested in discussing the potential use, on a take-or-pay basis, of the railway to move those essential stores and equipment for the Tindal base.

Mr Speaker, I am pleased to see the tabling of this statement in the Legislative Assembly. I believe it is the most realistic assessment of the prospective private railway line we have so far seen. I support the investigation that is being carried out. I have complete faith in the people who are carrying it out and any assistance or support that the opposition can give in presenting a realistic proposal to have that railway line constructed will be given.

Mr TUXWORTH (Barkly): Mr Speaker, I rise to support the statement made by the Chief Minister because I believe it is starting to open up the discussion of the potential of the railway into areas that need to be discussed and the Leader of the Opposition has raised some of them this afternoon.

We need to look at this project against the background that 6 Australian state governments today are currently receiving from the Commonwealth government $3000m per annum by way of Grants Commission recommendations to pay for the operation of state government railways. It has become an accepted fact of life in this country since federation that that level of subsidy be paid to the states. We are breaking away from that tradition by trying to establish a railway that can operate without the level of assistance that the states receive.

We have to do this for 2 reasons. The political reality is that we will not get any warmth from the federal government because we are not of its political persuasion. More importantly, in terms of the future, any thinking Australian has to realise that we cannot continue to spend government money at the present rate. There must be a cloud over the $3000m that is currently being handed out to the states to subsidise their railways. Does anybody honestly believe that we can continue that level of expenditure every year from now until the end of time as though it were a divine right? The reality is that we are not too far away from the time when the federal government and the state governments will have to put the knife into the railway vote because there is considerable waste there that cannot be sustained.
In terms of the proposed railway that was put forward by ANR, we would all agree that the proposal was goldplated. ANR was not born yesterday; it knows how to do things in style, because it has been doing them for a long time. It proposed an Alice Springs to Darwin railway with a new route, high standards, high speeds for stock and passengers - all the things that a railway that does not have to make money and can afford to live on the government nipple can do. We cannot do those things.

We have to move away from the accepted norms in railway operations of state governments and bodies like ANR. We must put it on an economic basis and that was the premise underlying the Canadian Pacific proposal. 'If you want to build a railway and run it like everybody else in Australia', Canadian Pacific said to us, 'we are not much good to you, but if you want to run a railway at a profit, we can give you clues on how to do it'.

One of the first things that was identified as something that could not be sustained by an economic railway was the passenger service. The railway would have to be financed by its freight; it would have to stand alone on that basis. If you tried to mix passenger traffic with it, you would have financial disaster. That was brought out into the open as soon as Canadian Pacific made its proposal. We did not have to have it dragged out of us; it is common sense.

I am not despondent about it because I believe that ANR will continue to run Australia-wide passenger services whatever we do in the Northern Territory. I do not believe, when the Alice Springs to Darwin railway is completed and owned by a private company and financed on freight projections, that today's passenger traffic on ANR will stop at Alice Springs because it does not own the 900 miles of rail between Alice Springs and Darwin. In a very short time, ANR will seize upon the capacity to run its passenger trains through to Darwin on much the same basis as it runs them from Sydney to Perth to Alice Springs or wherever. I do not believe that we will miss out on rail passenger traffic but it may be done in a different way than it is being done today.

Mr Speaker, the Leader of the Opposition reflected on the vision that Territorians had for the railway. In the early days, the railway was promoted as the 5-star, rolled-in-gold, nickel-plated production that would bring warmth to the heart of every citizen because Territorians knew they would not have to pay for it. Now that Territorians are coming to grips with the fact that the railway has to be economic, the ones that I have spoken to are more than keen to look at rational ways of making the railway a goer. Canadian Pacific focused on the matter very quickly. It told us that, if we want economic realism, we have to get away from the things that ANR does. We have to reduce our construction time and take a whole range of measures that will make the railway economic.

That exercise is under way and it is really interesting. I would like to touch on certain aspects because it is very important that our minds do not become fuzzed and blurred by the word 'second-hand' which the Leader of the Opposition used quite often in his remarks, as though it would be really bad for the Northern Territory if we used second-hand rail. Second-hand rail which has never been put on a sleeper
happens to be lying all over Australia in hundreds of thousands of tonnes. It has been purchased over the years by state governments for use in their systems. It is rotting away in the middle of nowhere and it has never had the fortune of a railway car passing over it. That is an Australian resource and a potential supply for the Northern Territory to buy at cheaper rates. Indications suggest that not only is that sort of resource available in Australia but that, in other countries, there are millions of tonnes of second-hand rail in store that has never been used and that people would be happy to sell. If we are to be economic rationalists, we ought to be happy to buy it.

The Leader of the Opposition also referred to the wooden sleepers. This project involves $150m for rails and $100m for sleepers. If you can save $40m or $50m through the way you purchase your material, you will enhance the economics of the project. Preliminary discussions and investigations suggest that it is possible to import wooden sleepers from many countries in the world for 40% to 50% the price that we would pay for Australian concrete sleepers. We would be unwise to go past that possibility. I would be the first to accept that, if we can use an Australian product and create employment for Australians, then we ought to do that. However, we will not be receiving 2 bits of assistance from the Australian community; we will have to make it on our own. If it is possible to save $50m by the way we purchase sleepers or rails, we ought to look at that because that is prudent. Whether they are wooden, steel or concrete sleepers does not really matter much in the final analysis. Each material has its good and bad points. If the wooden sleepers enable us to get the project off the ground, then we ought to consider them. If the federal government says that it wants us to use local steel, that is fine but it must help with the additional cost. That is not an unreasonable proposition.

The use of the old alignment is one step that everybody believes now is an appropriate one to take in the Top End, given the nature of the project. If we had been able to have the original Alice Springs to Darwin railway proposal, which gave us a new route out to the west, that would have been fine. However, economics dictate that that is not possible.

The Leader of the Opposition commented on the fact that we may be using second-hand locomotives and second-hand rolling stock on the railway. He inferred that, in some way, that was not really the way to start off the railway.

Mr B. Collins: I did not say that at all.

Mr TUXWORTH: The Leader of the Opposition may not have said it, but his inference was clear.

I believe, and other people are now putting the view forward, that if we do not buy any rolling stock at all there is enough unused rolling stock in this country that can be put to use on the line that would enable us to move whatever we liked up and down the Alice Springs to Darwin railway. What is the logic of ANR stopping at Alice Springs
with all its rolling stock and equipment? Why would it not come to Darwin if the line were there? That would be the logical thing to do. Why does the new railway company have to buy new equipment? It may not have to. It might be quite appropriate to buy some second-hand equipment rather than to buy new equipment, which is the way ANR has done things over a long period of time.

I suggest that employment levels and opportunities in Australia will not be lessened if we build the railway to standards which are a little different to those ANR is now using. ANR has the good fortune of not having to worry about whether it makes a profit or a loss. When it makes a loss, Treasury gives it another bucket to fix it up. We do not have that luxury. Our railway needs to be conceived on an economic basis, and on the concept of the future land bridge. If we get the land bridge concept into place, considerable employment opportunities will flow from the railway. There is no doubt about that. We need not be pessimistic.

The Leader of the Opposition also touched on the possibility of a railway monopoly. I think that is a pretty valid point. Sooner or later, the question of the impact on road traffic will arise. Will a road tax be used to support the railway? I think that question needs to be addressed very carefully. It is clearly in the minds of many people, and let us not kid ourselves about it. Many operators are frightened that road taxes will drive them off the road and put their freight on the railway. I believe it is time for us to be smart, and to use the concept which has been used in north America for the last 10 to 15 years, and is used with great reluctance in Australia. My own experience with ANR is that it will be as bloody-minded as it can to prevent this. In other parts of the world, piggy-backing of trucks as far as possible on a railway is a hard-fought-for business. The railways are prepared to piggy-back as many trucks as possible. It suits the trucking industry because it gives the drivers the opportunity to have a break. You cannot piggy-back every truck every inch of the way but it certainly is good business, and it certainly is done in other parts of the world.

It is also appropriate, in the context of the remarks made by the Leader of the Opposition about traffic being taken off the roads and put on the railway, to do a little bit of forward thinking and calculating. We should ask ourselves what it will cost to maintain road systems in the Northern Territory if we do not have a railway and all our freight continues to be delivered by road.

Mr B. Collins: If we do not maintain our roads, we will not have a tourist industry. That is crazy thinking.

Mr TUXWORTH: No, I raise the point because I believe it is valid. We have a very good road system at the moment. The Leader of the Opposition mentioned it in his remarks a few moments ago, and it has taken 10 to 15 years to put that road system into place. Much of the money used to create it was part of the Bicentennial Roads Program. In a couple of years time, that level of funding for roads will not be available. We ought to think about what will happen in the 1990s, when
the level of freight increases. The road repair bills will have to increase. The Leader of the Opposition raised the question whether the truckies will survive. Of course they will survive. They are as much a part of Australian life as motherhood and apple-pie. But the important challenge for us is to blend the trucking industry and the railway industry in a constructive way.

The Leader of the Opposition also referred to the take-or-pay contracts. I think that is a very wise approach to use for the financing of the railway. The pipelines from Alice Springs to Darwin and from Palm Valley to Alice Springs are both financed on take-or-pay contracts. These have worked well and, if we had not signed them, we would not have the pipelines. That is good business. Everybody does it, and there is no problem with it. I do not see it as a negative aspect which will have a deleterious impact on people who are currently carting cargo. Take the Carlton United beer contract, for instance. Clearly that would be worth signing as a take-or-pay contract. If you were a railway company, you would not want to win Carlton's business for a year or 2 and then lose it again to the shipping lines. You would want to win it for a long period. It would put many ships out of business, but it would increase the economic viability of the railway. The freighting of products such as cement, flour, cars, army supplies, armaments and fuel could all be reasonably undertaken on take-or-pay contracts. It would be a very wise step to take.

I would like to reflect again on the piggy-back system, and put my remarks into context. I accept that ANR currently uses the piggy-back system, but it piggy-backs the trailer and not the truck. In other parts of the world, railway companies carry the truck and the trailer, and there is no added freight cost for the products on the back of the truck. That is the difference between what ANR does and what other people do. ANR charges for the payload on the back of the truck and the weight of the trailer. That works against the economics of piggy-backing.

I would like to conclude by saying that we are in early days, and the work being done by the working party is really good. There are many questions that need to be answered, but I would say to members that we are at about the same stage as we were 15 months ago with the pipeline. It will come together if we use our entrepreneurial skills to make it work. That is the challenge for us in the Territory. Other Australians do not have to worry about it. But we can do it successfully, and I have no doubt that the efforts of the working group and the determination of the government will prevail, and we will have the railway.

Debate adjourned.