Mr COULTER (Railway): Mr Speaker, it is customary when closing a debate to thank members for their contributions. On this occasion, I do so with more than usual appreciation. I began the debate with an appeal for bipartisan support, and that was duly achieved. I thank the Leader of the Opposition for his amendments to the motion to achieve that aim. Further, as I am reminded by the non-partisan member for Nelson, the motion has actually attracted tripartisan support. That means that this Assembly is able to convey to the nation's political leaders our Territory-wide determination to see this railway born.

I will address some of the points raised by members in the course of the debate. The Leader of the Opposition expressed some doubts about the freight possibilities which might emerge from the Meekatharra/Ausmelt mining proposal in South Australia. This project has been under consideration for many years. Of course, if it were to be simply coal exports, there is nothing to stop Meekatharra from getting into the coal business today. The railway line goes right across the deposit. I understand where the Leader of the Opposition is coming from in that regard. The coal would be sent south for shipment. Those deposits have been re-evaluated and they contain some high-grade coal. However, the possibility certainly exists for a consortium to export pig-iron through Darwin. As much as 2.5 million tonnes by the turn of the century has been mentioned - that is, if the proposal becomes a reality. I understand the joint venture partners are testing a commercial process for the production of pig-iron and are currently identifying customers for the product, including customers in South-East Asia who may be willing to take up an equity position in the project. In fact, Neil Arthur is in Korea as we speak.

The Leader of the Opposition sought some detail of the shareholding arrangements between Dr Don Williams and Railnorth. I have no problem with disclosing that the shareholding situation of Railnorth is as follows. Currently, the Northern Territory government holds 50% of shares and the Henry Walker Group 50%. Under new arrangements, it is proposed that the Northern Territory government would retain 50%, the Henry Walker Group would hold 25% and Dr Williams, eventually and progressively, would hold the other 25%. Thus, the change is to be effected through dilution of the Henry Walker shares.

The Leader of the Opposition expressed concern that, in speaking to the motion, I had confused economic evaluation and financial appraisal of the rail project. I am pleased to reassure him that I am not confused. He said, in essence, that the government was netting out public sector equity grant contributions before undertaking cost-benefit analysis, thus reducing the cost of the project. This has not been the case. The government has not arrived at a cost-benefit analysis via such a route. Cost-benefit analysis involves netting out taxes from the project cost to identify the true cost to the community. This method is used in the vast majority of public sector economic evaluations. It identifies direct financial benefits and external benefits. Of course, only the public sector can capture the external benefits which include matters such as savings in transport operating costs - rail is more efficient than road - reduction in traffic accidents and, where it can be measured, the developmental and defence benefits of a major transport infrastructure like the railway. Having identified costs and benefits, the values over time are standardised using net present value techniques and the net cost or benefit being determined.
Financial appraisals are undertaken usually by the private sector. They involve project analysis on commercial terms, with costs inclusive of taxes and charges, and with revenue or benefits assessed in terms of return on investment after depreciation, interest and income tax. Financial appraisals often favour `internal rate of return' assessments, a complementary technique to net present value. Our economic evaluation of the rail project is sound and properly based. If the Leader of the Opposition is somehow worried that we are taking short cuts, I am pleased to assure him that all is fair and above board.

He also asked about the rationale of the government's assertion that the railway project would generate annual benefits to the nation amounting to an estimated $40m. That figure is derived by taking the $566m project benefits identified by the Committee on Darwin over a 40-year appraisal period and then utilising the 8% discount rate, also identified by the Committee on Darwin. That gives a per annum estimate of benefit that actually amounts to $47.5m - thus, I was being conservative. However, the point is that whatever the figure, whether it be $40m or $47.5m per year, clearly the Commonwealth would be obtaining value for a funding contribution of $30m to $35m per year which, as I said when opening the debate, is all we need to start the project.

Mr Ede: Talk to Neil Conn about that last statement.

Mr COULTER: Who do you think wrote this?

Mr Ede: I would talk to him too.

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Mr COULTER: I might tell the Leader of the Opposition that, in fact, Natwest are also financial advisers to me on this project.

Certainly, I agree with the Leader of the Opposition that the report of the Committee on Darwin represents a significant advance in the quality of advice available to the Commonwealth on the railway. As the member for Greatorex said, by changing only one parameter of the committee's assumptions - that of the discount rate from 8% to 6% in line with the practice of the Queensland government - the report would demonstrate the railway project is economically viable. This is obviously a substantial advance on the Commonwealth's previous advice which was provided 10 years ago by David Hill.

The member for Braitling expressed some concern about the impact of the north-south railway on existing transport operators in central Australia. She requested the government to examine this and possible measures to assist and enhance the Alice Springs-based transport industry. I am happy to comply with the honourable member's suggestions in that regard. I will ask the Railway Executive Group to examine and report on the railway's impact on regional centres in the Territory and potential negative and positive effects on local industry and the regional economy.

The member for Barkly asked for details on the cost of an alternative railway into Queensland through Mt Isa. The consultant's report to the Committee on Darwin quoted an initial estimate for the Darwin to Mt Isa rail link as $1080m. This estimate was prepared by BHP Engineering. By way of comparison, a similar estimate for the Alice Springs to Darwin line was quoted at $974m. However, it is not as simple as that. For a Queensland link to be directly comparable with the link to Alice Springs and South Australia, a standard gauge line would have to be built through central Queensland, linking Mt Isa with the standard gauge railhead at Goondiwindi near the border of Queensland and New South Wales. One suggestion in the public arena is for a high-speed double track line between Darwin and Goondiwindi, at the astronomical cost of $7025m. This is the dream of Professor Lance Enderby, and is referred to in the Travis Morgan report to the Committee on Darwin. It is estimated that a single-track, normal-speed link from Darwin through Mt Isa to Goondiwindi would cost between $2000m and $3000m. Clearly, the Darwin to Alice Springs option is the preferred route in terms of the project cost.

However, this is what I believe will happen to Mt Isa. Mt Isa, Century and all the Gulf mineral province will have to go to gas within the next 5 to 10 years. The gas will come from south-east Queensland or from the Bonaparte Gulf or somewhere else. Instead of coal coming from the eastern seaboard to Mt Isa, where the railway picks up the copper concentrate, there will be potential for container freight to bring empty wagons to pick up the copper concentrate. Mt Isa will then become
what Alice Springs is to Darwin at the moment. It takes only 26 hours for road trains to travel from Cloncurry to Darwin with live cattle. The economics in the region will change in the next 5 to 10 years. There are already proposals for Mt Isa and Century to take gas. When that happens, the economics of that region will change and it will be an exciting time for the local member.

The member for MacDonnell questioned the viability of the Tarcoola to Alice Springs section of the north-south railway. The National Rail Corporation will not release to the Territory government information on operating costs and benefits on the grounds that the information is commercial-in-confidence. However, data from Australian National operations in 1992-93 indicates traffic levels of around 500 000 t per annum. Our analysts believe this should be sufficient to provide a very comfortable operating profit. The member should note that the National Rail Corporation does not have specifically a charter to operate unprofitable freight lines. He can probably assume that the NRC is operating within its charter.

The member for Nelson expressed her view that freight carried on the railway would travel more slowly than freight carried by road. That is not so. Modern trains of the type that would operate to Darwin would average speeds of around 100 km/h over thousands of kilometres. At best, road trains could manage 70 km/h to 80 km/h over similar distances. Indeed, I believe it could be as high as 90 km/h in certain areas. That is another reason why I believe that Tennant Creek has the potential to play a major role in this project. If we moved the railhead north from Alice Springs to Tennant Creek, it would reduce the distance by 1000 km and take about 5 hours off the trip. It would increase the number of trips if we are talking about 12-hour turnarounds.

I trust I have responded adequately to the questions and concerns raised by the honourable members. In relation to a project of this size, impact and importance, it is certain that other questions and concerns will emerge as the proposal moves inevitably towards realisation. However, I am greatly encouraged by the general support of all honourable members for the principle and the concept of this great project in its 1995 version. Having been closely involved with the project for nearly a decade, naturally I hesitate to speak about the future of the railway project in overly optimistic terms. Nevertheless, I must say that, at this time, an air of optimism seems to surround the prospects for the railway. It seems that events, circumstances and opinions are perhaps more favourable now than they have ever been.

I welcome the support and constructive criticism offered in this debate. I will take great pleasure in having this motion forwarded forthwith to the Prime Minister. I was speaking to the Minister for Transport and Works yesterday and told him that we would have a proposal on the railway to the Commonwealth within 4 weeks for its consideration. This will be a threshold argument. Either the Commonwealth will come on board with this project or it will not. If it does not, we will continue our efforts to have the railway built. We will continue to lobby the Commonwealth to ensure that it does become a reality, but we are reaching the crunch point. Within 4 weeks, we will have the proposal to the Commonwealth for its consideration and await the outcome in that regard.

A couple of events are happening next week. Natwest representatives will be in Darwin. It has done quite a deal of work on the financial analysis and different methods of financing this project. It will be making a presentation to me. The representative from the South Australian Railway Executive Group will be meeting with our railway executive group. Otto Alder will be in Darwin to bring us up to date with the AusRAIL proposal. Dr Don Williams will be here. He and Otto Alder have been doing a great deal of work on the financial modelling that was conducted by Travis Morgan and the Macquarie Bank. In fact, Natwest did some work on that model as well. Because no one has been prepared to provide the model to us, we have worked backwards in an attempt to reach the starting point. I believe we can demonstrate that this railway line is viable, using their assumptions and their model. As I said, some of the uncertainties will be clarified. In particular, I refer to the review of the ABS figures. That could reveal that domestic freight was underestimated by as much as 19% to 20%.

It will be a busy week for the railway. A group will be putting a proposal to us about a national education campaign to secure support for the railway and to enhance the value of the new findings that
are happening almost daily. I will be travelling to South Australia to address its Economic Development Council on 18 September. I look forward to that opportunity.

Once again, I thank all honourable members who participated in this debate. We can only await the outcome from the Commonwealth government because it will be a threshold argument. Either it wants to be in this project or it does not. We should know within 4 weeks or so when our proposal is put to the federal government.

Motion agreed to.

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