$26.5m loan so NT rail ‘can go ahead’

By GREG KELTON in Adelaide

South Australian taxpayers will underwrite a $26.5 million loan from a Hong Kong company to ensure the $1.2 billion Darwin to Alice Springs railway project goes ahead.

SA Premier John Olsen is expected to give notice in Parliament today of legislative amendments to support the move.

After more than six hours of negotiation in Hong Kong yesterday, Infrastructure company China-Kang Hong Infrastructure (CKI) agreed to provide a $26.5 million loan to help build the rail line.

The $26.5 million is SA’s share of a $78 million shortfall in the project following the withdrawal of US investor, the John Hancock Group.

Mr Olsen said: “This is what we have been seeking to do for more than a month now.”

Mr Olsen wanted a private investor to take up the investment rather than commit more taxpayer funds.

The NT and Federal Governments have already committed an extra $26 million to cover the shortfall.

Opposition Leader Mike Rann said although he had not seen the details of the deal, he was pleased the private sector was putting in the equivalent of SA’s share.

Mr Rann said: “The ALP has always wanted the project to go ahead and now we want to see tracks being laid next month.”

The $1.2 billion project, which is expected to be completed by late 2003, has to meet a deadline of March 31 for financial close or face a delay until next year.

Under the terms of the agreement negotiated yesterday, taxpayers will only pay the $26.5 million if the project is abandoned or placed in receivership.

For its part, CKI will receive a return of about 12 per cent over 20 years to be paid by the Asia Pacific Transport Consortium, which is building and operating the rail line.

Mr Olsen said it was “highly unlikely” the SA guarantee would ever be called on.

Mr Olsen has told Prime Minister John Howard and NT Chief Minister Denis Burke about the deal.

He had a face-to-face meeting yesterday with Chinese billionaire Li Ka-Shing, the owner of CKI.