Major US investor pulls out of railway

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to invest in the Alice Springs to Darwin rail link."

Chief Minister Denis Burke and the Territory Government were told formally last week of the John Hancock Group's decision to withdraw from the project.

Mr Moretti, the director for the Asia Pacific Transport Consortium, released a statement yesterday after being contacted by the Northern Territory News.

It said the project's existing sponsors and institutions had increased their equity and provided other support.

The John Hancock Group's financial commitment to the project was understood to be about $70 million.

Sponsors

The John Hancock Group was the project's largest private investor.

The NT and Federal Governments have each committed $165 million to the project and the South Australian Government has contributed $100 million.

Mr Moretti said the project's existing sponsors and institutions had increased their equity substantially and provided other support.

His statement said the consortium was close to finalising documents with the corporations, government and financiers.

It said a substantial amount of construction had already taken place in Katherine and Tennant Creek and contracts had already been let to SA and NT contractors, subject to financial protection.

The statement continued: "Negotiations on the remaining contracts are close to completion."

"The consortium is working on a range of alternatives to replace the John Hancock Group as an investor."

The very detailed nature of negotiations has necessitated a further shift in timetable for achieving financial close. A further announcement will be made once the matter has been resolved."

Mr Burke said he was confident the project would go ahead, despite the need for additional funds.

He said: "I'm confident the problem will be resolved. The issue is that one of the backers has dropped out, the backers and other sponsors have increased their equity and there is a need for additional funds despite that."

"If you look at the whole railway project in its complexity there is disappointment today, but it's not unexpected that in a project this size this sort of thing could pop up."

He said members of the consortium and Australasian Railway Corporation, which represents the NT, SA and Federal governments in their rail negotiations, were meeting last night.

Mr Burke said a decision would be announced within the next few days if additional money was required.

He said: "This thing will move quickly. We need to achieve financial close to get this project under way. It will not be a long-winded affair."

A spokesman for Prime Minister John Howard said the Federal Government was "still strongly committed" to the project.

He said: "The make-up of the consortium is a matter for the consortium but of course the Commonwealth remains strongly committed to this project."

Acting NT Opposition Leader Syd Stirling said he hoped yesterday's announcement did not signal the end of the railway.

He said: "The Territory needs this project quite seriously now with the decimation of the construction industry and the need for economic revitalisation. I hope they turn up a private sector investor."

Former chief minister Shane Stone said he was "supremely confident" the project would go ahead.

The railway already has a troubled past.

Mr Howard, Mr Burke and SA Premier John Olsen were to take part in a sod-turning ceremony in Alice Springs last month. This was cancelled after a November deadline for financial closure expired. The consortium maintained until yesterday that the share volume of documentation to be finalised was the only problem.

Grader operator Bob Blankin at work on a sleeper factory construction site at Katherine late last year.