Does BHP’s announcement of its rationalisation of steel manufacturing in Australia have implications for the Alice Springs to Darwin project, given BHP’s past association with the railway and the prospect of rail construction generating substantial steel orders from Whyalla in South Australia? Has the 10-times-more-expensive grand scheme for a fast train system between Melbourne and Darwin, via the east coast, produced a business plan which involves precise figures on the freight task needed for such a project?

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ANSWER

Mr Speaker, we all feel for the people of Newcastle over the loss of 2000 jobs in that area and the impact that will have on the region. We would not like to see a similar situation occur in South Australia, particularly in the Whyalla area. We have a requirement for 155 000 t of steel to build the Alice Springs to Darwin railway and a further 3500 t of structural steel will be required for the project. That 155 000 t of steel would keep Whyalla running flat out. If it did nothing else, it would represent 2 years production from Whyalla. We doubt very much whether it would have the capacity to deliver that amount in that time.

The Alice Springs to Darwin railway is awaiting the requirements of the new infrastructure borrowing program that we hope will be announced by the Treasurer in the federal budget on 13 May. The Chief Minister and the Premier of South Australia have been holding discussions with the Prime Minister, and the Treasurer has said that an announcement will be made in the forthcoming budget. We are waiting to take this project to the marketplace to see whether or not there is interest in it. It requires nothing more. There are some negotiations on Aboriginal land and a couple of sacred sites, but these are well advanced. Those negotiations are 99% completed.

Of course, this railway has had more reviews than the Tivoli Theatre. Mr Compton is pushing a Melbourne to Darwin line and Professor Endersbee has come up with a Goondiwindi to Darwin line. There is nothing new in that project. I have for honourable members some copies of a report of that proposal from the Sydney Morning Herald in 1932. That was from A.J. Cotton. In fact, I had the opportunity to meet young Doug Cotton who was 82 at the time. He gave me all his father’s cuttings on the railway project. He was a truly remarkable pioneer in the Northern Territory and northern Australia. I table those for the benefit of honourable members. I am sure they will find the proposal interesting. It does have a business plan, by the way.

We have not seen any financial analysis on the Melbourne to Darwin link but we have costed it at $10 000m, using our modelling. A similar costing of Professor Endersbee’s proposal is considerably less - $5000m. We made an assumption of at least a 15% internal rate of return while, according to Buso and Hamilton, the Alice Springs to Darwin railway has a 20.5% internal rate of return. It would require a freight task averaging 3 million tonnes, an average haul distance of 2000 km and a 2:1 revenue-to-cost ratio. We have worked it out over a 25-year appraisal period. Using those assumptions, the Endersbee scheme would require charging in the order of 4 times the current road freight rate and 6 times the rail freight rate assumed for the Alice Springs to Darwin project.

The other scheme is even worse. It would be necessary to charge more than 6 times the current road
freight rate, and about 8 times the freight rate assumed for the Alice Springs to Darwin railway. The proponents have not provided financial analysis, economic viability or freight forecasting. I understand that this has not been done. It is simply an idea. It has been around since 1932. Our project has had extensive reviews, considerable financial and economic analysis, including the Wran report, and detailed freight forecasting. We are ready to go. All it requires is for the federal government to tell us that it is an eligible project under the new infrastructure borrowing program. We could get it under way tomorrow and the people of Whyalla, the Territory and, indeed, Australia would be better off. It is a magic

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project that will create 2000 jobs directly during construction and 200 jobs during operation. If Mr Howard wants to get the scheme up and running, create some jobs and do something for Australia, he could follow the lead of Kim Beazley who has offered us $300m in capital grants. It is a pity he did not do that a few years ago. The railway could have been up and running and really creating some wealth.

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