Mr HATTON (Chief Minister): Mr Speaker, I table a report of the Railway Executive Group on the Alice Springs to Darwin railway.

Mr Speaker, last June I foreshadowed to honourable members that, during these sittings, I would provide a further progress report on the Alice Springs to Darwin railway project. The Railway Executive Group has now presented its report to Cabinet. As I anticipated in June, it is a careful and sober assessment of what the line will cost to build and equip, and what it may be expected to earn after meeting operating costs.

Quite deliberately, the work of the group has been aimed at 2 distinct but related targets. The first has been the projection of a base-year transport task and earning capacity for the railway, devoid of ‘blue sky’ future developments, and fully aware of the railway's need to be competitive with other modes of transport in the Territory. The second has been the determination of a set of least-cost, but nonetheless safe and acceptable, construction and operating standards for the line.

The Railway Executive Group has done its job well, almost too well, in the sense that it has set itself deliberately to ignore the Territory's demonstrated capacities since self-government to grow faster and to do a number of things not only better than expected, but often better than they have been done elsewhere in Australia. After they have read the report, honourable members will probably share with me the belief that the railway will be carrying bigger tonnages and earning more than is projected soon after it is completed. For example, it would take just 1 new railway-using Territory project to come on stream in the 1990s, from the long list of possibilities, to transform the commercial reality radically. Development of the Port of Darwin at one end of the land bridge across Australia would have a similar result.

Such possibilities have been put firmly to one side in the preparation of the report that I have tabled today. This report establishes a bottom line for the project. It shows that the Territory has a basic railway task that can be performed in a realistic and economical way. It makes a useful start on how the project's funding might be structured. However, for those who share our confidence in the future of the Territory, it will do no more than provide reassurance that the down-side risks of participation in this great developmental project are low. For them, the rewards of participation from the outset will be greater than the report allows itself to anticipate.

It is against that background that I present to honourable members, in some detail, the major findings and recommendations of the Railway Executive Group.

On freight task and revenue projections, the report starts from the following facts regarding freight already moving within the Northern Territory and open to capture by the completed railway:
The central corridor between Alice Springs and Darwin is the dominant land freight route, and the majority of freight moving in that corridor already makes use of the existing railway south of Alice Springs; northbound freight exceeds southbound freight by a factor of almost 2 to 1; and, over two-thirds of the freight concerned is non-bulk and directly related to the needs of the northern population, and is described in the report as ‘general freight requirements’.

After surveying existing rates for carrying goods by road and or rail, the report also notes that rail freight rates are lower generally than competing road rates. Consequently, the report assumes, for its base-year projections, that:

1. generally rail will be preferred to road for carriage of bulk cargoes over long distances;

2. tariffs on the Alice Springs to Darwin railway will be 20% to 25% lower than present road rates for comparable freight tasks;

3. intense competition is to be expected from road operators for backhaul, mainly southbound cargoes, requiring even lower rail rates in that direction;

4. rate differentials will be much less in evidence where dedicated rolling stock is used, for example, in carrying petroleum products; and

5. the base-year railway share of freight carried north of Alice Springs will be no less than the proportion already carried by rail as far as Alice Springs and, not only would transshipment by road at that point make no commercial sense with the railway link to Darwin completed, but experience with the Tarcoola to Alice Springs standard gauge link since its opening in 1980 suggests that the proportion will, in fact, increase.

The report goes on to assume, in making its projections for future growth, in traffic on the railway, that:

6. there will be no increase in general freight requirements per head of population estimated to average, northbound, about 3.5 t per year, so that the rate of growth in this major component of the transport task will be limited to the rate of population growth;

7. only projects which are presently operational or virtually certain to proceed over the next few years will generate freight for the line, and the total tonnage carried will increase by only 3% per year from the base-year level;

8. no additional traffic will be generated by the presence of a rail line where none existed before; that is to say, the developmental consequences of the line itself have been ignored in the rail...
traffic projections; and
9. there will be no shift of traffic away from the eastern and western road corridors into the central corridor, despite the greater appeal the central corridor should have upon completion of the line.

Together these assumptions imply that the railway will carry 70% of total freight tonnage an average distance of 1000 km and earn an average of a little under 4c per net tonne kilometre for doing so. It follows that railway gross revenue in 1991 will total $31.5m, measured in today's dollars. Within that total, two-thirds will be earned from freight moving the entire distance between Alice Springs and Darwin, 80% will come from north-bound traffic and well over 80% will be earned from the carriage of general freight, mainly north-bound, and petroleum, mainly south-bound from Darwin.

As a final comment on the projected freight task, 5 locations will account for most of the operations of the line, namely Darwin, Mataranka (principally for its limestone deposits), Katherine (boosted by the Tindal Air Base development), Tennant Creek (particularly as a staging point for traffic from Queensland and, to a lesser extent, New South Wales) and Alice Springs. According to the report's projections, other points requiring service will be Batchelor, Adelaide River, Pine Creek, Daly Waters, Renner Springs and Ti Tree.

I stress that the freight projections are based upon particularly cautious assumptions. We can be confident that, to use the words in the report, they are at the lower bound of any reasonable range of expectations. The projects ignore the enormous developmental potential of the line and the very real prospects of new developments and hence rail traffic appearing once the line is in place. On the revenue side, it would be difficult to devise a more severe test for the project.

I turn now to the route, engineering and construction costs. These comprise the second part of the Railway Executive Group's report which assesses the alignment alternatives, a range of design standards and the approach to construction of the line - all against the overriding objective of containing capital costs to the lowest levels consistent with safe and acceptable standards of operation. In my June statement, I indicated that a number of cost-saving options were under careful review by the group and its consultants. Some of those options, such as the use of timber sleepers and the building of timber trestle bridges, have not survived the further tests applied to them, at some loss, I would guess, to the Territory's cartoonists.

Others, such as the re-use of part of the old North Australian Railway route and bridges have survived, and remain significant cost-saving features of the group's proposal. It is estimated that $23m, in today's dollars, can be saved by re-using the NAR route over the 200 km between Katherine and Adelaide River, the larger part arising from net savings on bridge and culvert costs. Cameron McNamara and Partners, a major firm of consulting engineers, has confirmed that it is both possible and economical to re-use the existing NAR bridges after they have been strengthened. The majority of bridges to be strengthened comprise wrought-iron, superstructure beams which would require the welding of supplementary steel plating. Laboratory testing commissioned from the University of Queensland has confirmed the feasibility of welding the wrought iron and that satisfactory fatigue resistance can be achieved. I mention this incidental technical aspect of the report simply as an example of the care the Railway Executive Group has taken at each step to ensure that its findings are both financially sensible and technically feasible.

With the exceptions of the section between Katherine and Adelaide River and some tighter curves and increased gradients over the next 65 km north to Noonamah, the remainder of the third route
sticks closely to that contemplated by Australian National Railways before it was obliged to cease planning for the line.

Planning has proceeded to the point where some 70% of the alignment is already pegged with the remaining 30% precisely located on the map. The bulk of necessary survey work has been finished, including a relatively short but crucial section commissioned at our expense by the Railway Executive Group. So far as the old ANR alignment is concerned, no survey is available. However, the old design drawings are available and therefore only limited calibration surveys will be required to give indicative quantities. Potential ballast and groundwater supplies for earthwork construction purposes have been assessed for the entire route. Certain gaps have been identified, and provision has been made for them in estimated construction costs.

No right-of-way or environmental impact problems are anticipated over the preferred route. The land councils have confirmed their backing for the project and the Aboriginal Sacred Sites Protection Authority has confirmed that there are no issues of significance that affect the proposed alignment. Overall, the railway route has been checked out thoroughly and has passed every test the Railway Executive Group has applied to it. It does not appear that any significant engineering problems will be associated with the line's construction.

A track formation width of 6.7 m has been assessed as adequate for initial construction, with provision for widening on an as-required basis built into future maintenance cost estimates. The effect of this narrower formation width, suggested originally by Canadian Pacific, is to reduce the initial volume of bulk earthworks and selected fuel requirements by some 20% to 25%. It has the further effect of reducing the typical culvert length, thus reducing construction costs.

A review by the Railway Executive Group of alternative ballast depths, subgrade strengths, sleeper spacing and sleeper types established a preferred track structure. On the basis of present ballast and track-laying estimates and current supply prices, steel sleepers would be the most economical. Although competitive tendering could result in concrete sleepers being chosen, construction cost estimates are based on steel sleepers. As noted earlier, the review of timber sleepers revealed that price, durability and handling problems would be sufficient to discount that option.

The estimated cost of rails is based on a BHP quotation for new 50 kg rail that is expected to be used for all main line track. BHP has confirmed that it could supply rail at the rate required for the preferred construction program. All sidings and loops have been assumed to utilise lighter rail acquired from Australian National Railways from the former NAR line. The possible use of short, second-hand rails from north America has also been investigated. However, higher track-laying costs, the depreciation of the Australian dollar and a very competitive price indicated by BHP have combined to remove the cost advantage perceived earlier. Nevertheless, the option should be kept under review in case any or all of these more favourable conditions should change.

The preferred construction program envisages a 4-year design and construction period commencing in 1987 with track-laying starting at both Alice Springs and Darwin. A detailed review by the international track-laying experts, Barclay Bros Ltd, has confirmed that a track-laying rate of 8 km per week on each of these fronts could be sustained, implying a total track-laying time of well under 30 months. The report has assumed, for conservative estimate purposes, that the full 30 months will be taken. The group and its consultants are confident that the project can be completed within 4 years, provided it is undertaken on a project management basis which allows design, supply and construction to proceed simultaneously.

As I stated in June, the work done by the Railway Executive Group and its expert consultants will allow a flying start to be made because so much of the preparatory work that otherwise would occupy
time at the outset of the project has been done already. With the tabling of the group's report today, the results of this work will be available to all who would seriously contemplate participating in the project.

In all, it is estimated that the line will cost $610m, measured in today's dollars. That figure contains over $30m in contingency allowances to meet unforeseen expenditures that will crop up in the course of design and construction. The estimate also includes an appropriate provision for site allowances which will form an inescapable part of labour costs for a project of this nature in the regions it will transverse. A notable cost saving has been identified in the use of available second-hand locomotives and rolling stock for construction purposes.

To keep the total sum in perspective, honourable members will recall that, in its September 1985 report to the Northern Territory government, Canadian Pacific spoke of a 'lowest initial cost' railway costing in the region of $500m over 3 years and a 'base case' of around $550m spent over 4 years. The infamous Hill Inquiry used a figure closer to $600m.

It is important to note that all these estimates were based upon wage rates and material crises prevailing in 1983. After allowing for inflation over the intervening 3 years, it is apparent that the Railway Executive Group has defined a project which is at least as economical as the lowest 'initial cost version' sketched by Canadian Pacific. Further, it avoids the vulnerability of that version's condensed construction program to unexpected supply and other problems. It is a lower cost option than Canadian Pacific's 'base case' which, in today's dollars, would be approaching $700m. The Hill version would long since have passed that mark. I note, simply for perspective in terms of national projects, that the new Parliament House in Canberra is set to exceed $1000m in total cost. I will turn briefly now to the report's findings on likely services, equipment requirements and cost of running the completed railway.

The operating plan used by the Railway Executive Group for projection purposes makes provision in a number of areas. The railway is to handle wagon-load freight business to and from a small number of centres. Anything less than a wagon-load will first need to be consolidated by customers, including freight wholesalers. There are to be no scheduled passenger services. The railway is to connect with, and cooperate closely with, the Australian National Railway system at Alice Springs and, through ANR, with the rest of the Australian standard gauge network. Minimum manning practices will provide for 2-man crews in the trains and railway staff employed only at Alice Springs, Tennant Creek, Katherine and Darwin. Initial rolling stock requirements, except for locomotives, are to be met mainly from equipment used during construction and from surplus equipment available elsewhere.

After taking account of the projected volume and composition of the railway freight task described earlier, and making certain technical assumptions regarding train sizes and operating characteristics, the report envisions an initial railway service comprising 5 double locomotive trains per week between Alice Springs and Darwin, and a further 3 single locomotive trains per week between Mataranka and Darwin. Future freight expansion is projected to be met by a combination of more frequent and bigger trains requiring up to 3 locomotives each.

Initial equipment purchases for the line, comprising new locomotives, rolling stock, freight handling, track maintenance and other equipment, are projected to cost $24m in 1986 dollars. This figure allows for a substantial amount of rolling stock and track maintenance equipment to be transferred from construction at no additional cost to the project.

Total operating and maintenance costs for the line have been estimated at $23.6m in 1986 dollars in the first year of operation. Allowance is made within that figure for the marginally higher operating costs arising from the adoption of the NAR alignment north of Katherine, as well as provision for the cost of widening the track formation where operational experience shows this to be required. The
estimates have been checked with ANR, particularly against its experience with the Tarcoola to Alice Springs line.

Honourable members will have noted that projected operating and maintenance costs of $23.6m fall well inside projected revenue of $31.5m in the first year of operation. I have anticipated publicly that the railway will generate an operating surplus from the outset. Now we have an estimate of the size of that initial operating surplus, namely $8m in today’s dollars. That is an encouraging start. I believe no rail system in Australia, with the exception of the dedicated iron ore lines of Western Australia and the coal lines in Queensland, can claim to make an operating surplus. Certainly, it cannot be claimed by the author of the Hill Report who, during his term as Chief Executive of the New South Wales Railways Authority, was widely applauded for containing his system’s operating loss to only $1m per day.

Another encouraging result is that the operating surplus on the Alice Springs to Darwin line is projected to grow, in real terms, at over 6% per year or more than double the assumed rate of growth in tonnage carried, as overhead expenses are spread more widely and economies of scale in operations come into effect. At that rate of increase, the operating surplus in 1986 dollars doubles within the first 12 years of operation and reaches almost $25m in 1986 dollars after 20 years of operation.

At first sight, the discouraging result is the finding that these accumulating operating surpluses do not appear to pay, within that 20-year period, for the costs of building and equipping the line. Measured in constant 1986 dollars, there is no doubt about it. During the first 20 years of operation, accumulated operating surpluses are projected to contribute only $303m toward the $610m construction cost, the $24m spent initially to equip the line and a further $55m required in subsequent years to expand and replace equipment as use of the line grows. I say ‘do not appear to pay’ but, when allowance is made for the inflation that inevitably will occur, and costs and outlays are inflated to future dollars rather than 1986 dollars, the project becomes substantially cash positive. That is to say that, over 20 years, it will generate more than enough cash, after operating expenses have been met, to recoup all construction and equipment costs and still have something left over. Essentially, this happens because future revenues are boosted by inflation, but construction costs are not, having been sunk into the project at the outset.

Mr Speaker, this is not done with mirrors, nor does it require any great financial sophistication to appreciate. It simply reflects what home buyers and project sponsors have always known in times of inflation: that building something with today’s dollars and paying for it with tomorrow’s dollars has generally been a good deal, provided the cost of financing is kept to reasonable levels. Of course, that final proviso is the key to the whole matter. If that ‘something left over’ after meeting operating costs is not enough to service the debt and equity funds raised to finance the capital cost, the project will not proceed.

In the case of our project, the Railway Executive Group puts it quite brutally: the railway will be totally unattractive, as a strictly commercial venture, over the period covering construction and the first 12 years of operation, since the net cash flow over that time will be negative. This should come as no surprise to anyone. This is a long-term infrastructure development project and it would be quite unreasonable to expect it to pay for itself within only 12 years, a limited time horizon set more by banks than by the project. The real surprise should be that, on the generally cautious projections made in this report, it takes only another 6 years to reach that position.

That in itself is not enough. The project must have also the capacity to service, at acceptable rates of interest or dividend payments, the funds raised to meet the projected cash flow deficiency over the early years. Again, the Railway Executive Group is quite blunt about what its cash flow projections
indicate: the railway will turn substantially cash-positive, but the internal rate of return, a nominal 2% per annum over 24 years, will be unattractive to potential equity investors.

It is important to note the phrase 'potential equity investors' in that statement. What the report is saying is that we cannot reasonably expect a profit-seeking entrepreneur, faced with prospective earnings limited to the revenue projections of this report, to invest enough to satisfy the project's cash needs from the commencement of construction because the return on that investment, over quite a long period of years, would be inadequate.

It is also important not to lose sight of the fact that there is a servicing capacity there, and the test of the project sponsors and financiers will be to stretch the use of that available cash to its limit. One way to do that is to rearrange the after-tax cash flows of the project in a way which lowers sharply the expected cost of funds, for example, as is done in a leverage lease. Another is to attract into the project equity investors who are prepared to accept very low or very late dividends, as could happen if

such investors were to perceive substantial, indirect advantages for returns from equity participation. Of course, it is possible that, even fully stretched in such ways, the project's net cash flow will prove inadequate for a time and will need supplementing. This is the approach taken by the Railway Executive Group's financial consultant, Wardley Australia Ltd, in its assessment of alternative funding structures, when it assumes that the government will contribute a substantial amount up-front, make annual top-up contributions and guarantee that lenders will be taken out of the transaction at the scheduled time. A deal of testing of the alternatives remains to be done before my government will consider entering into commitments of the magnitude suggested by that analysis.

Honourable members will note, however, the concluding remark in the report of the Railway Executive Group that the equity partnership funding structure can be refined to further reduce the assumed government contributions. That is a promising start on the financial engineering but much more needs to be recognised about the project before that task goes too much further.

Firstly, this a project which will generate great national and public benefits. As I and my predecessors have pointed out many times before, that was recognised in the federal government's legislated responsibility to build a line, which dates back to 1911. Legal obligations aside, Canadian Pacific has established a convincing economic case for the line being built as a national project. Substantial resource savings and railway earnings will accrue outside the Northern Territory once goods can be put directly onto trains at their point of origin in Adelaide, Sydney or Melbourne for the through trip to Darwin or even perhaps to ports beyond. Substantial savings will occur also as less resources are used in road maintenance, not only in the Northern Territory but also in the states through which trucks pass on their way to their destinations.

I remind honourable members again of the calculation made by Canadian Pacific that the railway would save the nation more than 2000 million litres of fuel over 50 years. At today's prices, that would even pay for the Parliament House in Canberra, much less our railway. It follows that there is sound justification on both economic and equity grounds for the long-term investment of public funds in the line, not just by the Territory but by the federal government and by those states which stand to benefit in a very real way.

Before leaving the point, I wish to deplore the style of response, last seen expressed in the Dibb Report on Australia's defence, which accepts the sort of advantages I have described but takes the stand that no contribution need be made towards the costs of achieving them because someone else will pay for the railway anyway. Are we supposed to accept blindly that every dollar in the present defence budget achieves a better return in terms of defence preparedness than a dollar spent on completing Australia's standard gauge rail network, particularly when so much of our defence orientation is northwards? I think
not, and I have not the slightest doubt that the services of the railway would be requisitioned the moment our defenders thought they were needed. While I am sure Territorians would be prepared to play their part in enabling that to happen, it would be grossly inequitable if they were to shoulder the entire cost.

The second concluding point is that the railway will generate substantial benefits to the private sector over and above the public and external benefits I have described. These will accrue to the builders who make profits from the construction of the line, the steelmakers who supply the rail and probably the sleepers as well, the equipment suppliers who supply the locomotives and rolling stock, and the financiers who put the funding package together. They will accrue also to transport operators who will have at their disposal at long last a truly national standard gauge rail network. This list of private beneficiaries does not stop there. The report indicates a number of areas where private sector involvement could be both efficient and profitable; for example, the overhaul of locomotives and rolling stock by private contractors and even the contracting out of labour and management needs at a majority of stations that do not require full-time staffing.

The possible role for private enterprise in this railway is limited only by the imagination and entrepreneurial spirit of the potential participants. My government will put no barriers in their way if they have the substance and staying power required. Indeed, we will give them every assistance within our power. As I have indicated before, that could extend, if required, to a shareholding by the Northern Territory government in the private company or companies set up to own and operate the railway. Following discussions that have recently reopened, I would hope that, in due course, we will see equally helpful commitments on the parts of the federal and South Australian governments. Let me state my government's position quite clearly: whilst not excluding the possibility of Northern Territory government participation, our first and principal objective is to have the line built, owned and operated wholly by private enterprise.

Mr Speaker, my third and final point in conclusion is that, while my government has accepted the report of the Railway Executive Group in its entirety and has no qualms whatsoever about the degree of professionalism and the amount of common sense that have been put into preparing it, it should not be assumed that we or the group consider any technical or financial options closed off at this stage. If someone wants to put it to us that the better solution is a gas-fired train or an electrified system or a different route, or indeed any other variation which can be shown to make sense and to be financially sound, then we are perfectly prepared to sponsor that better solution. Discussions with potential participants and the testing of alternatives has never ceased and will now accelerate. About the only option that we have closed off is that of not having the Alice Springs to Darwin railway at all.

Since the report I have tabled has confirmed to my government that there is a basic railway task that can be effected in a realistic and economical way, in a very real sense, it is up to the private sector, particularly those members of it who know more than we do about transportation, construction, finance and the running of railways, to set about building on the foundation that we have established and to join us in taking the next step towards finishing the job.

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

Mr SMITH (Opposition Leader): Mr Speaker, at the outset of my contribution to this debate, I must say how disappointing it is that the government did not see fit to give any prior notice whatsoever to the opposition concerning this important statement from the Railway Executive Group. As I understand it, the report of the Railway Executive Group has been available since the end of September. For some strange reason, that I do not pretend to understand, the report was not made available to me nor to any member of the opposition, despite the fact that, on a number of occasions, we have expressed
considerable interest in examining the report. The 2 hours we have had since the report became available has not been sufficient time for us to make a proper assessment of it and, unfortunately, that means my contribution to this debate will be poorer than it otherwise might have been.

The other thing that concerns me is that the government has seen fit to show the report to people outside the Territory; for example, it has shown it to the Premier of South Australia. The government gave him a copy of the report and, obviously, it has distributed copies of the report at Commonwealth level. This morning, copies of the report were distributed to the press before it was tabled in this Assembly.

Mr Dale: We gave it to interested parties only. We knew that you were not interested.

Mr SMITH: I would like to pick up the comment of the Minister for Community Development. If that is the attitude that he takes to this debate, I would say that we have little chance of getting a railway line.

One thing that is clear from the report of the Railway Executive Group is that, essentially, we are in the position that we were in 3 or 4 years ago: if the railway project is to get off the ground, a government contribution will be required. In the section of the report on funding options, every possibility detailed by the consultant, Wardley Australia, assumed government funding in some manner or other. At page 135, the report states: "For each of the alternative structures (other than full funding by Northern Territory government borrowing) Wardley assumed that the government would provide an initial substantial funds injection towards the cost of the project". It goes on to say: "Wardley found that each funding structure would require, in addition, annual cash "top-ups" by the government to ensure a commercial rate of return to the financial institutions funding the net cash requirements of the project. Finally, it says that 'a guaranteed "take- out" payment or refinancing of the residual, could also be required at the assumed conclusion of the financing period in the year 2002'.

We have had a number of inquiries into the railway and we are no further advanced now in terms of how we are to fund it than we were 3 or 4 years ago. It was clear then, when this government rejected the 60-40 proposal, that there was a requirement for a government contribution towards the funding of the railway line. On the evidence presented to us in this report and the Chief Minister's accompanying statement, it is equally clear that the railway line is not a goer without government funding.

Mr Finch: The feds promised 100%.

Mr SMITH: I know the federal government promised 100% before the election campaign and reneged on that. It deserves criticism for it. It also offered a 60-40 deal which, in retrospect, might have been a reasonable deal for the Territory.

I found the Chief Minister's contribution to the debate this morning disappointing in that, although the fact was staring him in the face that some sort of government contribution would be required, he did not address that. The government is still flirting with the idea that the whole thing can be financed privately and that was the up-beat note at the end of the Chief Minister's address. Unfortunately, that went against the whole tenor of the previous 20-odd pages of the statement: that it is not possible to provide a commercial rate of return to the operators without a government contribution.
I have said consistently, as did the previous Leader of the Opposition, that the Labor Party's position is that there is room for a government contribution to the building of the railway line. We supported the 60-40 proposition when it was proposed. We still support a Northern Territory government contribution to the funding of the railway line, but on the basis of a couple of pretty definite limitations. One is that the funding must be directed towards the capital construction of the railway line, and the other that we should not be involved in any way in annual top-up grants, as Wardley Australia calls them, to ensure that we are not in an operating deficit situation. That is the really disturbing thing about the Wardley report. Basically, it is saying that, without an annual government top-up, the railway will not operate on a commercial basis. That is the point of my concern and the reason why I think this document demonstrates that it will be a pretty difficult proposition to get the project off the ground.

The major contribution made by this document is that it has injected a healthy dose of realism into what we are talking about when we discuss the railway line. In retrospect, I think we also owe David Hill an apology.

Mr Dondas: He's going to bugger up the ABC.

Mr SPEAKER: Order! The Minister for Transport and Works will withdraw that remark.

Mr DONDAS: Mr Speaker, I withdraw that remark unreservedly.

Mr SMITH: It is quite clear that, under the terms of reference given to David Hill, his was a thorough economic study and his conclusions have stood the test of time. This report is saying that, even on a much-reduced level of track, using second-hand locomotives, having no passenger trains and running trains only when carriages are full, the railway still cannot be made a commercial proposition. David Hill was talking about a first-class railway system, operating on much higher standards with a passenger service and providing a regular freight service, not an irregular one as this proposal tends to suggest. I am saying that, given the terms of reference that David Hill had, he did a pretty good job and his report has stood the test of time. The sooner we recognise that, the better off we will all be.

The good thing about the Railway Executive Group report is that it does inject a healthy dose of realism into what we are about and what prospects we have of obtaining a railway line in the Northern Territory. There are some interesting things that I want to point out quickly. I am not attempting to denigrate the report at all because I have not studied it closely enough to do that even if I wanted to. However, I am a little concerned about some of the statements on page 4. It says that it is working its base year pay load projections on a couple of assumptions. One is that the tariffs on the Alice Springs to Darwin railway will be 20% to 25% lower than present road rates for comparable freight tasks. I have no trouble with that statement. However, there is no guarantee that, if there were alternative ways of delivering freight, the present road rates might not decrease quite significantly. Although it is probably true to say that rail will generally be preferred to road for carriage of bulk cargo over long distances, I think the road industry has developed considerable expertise in that area and it does not pay to underestimate its continuing capacity to do that sort of thing.

It is interesting that the report has moved away from the notion, propounded by the member for Barkly, that we could solve our sleeper problem by scouring the world for unused second-hand sleepers. It is useful, and certainly an incentive to the rest of Australia, that the report recommends that we involve BHP quite closely in the construction of the railway sleepers. Obviously, the more of the construction work that can be done within Australia and the greater the supply of new materials for the line, the more attractive a proposition it will be to the rest of Australia.
Once again, I need to make the point that we are talking about a completely different railway from that which was discussed 4 to 5 years ago. We are talking now about a railway of a much lower standard, that will not carry passenger traffic and, as I read the report, whose trains will run only when their compartments are full. In other words, if my interpretation is correct, there will be no half loads. That means we will not have a railway that will operate on a regular basis.

Mr Dondas: What negative thinking. How do we know it will not be full every day?

Mr SMITH: I am not criticising that; I am saying that that is one of the assumptions that this report is based on. It is a far cry from the original proposal of 4 or 5 years ago, and that is why the public perception of the railway has changed quite significantly over the past few years. I think considerable public enthusiasm will be lost when it becomes clearer what the concept is.

Mr Speaker, another interesting thing about the Wardley assumption was that it went back to this old justification for a railway, and I quote from page 135:

The key to financing the railway will, therefore, lie in recognition of the national benefits and externalities to flow from the project, and hence the justification for significant and patient public and private sector equity in the project.

Again, that is a pretty difficult argument. I accept that it is a logical argument and that, if we have a railway line in the Northern Territory, it is quite clear there will be national benefits. The national railway system will benefit. But it is a pretty difficult argument with which to convince the Commonwealth and the states, which already have railways which are not making any money, that they ought to put money into another railway in a place outside their own territorial borders.

Mr Dondas: That 60% from the federal government would be fine.

Mr SMITH: Unfortunately, offers of that kind are not repeated every year. Clearly, now that the Territory government has refused the offer, it will not be repeated. In the years to come, we might well regret having refused that offer.

Mr Speaker, obviously, when opposition members have read the Railway Executive Group's report more closely, there will be further comments to be made. However, I wish to ask the government whether the full report of the Railway Executive Group has been presented to this Assembly. I have heard from a number of sources that the full report of the Railway Executive Group is a much thicker document and that we poor citizens of the Northern Territory, who do not expect to be told the full truth, are getting a sanitised version of it. I would like someone on the government side to tell me whether, in fact, this is the full Railway Executive Group report or, as I said, a sanitised version.

It would be interesting if the government were prepared to table what I understand is a Treasury comment on the Alice Springs to Darwin proposal as outlined in this document. Although we have what seems, on the surface of it, to be a sane and sensible report, it is important for the full debate of this proposal - to enable informed decisions to be made - that we be certain that we are debating the full report and that any other internal government reports commenting on this report are made available so that we have the full picture because, if we take decisions without being in possession of all the facts, we will lose out quite badly. That was made evident as a result of the approach taken by the previous 2 Chief Ministers who were not interested in revealing the full picture, but only those parts that suited them. As a result of their pie-in-the-sky approach, the prospect of the railway has been put back a number of years and possibly even further than that. Simply because they were wearing rose-tinted glasses and did not bother to do their homework, it has taken this amount of time to get a realistic report.
In conclusion, I welcome the report. From what I can gather, it provides a rational and sensible basis for future debate on the railway line. It is a somewhat gloomy document in that it does not provide an easy answer to the funding of the railway line. Plainly it takes us back 3 or 4 years in terms of funding options. The next step is for the Northern Territory government to state quite clearly whether it is prepared to make a financial contribution to the railway line or not. Until that decision is made and announced, people in the Northern Territory will not know what is happening, and potential private financiers will not have a sound basis for their own projections. I call on the Northern Territory government to make a firm decision on whether it will provide funds to the railway line, and to announce that decision.

Debate adjourned.