

Updated 08 July 2003

## HOW MUCH WILL THE RAILWAY COST?

The railway has often been described as the "Steel Snowy", both because of its "nation-building" qualities as well as the sheer size of the project. The cost is \$1.3 billion, which includes rolling stock.

## IS IT REALLY ECONOMICALLY VIABLE?

Considerable research has been done by Governments and the private sector in determining the economic viability of the line. The 1984 Hill report found there would be a benefit/cost ratio of between 0.28 and 0.31 (at 7%).

The Wran Report, commissioned by the Commonwealth Government in 1994, found the cost benefit ratio for the Alice Springs to Darwin Railway to be .78 (8% discount rate) and 1.09 (6% real discount rate). The Wran Committee said the project should be economically viable by 2005 and was a matter of "not if but when".

The Wran Committee's independent consultant revised these figures in 1995 when provided with new Australian Bureau of Statistics data, finding the cost benefit ratio was 1:27. In 1999, [Booz-Allen and Hamilton](#) found the cost-benefit ratio was 1.88 (which means that every dollar invested should return \$1.88).

The strongest endorsement came from the market in 1997, with 30 tenders received from 60 national and international companies submitting expressions of interest to build, own, operate and transfer back the railway.

At the time of the Commonwealth Agreement on Government funding, in October 1999, both the Asia Pacific Transport Consortium's banker (Macquarie) and the AustralAsia Railway Corporation's banker (Deutsche Bank) agreed the project was "bankable".

Asia Pacific Transport has done its own freight studies based on domestic freight and has interviewed prospective customers. The base case - or existing domestic freight - is the basis on which bankers consider supporting such a project and its bankers were satisfied with the viability of the project.

Their estimates do not include likely new freight, such as that generated by mining and 'landbridge' freight (i.e. freight transhipped from ships at East Arm Port to the railway).

For Further Information contact the AustralAsia Railway Corporation Telephone 89469595 [www.aarc.com.au](http://www.aarc.com.au)