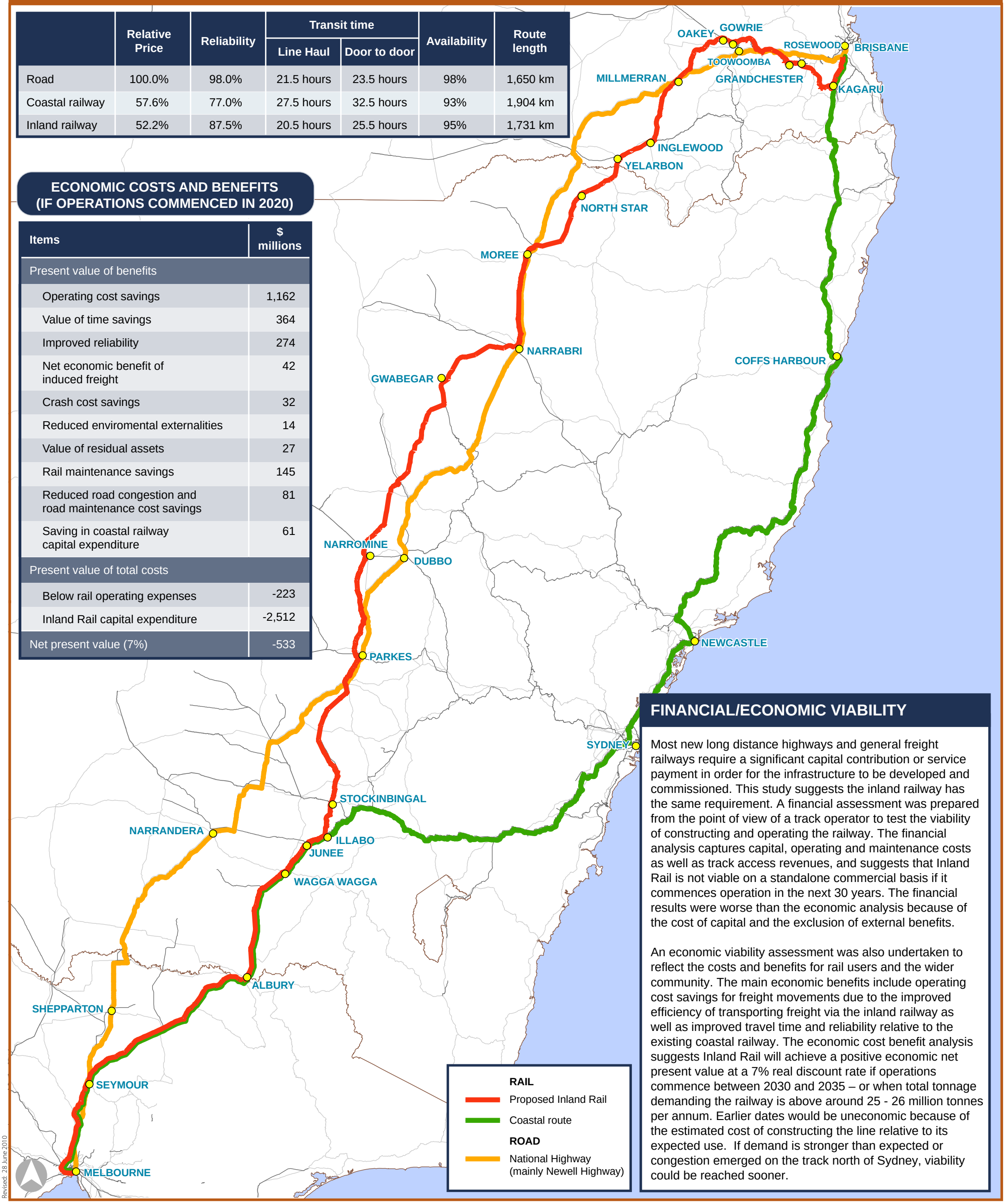
Melbourne–Brisbane Inland Rail Alignment Study

	Relative Price	Reliability	Transit time		Availability	Route length
			Line Haul	Door to door		
Road	100.0%	98.0%	21.5 hours	23.5 hours	98%	1,650 km
Coastal railway	57.6%	77.0%	27.5 hours	32.5 hours	93%	1,904 km
Inland railway	52.2%	87.5%	20.5 hours	25.5 hours	95%	1,731 km

ECONOMIC COSTS AND BENEFITS (IF OPERATIONS COMMENCED IN 2020)

Items	$ millions
Present value of benefits	
Operating cost savings	1,162
Value of time savings	364
Improved reliability	274
Net economic benefit of induced freight	42
Crash cost savings	32
Reduced enviromental externalities	14
Value of residual assets	27
Rail maintenance savings	145
Reduced road congestion and road maintenance cost savings	81
Saving in coastal railway capital expenditure	61
Present value of total costs	
Below rail operating expenses	-223
Inland Rail capital expenditure	-2,512
Net present value (7%)	-533



FINANCIAL/ECONOMIC VIABILITY

Most new long distance highways and general freight railways require a significant capital contribution or service payment in order for the infrastructure to be developed and commissioned. This study suggests the inland railway has the same requirement. A financial assessment was prepared from the point of view of a track operator to test the viability of constructing and operating the railway. The financial analysis captures capital, operating and maintenance costs as well as track access revenues, and suggests that Inland Rail is not viable on a standalone commercial basis if it commences operation in the next 30 years. The financial results were worse than the economic analysis because of the cost of capital and the exclusion of external benefits.

An economic viability assessment was also undertaken to reflect the costs and benefits for rail users and the wider community. The main economic benefits include operating cost savings for freight movements due to the improved efficiency of transporting freight via the inland railway as well as improved travel time and reliability relative to the existing coastal railway. The economic cost benefit analysis suggests Inland Rail will achieve a positive economic net present value at a 7% real discount rate if operations commence between 2030 and 2035 – or when total tonnage demanding the railway is above around 25 - 26 million tonnes per annum. Earlier dates would be uneconomic because of the estimated cost of constructing the line relative to its expected use. If demand is stronger than expected or congestion emerged on the track north of Sydney, viability could be reached sooner.

Revised: 28 June 2010

ACIL Tasman

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Halcrow

PB PARSONS BRINCKERHOFF 125 YEARS

PRICEWATERHOUSECOOPERS