



17 CONCLUSIONS

TEARC is a strategically important project which will support the progressive development of the Port of Townsville (PoT), the Townsville Priority Development Area (PDA) and Townsville State Development Area (TSDA) whilst at the same time improving urban amenity near the Ross River precinct and adjacent areas.

The Base Case freight rail configuration does not support efficient development of the port through its expansion plans. Competitiveness of Townsville is constrained by freight network inefficiencies and freight rail movements through Townsville is reducing liveability.

The Townsville Eastern Access Rail Corridor Project (TEARC), as a standalone project based on the central case demand forecast, is uneconomic based on a BCR of 0.16 and NPV of negative \$226.3m using a 7 percent real discount rate. TEARC's quantifiable benefits are derived through reduced road traffic delays and a marginal increase in rail efficiency.

TEARC is a building block to achieve the longer-term goals of potentially removing the Jetty Branch (timed with the Port Expansion Project (PEP)) and having all trains utilise TEARC thus providing improved urban amenity for the community along Abbott Street and Perkins Street. This would open up the Townsville Waterfront PDA for future development and, redevelopment of the urban areas around Perkins Street thus improving the liveability of Townsville.

The net P90 risk-adjusted project costs are \$458.9 million in nominal terms, and \$370.2 million in NPC terms when taking into account the whole-of-life costs of the Project.

Investment in the Environmental Impact Statement approval and engineering development would allow the TEARC project to progress, whilst at the same time mitigating risk should the Ports growth exceed the demand forecast. This investment would position the TEARC project to progress into construction when required.

The Port Expansion Project (PEP) schedule should allow the PoT to identify when TEARC will be required to realise any operational or expansion benefits from any associated development within the port. There is not a pressing need for TEARC to be developed immediately based on the PoT timing, the demand forecast or the development of a major mine which would require large tonnages to be railed and shipped. The timing of TEARC will need to balance out the transport versus the strategic needs.

The Australian Government has allocated up to \$150 million for the TEARC project, subject to an approved business case. The balance of funding required is yet to be secured.

Given that TEARC is uneconomic based on current findings in the DBC, the relevant Government agencies should progress with the Australian Government on potential allocation of the remaining funding to other opportunities identified in the *Townsville City Deal (2016)* (e.g. PoT).