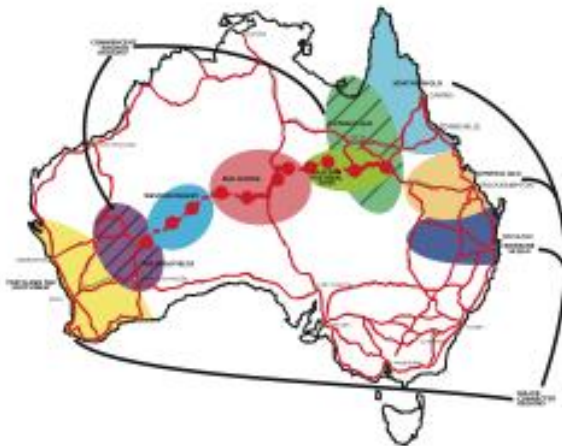




# THE OUTBACK WAY



## Social, Cultural & Economic Impact



### *Update Report*

CUMMINGS  
ECONOMICS  
NORTH AUSTRALIA  
RESEARCH GROUP



Ref: J2494  
January 2012

# UPGRADING THE OUTBACK WAY

Social, Cultural  
&  
Economic Impact  
2012 Update



**Ref J2494**  
**January 2012**

Prepared for  
**THE OUTBACK HIGHWAY  
DEVELOPMENT COUNCIL**

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## SUMMARY OF FINDINGS

### 2012 Update

#### INTRODUCTION

1. In 2003, the North Australia Research Group carried out a major Social, Cultural and Economic Impact Study to identify the costs and benefits of upgrading the Outback Way to all weather gravel standards. Cummings Economics from the North Australia Research Group carried out research in 2009, especially to update the economic aspects of the study.

This report provides a further update as at January 2012.

#### GENERAL BENEFITS

2. The Outback Way offers an opportunity to develop a third east west transcontinental route across Australia resulting in:
  - = Benefits of large travel distance savings between Queensland and Western Australia, especially between northern and central Queensland and the Perth South West area of Western Australia. Travel distance savings Perth to northern Queensland centres is of the order of 1,000km.
  - = Major travel distance savings between the Red Centre area and Australia's east coast and the Perth Western Australia area. Travel distance savings, Perth/Alice Springs is 1136km and Brisbane/Alice Springs 470km.
  - = Major benefits for the currently remote Aboriginal and pastoral community along the route.
3. The Outback Way will more directly link Australia's fastest growing economies of Queensland and Western Australia, and especially the large rapidly growing mining sectors in those areas.
4. The Outback Way will open up major new economic opportunities for the communities of the centre of Australia, especially through the development of tourism and mining and opportunities to provide services to traffic moving across the road.
5. The Outback Way upgrade will boost prospects of Aboriginal communities developing employment opportunities and lessening dependence on welfare.

#### TRAFFIC INCREASES

6. Growth factors identified in the 2003 study, and improvements made to the road since 2003, have seen a strong rise in estimated vehicle movements along the currently unsealed sections.

<i>Estimated Average Daily Vehicle Movements</i>			
	<u>2003</u>	<u>2011</u>	<u>Percent Growth</u>
Western Arm (Kata Tjuta – Laverton)	25	34	+36%
Eastern Arm (Harts Range – Boulia)	20*	30	+50%

\* *Note: Subsequent road counts indicated that the 2003 estimates were low to start with.*

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## **COSTS**

7. Length of unsealed road to be upgraded is 1,597km. Although there have been improvements to the road, estimates provided by the relevant road authorities indicate cost to upgrade to all sealed standard will be about \$700m.

## **TOURISM**

8. The Outback Way links the tourism area of the Red Centre more directly with:
- Major domestic markets along the East Coast and Western Australia.
  - The major international tourism destinations of Cairns and the East Coast and the Perth Area.
9. The upgrading will help give a boost to tourism in the Red Centre that along with other major tourist destinations has been recording lacklustre growth in recent years.
10. Visitor numbers on the Western and Eastern Arms are projected to increase four-fold from a very small base once the road is sealed.

<i>Estimated Annual Self Drive Visitor Numbers</i>		
	<u>Current</u>	<u>Following Upgrading</u>
Western Arm (Kata Tjuta – Laverton)	8,000	48,000
Eastern Arm (Harts Range – Boullia)	12,000	48,000

The upgrading would also result in increases in tour coach visitors and expected commencement of express coach traffic linking Alice Springs to the east coast and Perth.

## **PRIMARY INDUSTRIES**

11. The Eastern Arm of the Outback Way is a primary route for transport of about 50,000 head of cattle between central Australia and the border areas to railheads and markets in Queensland. Its upgrading will have significant economic and social benefits for the cattle industry in the area.
12. The upgrading of the Outback Way's Western Arm will have significant benefits for potential economic exploitation of current large numbers of feral camels in the area.
13. The Red Centre/Alice Springs area is starting to produce a range of crops and the Eastern Arm of the Outback Way will help tap the large markets along the east coast.

## **MINING**

14. The Outback Way will facilitate:
- Inter linkages between the nation's two largest mining areas in Queensland and in Western Australia, accounting for 70% of Australia's production. Distance savings in movement of goods and services between the major mining areas are very large and open out prospects of achieving significant internal efficiencies in the operations of mining companies themselves, but also in the many companies that provide services to them.

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Particular savings are likely to occur in transport of equipment between the two major areas and emergency 'hot shot' transport of parts and replacements to keep machinery, mills and equipment operational.

- Mining developments along the route, especially the prospective development of a major new nickel mining area in the West Musgrave area east of Warburton. It is estimated that having the Outback Way sealed would result in savings of over \$200m with a start up of mining in the area 5 years after the road was upgraded.
15. Intense exploration in recent years has indicated substantial additional mineral resources and mining prospects along the route including oil and gas, uranium, potash, copper, rare earths, garnet sands, scheelite, magnetite and phosphates. Upgrading the Outback Way will increase the chances of projects being undertaken.

### **SERVICE INDUSTRIES**

16. The upgrading of the Outback Way will assist in the development of service industries along the route, providing local jobs and opportunities, especially to service road traffic and visitors.
17. The upgraded road will assist:
- The Desert Knowledge initiative by facilitating movements between major inland centres, especially Kalgoorlie, Alice Springs, and Mt Isa.
  - Defence connectivity between major bases in Australia's north east and south west.

### **TRANSPORT**

18. Apart from increasing efficiency of and lowering costs for local transport along the road, the upgrading will start opening out a major new freight efficient road transport route, linking Queensland with Western Australia, with large distance and cost savings.
19. The sealing of the Outback Way will make Alice Springs a major freight hub in the centre of Australia.
20. The upgrading of the Outback Way will help improve the economics of the Centralian Railway from Adelaide to Darwin by providing improved feeder roads into the line. A number of prospective minerals were identified that could move this way.

### **SAFETY**

21. The upgrade will improve safety of the road.

### **OVERALL DIRECT BENEFIT COST RATIOS**

22. While the capital costs of sealing the currently unsealed sections are large at \$700m, the research has indicated that direct benefits of vehicle and transport cost savings alone would produce a benefit cost ratio estimated at 1.3.

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23. Nett Present Value of benefits by type of movement are estimated as follows at a 4% discount rate.

Locals .....	\$19 m
Business .....	\$23 m
Tourists .....	\$214 m
Coaches .....	\$72 m
Cattle & Camels.....	\$22 m
Mining .....	\$209 m
Local Trucks .....	\$66 m
Interstate Freight .....	\$309 m
Heavy Equipment .....	\$38 m
Hot Shots.....	\$42 m
Accident Inquiry Cost Savings.....	\$22 m
<b>Total .....</b>	<b>\$1,036 m</b>

The biggest contributors are tourist vehicles, interstate freight and mining including heavy equipment and emergency 'hot shot' movements.

#### **WIDER BENEFITS**

24. The upgrading of the Outback Way is likely to produce very significant wider benefits in addition to the direct benefits estimated above.
25. The upgrading of the Outback Way has the potential to result in major 'agglomeration' type benefits through internal efficiencies within the mining industry. The industry in Western Australia, Queensland, and Northern Territory worth \$100bn a year, the upgraded road would only need to increase internal efficiencies by 0.05% to result in a stream of benefits with an NPV of \$868m.
26. The upgrading of the Outback Way would have important 'regeneration' impacts in an area with high levels of under employment. Estimated 'value added' through employment generated in service sectors along the Outback Way would have a NPV of \$283m.

#### **INDIGENOUS COMMUNITIES**

27. The upgrading of the Outback Way will have major wider benefits for the prospects of the remote Aboriginal communities along its length, generating economic activity and employment.
28. If Upgrading the Outback Way enabled government to reduce estimated CDEP and unemployment outlays of about \$9.6m per annum by one-third, NPV of savings would be \$58m.

#### **TOTAL BENEFIT COST**

29. Total benefit cost ratio including direct benefits and monetised wider benefits given above could rise to a very robust level of over 3.0.