

paring unlike industries and using completely self-serving criteria.

One of the claims of the Index is that reputation is 'much more difficult to achieve than it was 20 years ago because it is a product of so many conflicting agendas.' The Index did not 'find' this at all. It simply gathered the opinions of those who have an interest in gaining some leverage over activities of corporations, but who have no direct interest in their operations. The Good Reputation Index has proved to be opinion dressed up as fact. It has more to do with setting up advocacy groups as opinion-makers than with a desire to evaluate the performance of corporations. It has precious little to do with actual performance of tasks that corporations need to undertake in order to fulfil their obligations to their customers, shareholders and workforce and to society through their legal obligations.

An alternative ethical audit would ask, does the corporation comply with the law? Does it fulfil product claims? How does a corporation handle the bad times, like customer complaints, product recall, employee compensation, product liability and so on? Is there sufficient information available about its operations to make informed consumption and investment decisions? Good information is the lifeblood of the marketplace—so why constrain that information by some predetermined, 'tick the box' audit of someone's imposed values? There is a place for an objective set of measures of the performance of companies. It seems that the art of establishing a public reputation has more to do with some people's view of the corporate world than any relevant assessment of corporate performance. Perhaps there should be a Reputation Index for NGOs and interest groups. How would they rate?

The Hon. Gary Johns is a Senior Fellow at the IPA and Head of its NGO Project.

IPA

How to Build Your Own White Elephant

JIM HOGGETT

THOUGH widely and enthusiastically reported in the South Australian and Northern Territory media, the national media gave little prominence to the announcement of the go ahead for Australia's favourite development proposal—the Darwin to Alice Springs railway.

This is strange given the massive financial commitment it involves.

The north-south link was mentioned in the Governor-General's speech to the first Federal Parliament in 1901. Now, a century and two World Wars later, the time is apparently ripe to complete the link.

The construction cost will be \$1.23 billion:

- \$480 million of government grants—\$165 million each from the Federal and Northern Territory governments and \$150 million from South Australia.
- \$750 million yet to be raised privately.

On top of the \$1.23 billion there will be:

- Commonwealth handover, at no cost, of the existing Tarcoola to Alice line which links with the trans-Australia line from Perth to Adelaide.
- An unspecified amount (but probably tens of millions of dollars) to provide rolling stock.

Aside from the issue of whether the construction will come in on budget, which is on the far side of improbability, the governments in-

volved have abandoned any serious attempt to justify the project on economic grounds. The Prime Minister has rejected the 'nostrums' of 'pure economic rationalism' in assessing the project and has defended it on the grounds of nation-building.

This is politically expedient because no respectable cost-benefit appraisal has ever been able to justify the project on public interest grounds. It also explains the large government grant element which is designed to make it commercially attractive to a private consortium.

No economic justification for the project is possible because there is simply no prospect that there will ever be sufficient demand for rail services along the route.

We are not talking here about a railway between great cities across fertile prairies such as from Quebec City to Vancouver or New York to San Francisco. We are talking about a line of 3,000 kilometres, mainly across desert, that goes from a slow-growing, moderate-sized city (Adelaide) through one static, small town (Alice) and a few other very small towns to a slow-growing, large town (Darwin). To give an indication of the existing potential of the link, the total population on the line between Adelaide and Darwin is smaller than that of the ACT. The most recent ABS population figures show that even this small population is declining in most of the areas between Adelaide and Darwin. ▶

That leaves only the nation-building rationale. This would imply that we needed the rail for a strategic purpose or that it would generate new development along its length.

The strategic argument is non-existent. If we had to rely on rail transport in a national emergency, such as a military threat or a natural disaster, we might as well not bother. Road, air and cross-country transport are faster and infinitely more flexible.

Nor will the line create flourishing new development. There are no branches from the southern part of the line into the Simpson Desert and there will be none in the north into the Central Desert. Local transport uses road and the potential for new, large-scale development is nullified by the environment.

There are few bulk shipments of goods directly between Adelaide and Darwin, and these would probably go more cheaply by ship.

Rail construction had its heyday when the alternatives were either slow, often impassable roads or even slower, relatively low-capacity ships. That era has passed. New railways now are limited to links between dense areas of population (such as the high-speed trains) or dedicated high-capacity mine-to-port lines (such as the coal and iron ore lines).

The era of the nation-building railway was already gone when the Governor-General made his speech in 1901.

The Adelaide to Darwin railway is likely to end up carrying a small tonnage of pastoral, mining and business freight and a small number

of tourists, many of them at concessional fares.

Only those who think that the government grants are free money could support this project. But that \$480 million in grants will come out of the pocket of every Australian taxpayer. It is part of our very limited domestic savings. There is no possibility that we will see a return on our investment or that it will generate the export revenue to pay for the imported equipment required

to run it. It will simply subsidize the private consortium partner in the project.

This project is the modern equivalent of the stupendously wasteful Ord River irrigation scheme. It will be neither use nor ornament.

If we wanted to spend more on rail, which is hard to justify in any case, why not boost the upgrading of our existing

rail system, which only gets \$62 million a year from the Commonwealth? Or, better still, spend more on the road system which everyone actually uses, or even better, on the telecommunications system, which will be a real economic driver in the twenty-first century.

It is worth noting that a 'nos-trum' is defined as a 'pet scheme'. This 'pet' would be a white elephant at birth. Every Federal government in the last hundred years eventually realized this and refused to commit money to it.

It's time to put aside nostalgia, accept that the railway age is over and abandon this project.

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