

**Third Party Evaluator's Opinion on
Xi'an-Ankang Railway Construction Project (1)-(3)**

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Impact

As has expounded upon in the Ex-post Evaluation Report, the construction and operation of the Xi'an-Ankang railway has helped push economic development in the zone of impact by increasing the freight transportation volume, those of ores of various kinds in particular. In a similar manner, the increased passenger transportation volume with the construction of the line has also brought economic benefits to the region.

Apart from Xi'an and Ankang, major cities at the two ends, an important administrative district that the Xi'an-Ankang railway passing through is Shangluo (consisting of Zhashui county and Zhen'an county), a city located in the Qinling mountainous area which, before the construction of the Xi'an-Ankang railway, suffered slow economy development and urban construction due to poor communication.

The city enjoys many natural advantages for development: close to provincial capital Xi'an city, with a climate of pleasant cool in summer, little air pollution and nice scenery, which makes it a nature summer resort and offers a prospect of turning into the "back garden" of Xi'an city. Yet the handicapped traffic to Xi'an before the construction of the Xi'an-Ankang railway, taking more than more than 5 hours, made its advantages unable to be brought into play .

Now the communication has become a lot convenient with the travel time between Xi'an and Shangluo shortened to a little more than 1 hour. Increasing Xi'an residents are purchasing villas and commodity houses in Shangluo and shuttling between the two places, accelerating the process of turning Shangluo into the suburb of Xi'an, and pushing ahead Shangluo's the property development. Before the operation of Xi'an-Ankang railway, the real estate in Shangluo was in a state of being declining. In 2002, the second year following Xi'an-Ankang railway opening, the output values of both real estates and commodity housing rokceted more than 200%, and kept high in 2003. Table 1 and figure 1 show the the growth in the output values of real estates and commodity housing in Shangluo.

Table 1 Output of real estates and commodity house in 1999-2003 (thousand RMB, in constant term of 1999 price)

Year	1999	2000	2001	2002	2003
Real estates	35100	21490	20250	66320	80830
Commodity house	27910	21490	20250	62240	74780

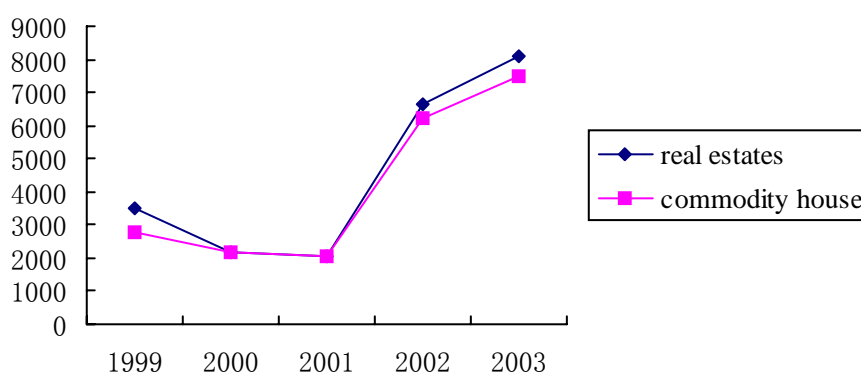


Figure 1 Output of real estates and commodity house in 1999-2003 (thousand RMB, in constant term of 1999 price)

The operation of Xi'an-Ankang railway has significantly shortened the equivalent distance between Xi'an and Shangluo and promoted personnel exchanges between the two cities. As a result the economy is growing at quickened steps and along with the property purchasing by Xi'an citizens in Shangluo, the medical care and education are moving ahead.

(Source: Statistical Yearbook of Shaanxi Province, 2000-2004)

Effectiveness

The Xi'an-Ankang railway is serving primarily for freight transport between the Sichuan area (the Sichuan province and Chongqing city) and the upcountry provinces. Besides, there are 2 other railways playing the similar role: Bao-cheng railway and Xiang-yu railway.

Traffic volumes of these 3 railways all stand around 130-150 million ton and are equally near saturation.

A plan for doubling the track of the Xiang-yu and Xi'an-Ankang railways are being considered, which will result in a more than 200% increase in the transit capacity. However, freight transport between upcountry provinces and the Sichuan area need to pass through the Luoyang-Xi'an section which is currently at the 100% utilizing rate of parallel train performance diagram and, before the construction completion and operation of the Xi'an-Zhengzhou dedicated passenger railway, the traffic volume on the line can hardly have any significant increase. The increased freight transportation between the Sichuan area and upcountry provinces will be likely to be going through Xiang-yu railway.

In all likelihood the construction of the Zhengzhou-Xi'an dedicated passenger railway will be completed later than the double tracking of Xiang-yu railway. Hence, before the completion and operation of Xi'an-Zhengzhou dedicated passenger railway, the growth in traffic volume of Xi'an-Ankang railway will be limited.

Moreover, built in a tough mountain area the Xi'an-Ankang railway has higher construction cost, about 2 times higher than that built in plain areas, and the operation cost is estimated at 2-4 times or even higher than the average operation cost in the Ministry of Railways. The tariff of Xi'an-Ankang railway presently is being fixed based on the average cost in the Ministry of Railways. Should the tariff of the line be fixed based on the real cost, which will be much higher,

the traffic volume of the line will be decreased as a result.

Previously the above 3 railways are all run by the Zhengzhou railway administration, which allows an easier rational traffic assignment between the 3 lines. Since this March, the Xi'an railway sub-administration and the Ankang railway sub-administration were organized to form a new Xi'an railway administration. With the 3 railways being administrated by 2 separate railway administrations, coordinating traffic assignment is likely to be affected.