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## KordaMentha News Article

### Struggling city tunnel limps into receivership

NSW Premier Morris Iemma's repeated claim that his state is "open for business" has been undermined less than three months from the state election, with the collapse of a major Sydney infrastructure project barely a year into its active life.

Confirming weeks of crisis rumours, Cross City Motorway, owner-operator of Sydney's controversial Cross City Tunnel, was put into receivership yesterday with outstanding debts of about \$560 million.

It is the first public-private infrastructure project in Australia to suffer the ignominy of receivership.

With the receivers, insolvency firm KordaMentha, declaring it was "business as usual" for the blighted project, NSW Roads Minister Eric Roozendaal promised motorists the current toll cap would remain and that all financial risk would be borne by the private sector.

He promised the tunnel would return to public ownership at the end of the original 30-year contract with CCM.

But Opposition roads infrastructure spokesman Andrew Stoner said the tunnel debacle would "make infrastructure investors and builders think twice before doing business in NSW."

"The receiver will try and stabilise the ship just to get it ready for sale, and the sale will be for a substantial mark-down," he said.

The financial collapse of the tunnel has offered a lifeline to the NSW Opposition after the latest Newspoll, published exclusively in The Australian yesterday, showed that the Iemma Government would be comfortably returned on March 24 by default rather than a vote of confidence in its performance.

A consortium of 16 domestic and foreign banks led by Westpac and Deutsche Bank has lost patience with CCM's attempts to restructure its heavy load of debt.

Mired in political controversy and traffic chaos since its opening in August 2005, the east-west tollway has failed to achieve its projected target of 90,000 crossings each day, struggling to attract a third of that number.

But it is the equity investors who are likely to suffer the biggest losses when the tunnel is eventually sold off -- either to the banks themselves, or to an outside predator such as Macquarie -- at a price commensurate with its flagging revenues.

While half the equity belongs to Hong Kong giant Cheung Kong, owned by billionaire Li Ka-shing, there are plenty of "mum and dad" investors exposed. Like most public-private infrastructure projects, the tunnel has attracted investment from superannuation funds, including state and federal public sector pension funds.

The project has struggled because motorists regard the \$3.50 toll as excessive, while community anger at surface road changes designed to "funnel" traffic into the toll road has been a public relations nightmare.

Life was made even harder for CCM by the Government's extraction of a \$100 million upfront fee, only \$54 million of which was set aside to cover its own costs in the project. A report by former NSW auditor-general Bob Sendt in June found that in its rush to grab the \$100 million, the then Carr government failed to consider how the size of the payment could drive up the toll and alienate motorists.