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KordaMentha News Article

Tunnel collapses in debt

THE Lemma Government's reputation for managing public-private partnerships is in tatters after the troubled Cross City Tunnel was put in receivership less than 18 months after it opened.

Once touted as the panacea for gridlock in the city, the \$800 million tunnel attracted barely a third of the expected 90,000 cars a day, leaving the company unable to pay interest on massive debt.

The board of CrossCity Motorway met yesterday and appointed administrators. Ownership of the tunnel has passed to the banks, who called in receivers KordaMentha.

The tunnel will remain open. Motorists may soon pay a lower toll as the receivers, Martin Madden and David Winterbottom, try to attract more traffic.

Receivers plan to revive the business but are likely to sell it within 18 months. The most probable buyer is Transurban, which is in the process of taking over most of Sydney's motorways.

When the tunnel opened, a \$3.50 toll and road closures angered motorists, while a string of inquiries have been scathing of wildly inflated traffic predictions and the Roads and Traffic Authority's handling of the project.

The Government also came under fire for exposing taxpayers to a compensation claim worth hundreds of millions of dollars when it reversed 13 road changes without the company's consent.

In a statement yesterday, the receivers said they would work with the Government and the RTA to secure a long-term sustainable business. They described the change as a "fresh start".

"We believe, with some changes, it can and will succeed," Mr Madden said. "We don't intend to make significant changes immediately, but we will look at all the options to ensure sustainable growth in the business.

"It is year two of a 35-year project and we believe that the tunnel can ultimately be successful."

The tunnel's chief executive, Graham Mulligan - once described as a "f---wit" by the Premier, Morris Lemma - will remain and report to Mr Madden. There are no plans for redundancies.

The Government again ruled out buying the road. A spokesman for the the Roads Minister, Eric Roozendaal, said the collapse would not cost taxpayers.

"The Government can provide the following reassurances to the NSW taxpayer and motorists. One: there is no financial risk to taxpayers. Two: the tunnel will continue to operate. Three: the existing toll cap will stay in place. And four: the ownership of the tunnel will still return to the public after 29 years."

However, the Opposition roads spokesman, Andrew Stoner, said the Government should accept responsibility for the project's failure because it commissioned the project and provided inflated traffic estimates.

"The Carr-Lemma Labor Government has mismanaged this project from day one," he said. "The sorry history of the Cross City Tunnel and the Labor Government's complicity in its failure has given public-private partnerships a bad name the world over."

The former NSW auditor-general, Tony Harris, said yesterday: "It makes the court case more interesting because the Government's abrogation of the contract at least hastened the demise of the tunnel."

The collapse means the three major shareholders - Cheung Kong Infrastructure (50 per cent), DB Capital Partners (30 per cent) and Bilfinger Berger (20 per cent) - have lost their investment.

Banks, including Westpac and Deutsche Bank, are hoping to recoup as much of their \$560 million loan as possible.