

# **Case Study 3**

## **Infrastructure Finance: The Sydney Cross City Tunnel**

### **Case Study Assignments**

- 1) What are the merits of having private – sector participation in financing of the Sydney Cross City Tunnel?
- 2) Why is the Sydney CCT project attractive for CKI?
- 3) What are the risks associated with financing, development and operating the Sydney CCT?
- 4) How could the CCM allocate and mitigate risks?
- 5) Why did the Sydney CCT fail to deliver the projected returns for investors as of 2006?
- 6) Using the projected traffic volumes, financial and other data, prepare a financial model of CCM using a range of economic scenarios, and comment on the insights gleaned from such models. Revise the model based on actual tunnel patronage experienced and comment on the tunnel's debt capacity when the term loan becomes due.
- 7) Because Australia is a mature democracy with a developed economy and stable institutions, it could be argued that CKI underestimated public sentiment in Sydney and thus, its impact on the Sydney CCT patronage. What political, regulatory and other institutional risks may CKI further envisage from the Sydney CCT's negative public image? What pre-emptive corporate action should it take to mitigate such problems?