

# NSW faces compensation bill for scrapping Sydney metro

MARK COLVIN: The New South Wales Government has bought itself a big compensation bill with its decision to cancel Sydney's \$5 billion Metro project.

The Government has agreed to reimburse some of Australia's biggest engineering and construction companies.

There will also be payments to the owners of homes and businesses whose land would have been acquired to make way for the Metro.

A harder cost to quantify is the damage to the state's reputation. The construction industry says cancelling a prominent project sends a very poor message to business.

Brendan Trembath reports.

BRENDAN TREMBATH: The construction of Sydney's \$5 billion Metro rail system was supposed to start later this year. The line would run seven kilometres underground between Central station and Rozelle in the city's inner west.

But the Premier Kristina Keneally cancelled the project yesterday.

KRISTINA KENEALLY: This was a tough decision. No Government takes lightly the decision to stop work on a \$5 billion project and we're very mindful that there are people and businesses who have put a great deal of money into it. They will be reimbursed.

BRENDAN TREMBATH: Ms Keneally has told 2GB's Alan Jones that it will be a fair process.

KRISTINA KENEALLY: There'll be a group, a working group set up between Transport, Treasury and we'll bring in an independent, outside firm, someone like a KPMG. I don't want to pre-empt it. We're in the process of selecting someone right now.

BRENDAN TREMBATH: Those who have lost money range from small business owners to some of the biggest construction and engineering companies in the country.

Chadi Tahan manages a chemist shop owned by his sister. The business was meant to be demolished to make way for the Metro line.

Mr Tahan is delighted the Metro has been cancelled because many customers have stayed away.

CHADI TAHAN: It has actually cost us an enormous amount of money, effort and

worry. The cost without making a proper estimate runs in the hundreds of thousands of dollars.

BRENDAN TREMBATH: But realistically would you expect to get most or all of that money back that you say you've lost?

CHADI TAHAN: We're not definite if the Government is going to compensate us fully. The Government says something in our experience and does something completely different.

BRENDAN TREMBATH: The biggest losers though are the construction and engineering companies which have millions of dollars at stake.

JIM BARRETT: This is not like having the local painter come in and quote for painting three of your bedrooms and he takes half an hour, then walks out and gives you a sheet of paper with a price.

I mean we are talking about very sophisticated tunnelling, geotechnical work.

BRENDAN TREMBATH: Jim Barrett is the executive director of the Australian Constructors Association which represents Australia's leading construction contractors.

He says cancelling a major project will cost the Government some damage to its reputation.

JIM BARRETT: It's a very poor image. I mean you normally expect public sector clients to be the most stable, the most reliable and those that are sophisticated, that can go to the market with some confidence.

BRENDAN TREMBATH: The Australian Industry Group is encouraged by the Premier's commitment to compensation. The organisation's chief executive Heather Ridout isn't all that pleased.

HEATHER RIDOUT: The industry was acting in good faith, preparing its tender documents, working away in back rooms with huge pools of, teams of people in order to comply with the tender requirements. And I suppose from a business point of view we're deeply disappointed that it didn't go ahead.

BRENDAN TREMBATH: Has industry been shabbily treated in this case, to abruptly cancel such a major project?

HEATHER RIDOUT: Look if industry gets fully compensated for the efforts it put in it will not be shabbily treated. If it does not get fully compensated and properly assessed against all sorts of standards in that compensation package, I think industry will be very unhappy with the Government and will be very nervous about tendering again for government projects.

BRENDAN TREMBATH: But let's look more broadly. You travel widely, what sort of signal does this send outside New South Wales that the State Government can all of a sudden cancel something that was such a big infrastructure project?

HEATHER RIDOUT: Well they're not alone in having suffered this in New South Wales. Other states have done the same and there was quite a high profile one in South Australia not that long ago.

But there's a big ambition to get more competition into the Australian construction industry. It's often said there isn't enough competition. Well overseas owned companies are not going to come into a market where projects can be arbitrarily cancelled without proper compensation.

BRENDAN TREMBATH: The \$5 billion Metro would have also forced the closure of a carpet shop owned by Arman Jalil. He can keep selling his carpets now but he wants compensation too.

ARMAN JALIL: Well we lost a lot of business here because of their plan.

BRENDAN TREMBATH: I see you have a sign: demolition sale. Has that helped business though, that you might be going out of business?

ARMAN JALIL: Well it didn't help my business. People came to my shop and they just offered me ridiculous prices you know, I mean offers like you know the rug is \$2,000 they offered me \$500 for example, so.

BRENDAN TREMBATH: Isn't it always an old ploy with selling carpets that you say, going out business, must sell everything?

ARMAN JALIL: Not really. I never had a closing down sale like the other people do that. But what I did we really had to go from here. They told us you know you have to go and by April. And we said well, we had a closing down sale. That's how you run the business you know.

MARK COLVIN: Carpet shop owner Arman Jalil with Brendan Trembath.