

28 June 2010

## UPDATE TO RIVERCITY MOTORWAY GROUP INVESTORS

I last wrote to investors on 10 May 2010 addressing the disappointing early traffic volumes on the CLEM7 and the actions being taken by the Board and management of RiverCity Motorway Group to build traffic.

As I previously advised, CLEM7 traffic volumes are dependent on many factors, including the demand for river crossings, the occurrence and timing of other toll road projects, changing travel patterns and habits, motorist appreciation of the travel-time benefits offered by the CLEM7 and their willingness to pay tolls, the performance of feeder roads, and demographic and economic conditions.

Following the opening of the CLEM7 the Board and management have focussed on the efficient and safe operation of the tunnel, effective promotion of its travel benefits and marketing of tolling products. We have also implemented a range of incentives aimed at encouraging motorists to experience the CLEM7 tunnel, including:

- A user friendly tolling system with easy-to-use accounts and products;
- 30% toll-discount period extended through until 30 June 2010;
- \$20 worth of free trips on the CLEM7 tunnel for customers who established a FLOW Tolling account;
- Waiving of image process fees (\$0.40) until 30 September 2010; and
- A “No Tag? No Worries.” approach for infrequent motorists.

It is now 11 weeks since tolling commenced and, regrettably, the level of traffic and traffic growth during this time has remained disappointing.

**Table 1: Traffic Volumes Since the Commencement of Tolling\***

	<b>6 - 30 April 2010</b>	<b>1 – 31 May 2010</b>	<b>1 – 24 June 2010</b>	<b>Change April to June 2010</b>	
Average Daily Trips	21,178	21,424	22,559	1,137	6.5%
Average Workday Trips	22,967	23,746	25,063	2,265	9.1%
Average Non-workday Trips	16,577	17,203	16,480	-100	-0.60%
Workdays in Period	18	20	17	-	
Non-workdays in Period	7	11	7	-	

*\*30% discount applied to all tolls during this period.*

The original forecast was for 60,451 Average Daily Trips one month after opening (assuming the full toll was charged), scheduled to increase by approximately 33% over the first two months. Actual traffic levels of 22,315 Average Daily Trips in June 2010 is well below the original forecast, as is the traffic growth rate of 5.36% over the first two months, despite the incentives outlined above.

Since my last update to investors, the Group has engaged IMIS to analyse pre-and-post opening traffic, review the original traffic model and estimate traffic volumes to 2016 with associated confidence levels. We expect this report to be available in September 2010.

Our financial advisers, Goldman Sachs JBWere, continue to assist the Board and management in examining potential options. As at 31 May 2010, RiverCity Motorway Group has access to cash reserves of approximately \$136 million. In May 2010, the draw down on cash reserves was \$8.9 million. A significant improvement in revenue growth is essential for the Group to stop drawing on reserves, meet its first debt covenant test in June 2012 and ensure preservation of the long-term value of the remaining 41 years of the Concession for Unitholders.

The travel benefits of the CLEM7 are apparent. On average, motorists spend 17 minutes travelling between Ipswich Road and Lutwyche Road if they use the Story Bridge during peak travel periods. This travel time is routinely more than halved to about 8 minutes when they use the CLEM7. The tunnel is also far more reliable than the surface roads. Our studies have observed that even a minor incident on the surface roads can increase travel times between Ipswich Road and Lutwyche Road to as much as 27 minutes. When that happens motorists are saving almost 20 minutes using the CLEM7.

However, Brisbane residents have indicated that the current toll is not sufficiently compelling to encourage a change in their travel patterns. This means they are not experiencing the travel benefits available to them on the CLEM7. Given this and following review of a range of options, the Board and management have taken a decision to reduce the car toll on the CLEM7 to \$2.00 from 1 July 2010 until 30 September 2010. This will make a significant change to the CLEM7 value-for-money proposition and should attract traffic from other bridges crossing the Brisbane River. The \$2.00 CLEM7 car toll will be about half the announced 1 July 2010 Gateway Bridge car toll of \$3.85.

Coupled with the time savings and greater reliability, the \$2.00 toll for cars to use the CLEM7 represents excellent value-for-money for motorists and provides an opportunity to generate an immediate and material increase in patronage. The toll will be set at that \$2.00 level for an initial period of three months. During that time the traffic will be reviewed and strategies developed to continue driving traffic and revenue growth.

The Group will continue to keep investors informed of events. The Group will also continue its regular and consultative dialogue with its financiers throughout this process. The Group's accounts are scheduled for release on 25 August 2010 and the Unitholder meeting is scheduled for 20 October 2010.

Regards,

A handwritten signature in black ink, appearing to read "Robert Morris", is written over a light blue horizontal line.

Robert Morris  
Chairman