

22 November 2010

RiverCity Motorway Group – Annual General Meeting 2010

A presentation to the 4th Annual Unitholder Meeting of RiverCity Motorway Group by the Chief Executive Officer, Flan Cleary.

INTRODUCTION

Thank you Bob. I also would like to welcome unitholders and Directors to today's meeting.

CLEM7 opened to traffic on 16 March 2010 and tolling operations commenced three weeks later on 6 April 2010. This marked the successful completion of the three and a half year project delivery phase, seven months ahead of schedule.

I would like to recognise the effort from all who worked on the project. I would also like to acknowledge members of the RiverCity Motorway and FLOW Tolling teams who are also attending today. The completion of construction and transition to opening has been an extremely busy and very challenging time for all.

Today, I will provide unitholders with an overview of our first eight months of roadside and tolling operations, outline the actions we are taking to increase traffic volumes and the company's current priorities.

ROADSIDE OPERATIONS AND MAINTENANCE

After the first few days of operation, motorists adapted quickly to the new driving environment. And those who use the tunnel like it. Motorists who are using the tunnel rated their experience 4.2 out of 5, with 5 being 'very satisfied'.

RiverCity Motorway Group has contracted the operation and maintenance services for the CLEM7 to Brisbane Motorway Services. They manage the tunnel, including operation of the tunnel control centre and providing breakdown services 24 hours a day, 7 days a week.

Since opening, the tunnel operators and systems have been performing well. Vehicle breakdowns and incidents within the tunnel are being attended to in 4 to 6 minutes. These response times outperform both our Project Deed requirements and industry standards.

Brisbane Motorway Services has implemented a comprehensive environmental management plan. The tunnel is continuing to operate well within the noise and air quality requirements set by the Queensland Government's Coordinator General.

Regular maintenance activities are an essential part of our operations. Scheduled quarterly maintenance activities were successfully completed in May and September this year.

Since opening, we have made a number of improvements to signposting and pavement marking to make it easier for motorists to locate our tunnel entrances.

TOLLING AND CUSTOMER SERVICE

Our priority in establishing our FLOW Tolling business was to make it easy for motorists to pay their tolls when they use the CLEM7.

FLOW Tolling provides simple, easy-to-use products and payment options for regular and occasional toll road users.

Motorists can pay their tolls through a number of service channels. These include through our website, call centre, Customer Contact Centre located at Cannon Hill, and through a network of retail outlets.

The Group's strategy of making it easy for occasional users of the CLEM7 to pay their tolls has been successful. Rather than this group representing about 5% of daily traffic volumes, which is typical for other toll roads, this occasional customer segment comprises almost 20% of daily traffic. Our future marketing efforts will focus on converting these customers to accounts as they become frequent users of our road.

In another positive development for the Group, FLOW Tolling commenced providing tolling and customer service for Brisbane's new Go Between Bridge when it opened on 5 July 2010. Tolling operations are delivered using the tolling system and back office resources that are necessary to operate the CLEM7. By providing tolling services for a number of roads, the Group expects to expand its customer base and continually drive down transaction costs.

MARKETING AND PROMOTION

An extensive marketing and communication campaign during the past 12 months resulted in more than 90% unprompted awareness of the CLEM7.

Activities prior to and following road opening have included:

- Advertising on television, radio, billboards, in newspapers and online,
- Displays at major shopping centres throughout Brisbane,
- Distribution of maps showing the location of the CLEM7 tunnel and its connecting roads to all households within the road corridor,
- Distribution through The Sunday Mail newspaper of a 20-page CLEM7 'magazine' which provided a map of the tunnel, information about its travel benefits, an overview of the CLEM7 safety features, as well as information about easy options for motorists to pay their tolls,
- A 30-minute television special went to air immediately prior to the tunnel opening, which provided a guide for motorists wanting use the CLEM7 and pay their toll.

There was extensive media coverage in February 2010, when more than 55,000 people attended the CLEM7 community open day and tunnel run. The events raised more than \$200,000 for local charities, including the Royal Children's Hospital Foundation, Rotary and Lions Clubs.

During our toll-free period in March more than 3,000 cyclists rode through the tunnel as part of Bicycle Queensland's annual Bike Week.

On 23 July 2010, \$115,000 was raised when the CLEM7 was re-named the KIM7 tunnel for a day in support of the Kim Walters Choices Program.

In the coming months the Group will continue marketing and promotion to educate motorists about the tunnel, its entry and exit points, travel benefits, and easy payment options.

BUSINESS PRIORITIES

At our unitholder meeting last year we indicated that the company would focus on increasing traffic during 2011 and then seek to drive down costs in 2012.

The continued low traffic has changed our priorities. 2012 has arrived. The focus is now on survival and our priorities have to be revenue improvement and cost reduction.

REVENUE OPTIMISATION INITIATIVES

We have kept toll levels low with the aim of demonstrating the travel benefits to the maximum number of potential users. By encouraging people to try the tunnel we begin the process of entrenching the CLEM7 into their travel habits.

Now we need to focus on revenue. We recognise that toll discounts are not sustainable in the long term. On 15 November we increased car tolls from \$2 to \$3 dollars. The tolls on all other vehicle classes were also increased.

While it is only one week since these new tolls were introduced the result has been a small reduction in daily traffic, but increased revenue. It appears that the \$2 toll has achieved its aim and the traffic that was encouraged to try the CLEM7 is mostly staying.

The Group will review its toll charges again in the first quarter of 2011.

We have also commenced charging fees that are allowable under our Project Deed for payment channels that are more expensive. This includes charging an image processing fee of 40 cents when an electronic tag is not detected in a vehicle using the CLEM7.

The provision of tolling services for the new Go Between Bridge has provided additional revenue.

We are preparing an application to Brisbane City Council for the inclusion of several roadside billboards which would also provide an ongoing revenue stream for the Group.

The Group is also proceeding with the sale of a parcel of land at Kangaroo Point that is now vacant following the completion of construction.

COST REDUCTION INITIATIVES

Our financial performance can also be improved by effectively managing costs.

In order to reduce corporate costs, the Board is proposing to reduce the number of Directors from 7 to 4. This reduction in Directors would be implemented from the commencement of any Standstill Arrangement with the banks.

We have also identified opportunities to reduce the hours of operation of our call centre. Any change would be aligned with call volumes. Cost reductions are also being pursued through improvements to our tolling back office systems and processes.

Discussions have commenced with our Operations and Maintenance contractor in relation to potential operating efficiencies that would drive down costs.

Finally, our marketing in the next year will be more targeted and lower in cost.

I would now like to hand over to our CFO Christine Hayward to discuss the operating results.