

Transurban under pressure to resolve West Gate Tunnel dispute



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Tollroad group Transurban and contractors CIMIC and John Holland have been ordered by the Victorian Premier to sort out a costly dispute on Melbourne's \$6.7 billion West Gate Tunnel project and stop playing "silly games".

CIMIC and John Holland last week terminated a contract to build the new tunnel for Transurban, claiming they were not responsible for the unexpected cost and difficulty of disposing of contaminated soil, after new policies were introduced by the state Environment Protection Authority on the handling of [per-and polyfluorinated alkyl substances \(PFAS\)](#) - chemicals used in firefighting foams and other industrial and consumer products.

The contractors claim they were told by Transurban that 85 per cent of the soil they would have to move to build the tunnel would be classified as "fill material" that could be recycled or put into regular landfill sites, but subsequently found that most of the soil was contaminated.

They have been in talks with Transurban over the contamination issue for the past six months and last week seized on a "force majeure" clause in their contract with the tollroad group to [stop work on the tunnel](#).

The termination has been rejected by Transurban, which has its own [fixed price contract](#) with the state government to deliver the project.

If the parties cannot resolve who will pay for the disposal of contaminated soil, or end up fighting about the validity of the terminated contract, the dispute could end up in the courts.

Analysts have estimated the West Gate Tunnel could now cost an additional \$1 billion to finish, but the Victorian government is reluctant to pump in additional taxpayer funds.

Premier Daniel Andrews said on Tuesday that while it was willing to work through any legitimate claims, "silly games" were being played.

"We're simply not going to be standing for that," he said. "There's a contract, it needs to be delivered, that road needs to be completed in 2022."

Mr Andrews said Transurban was "crystal clear" on the expectations of the state government and the company needed to manage the allocation of risk.

"I'm not going to invite contracted parties to put aside a contract in the hope that they can just write whatever ticket they want," he said.

Analysts at S&P Global Ratings said last week that the dispute highlighted the complexity of tollroad construction and development.

Transurban, which reports interim results on Tuesday, has also been [battling delays on its NorthConnex tollroad project](#) in Sydney, which was supposed to open at the end of 2019 but is now scheduled to open in mid-2020.

Transurban's BBB+ credit rating, which has a stable outlook, was not at risk unless the time taken to resolve the West Gate Tunnel dispute and its costs escalated, S&P said.

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