

# CASH 'NO' SINKS BAYSIDE BID

By MARY-ANNE TOY

THE \$700 million Bayside project in Port Melbourne appears to have self-destructed after the State Government reneged on a deal to guarantee up to \$24 million to secure funding.

The State Government now faces legal action from the developer, Sandridge City Development Company, to recover more than \$8 million it says it has spent on the project.

The *Herald-Sun* has learnt that, under a secret agreement signed by the Deputy Premier and Major Projects Minister, Mr Kennan, last November, the Government was to guarantee a loan of \$12.6 million plus capitalised interest (which would total about \$24 million) to allow the first stage of the project to start.

The guarantee was to have been secured by mortgages on the land.

The Government is now bracing itself for an Auditor-General's report,

due out soon, which is expected to be highly critical of its handling of Bayside.

The Opposition major projects spokesman, Mr Birrell, yesterday called on the Government to "come clean" on what secret offers had been made.

The Government has spent five years and more than \$50 million consolidating and cleaning the site and another

\$20 million on public housing, but the 30ha former contaminated industrial site remains a wasteland.

Under a deal, which was never made public, the Government also agreed to spend another \$8 million building community facilities.

On the strength of the agreement Sandridge secured funding from French merchant bank Credit

Lyonnais and the ANZ plus an extra \$3 million cash equity from its shareholders for the first stage in March.

The pivotal Credit Lyonnais loan was for \$12.6 million to be available immediately with the balance (up to a total of \$24.1 million) to be used for capitalised interest payments.

It was to be secured by

an unconditional Government guarantee to repay the money by December 31, 1997.

It is understood opposition from Treasury to the guarantee forced Mr Kennan to backtrack on the agreement to underwrite the project, citing dissatisfaction with Sandridge's company structure and viability.

The Treasurer, Mr

Sheehan, refused to comment.

When the Government did not provide the guarantee, the funding agreements lapsed.

Sandridge terminated its relations with the Government on April 7 and is taking legal action to recover more than \$8 million it has spent on the project.

It is understood that the Auditor-General's report will say that the Government may be liable for that amount.

Sandridge's chief executive, Mr Robert Peck, last night refused to comment.

The Government guarantee was to enable the first stage, the canals, land reclamation between Station and Princes piers and the first 295 housing lots, to proceed.

In Parliament this week, Mr Kennan this blamed the problem on Sandridge's inability to raise finance for the project and trouble with its shareholders.

Mr Kennan last night said the guarantee was always subject to the Government being satisfied that the project was financially viable.

"The heads of agreement was like a signpost; it was not legally binding but a framework for negotiations to lead to a final agreement," Mr Kennan said.

"The banking took a lot longer than originally thought and the Credit Lyonnais facility was more expensive than originally envisaged."

Bayside was launched in 1987 as a massive residential, tourism and office development. It was to include two hotels, a 520-berth marine, tourism attractions on Station and Princes piers, 295 houses and 397 apartments.

Last November the project was rejigged into a staged development concentrating on housing due to the collapse of the commercial property market.

## BAYSIDE FIRM CLAIMS \$8.5m

THE State Government is facing an \$8.5 million court battle after a falling-out with the proposed developer of the Port Melbourne Bayside project.

By CLAIRE HEANEY  
and NORRIE ROSS

In Parliament, the Opposition claimed Mr Kennan had misled the House this week on the Government's deal with Sandridge to redevelop

\$7.98 million from the Government.

It further claims \$6.6 million plus \$1.3 million interest for audited costs and expenses for the design undertaken before June 30, 1990.

Sandridge claims the Government and the

that the Government would provide a \$24.1 million guarantee.

The Government has spent more than \$60 million cleaning up and consolidating the 43ha site for the residential, marina and restaurant development.