

13 December 2004

The Board of Directors  
Prime Infrastructure (DBCT) Management Pty Ltd  
Level 25, Waterfront Place  
1 Eagle Street  
Waterfront Place  
BRISBANE QLD 4000

Attention: Mr Jeff Pollock

Dear Sirs

**RE: REVIEW OF CORPORATE OVERHEADS**

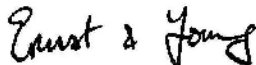
In accordance with our engagement letter dated 27 October 2004, we have pleasure in submitting our report on the above matter.

In our report, Ernst & Young independently assesses the Meyrick & Associates report entitled "Assessment of Prime Infrastructure Overhead Costs", which Meyrick had prepared for the Queensland Competition Authority ("QCA"). That report was prepared as part of the regulatory determination with respect to Dalrymple Bay Coal Terminal ("DBCT"), and specifically with regard to the inclusion of an allowance for corporate overheads in Prime's allowable revenue.

As explained in detail in our report, our overall conclusion is that it would be reasonable to provide a corporate cost allocation (before recovery of QCA annual charges and site remediation costs) of at least \$5 million and up to \$6.5 million for DBCT for the 2005 year.

Should you have any questions with respect of our report, please be sure to contact the undersigned on 07 3011 3212.

Yours faithfully



Ernst & Young



by: Peter Markey  
Partner

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# **Prime Infrastructure – Review of Corporate Overheads**

**December 2004**



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### EXECUTIVE SUMMARY

#### Scope of the Engagement

Prime Infrastructure Management Limited ('Prime') has requested that Ernst & Young independently assess the Meyrick and Associates report entitled *Assessment of Prime Infrastructure Overhead Costs* ('the Meyrick Report'). The Meyrick report was prepared for the Queensland Competition Authority ('QCA') as part of the regulatory determination with respect to Dalrymple Bay Coal Terminal ('DBCT') and specifically with regard to the inclusion of an allowance for corporate overheads in Prime's allowable revenue.

Ernst & Young approached the task in the following manner:

- Met with Prime's management in order to document the various functions carried out in the Prime head office and to evaluate the allocation methodology used to attribute costs to DBCT;
- Reviewed the Meyrick report, both in relation to approach and to Meyrick's analysis of individual cost items;
- Identified appropriate benchmarks and, where possible, benchmarked the costs incurred by Prime against publicly available information; and
- Analysed Prime's proposed cost allowances for 2005 against 2004 actual costs.

#### Commentary on Meyrick Report Methodology

##### ***Meyrick emphasised a "bottom up" approach when a "top down" approach is more appropriate***

Meyrick used both "top down" and "bottom up" approaches in their analysis, with the major emphasis placed on the latter. Ernst & Young are of the view that, ideally, a "top down" rather than a "bottom up" approach should be followed when assessing the reasonableness of overhead costs. A "bottom up" approach must, by its nature, be highly subjective and assumes an intimate knowledge of the operations and management of Prime, which the regulator cannot be expected to have and a consultant is unlikely to have, especially where the review conducted appears to have been limited to a desk top review. We understand that Meyrick did not contact Prime during the performance of this review.

##### ***Meyrick selected the wrong benchmarks for the "top down" approach - its benchmarks were inconsistent with Prime's business model***

In carrying out a "top down" approach it is important to select appropriate benchmarks against which to compare Prime and DBCT. Throughout the Meyrick Report, they assess Prime as a stand-alone terminal company based in Mackay with DBCT as its only asset. This leads them to place considerable weight on Pt Waratah and Pt Kembla coal terminals as relevant benchmarks in their assessment of individual overhead cost elements for DBCT. In our view these coal terminals are not reasonable benchmarks for this purpose for a number of reasons:

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- They are not listed and are privately held by their customers;
- It is not clear the extent to which their shareholders contribute corporate resources in support of their operations (for instance, the majority of directors are not paid by the terminal company);
- It is impossible to determine whether transfer pricing in relation to the provision of corporate resources by shareholders is appropriate;
- Commercial relationships with customers and other stakeholders are likely to be more benign given their shareholding; and
- They do not have the same regulatory compliance costs.

The business model utilised by Prime is a successful and well established model (both in Australia and overseas). This model involves the separation of capital and strategic asset management from operations and maintenance. In Prime's case, their ownership function also includes port master planning (i.e. planning for future capacity requirements including planning for the future expansion of DBCT), and customer relationships. It is not clear that Meyrick appreciated the nature of this business model, as they did not benchmark Prime against entities which apply it.

In Ernst & Young's view, the most appropriate benchmarks are infrastructure companies, with the following characteristics:

- Listed on a recognised stock exchange so as to be able to access capital markets to finance infrastructure investments; and
- Subject to a regulatory regime to govern pricing and customer relations due to the monopolistic position of the infrastructure asset.

The Queensland Government considered it was in the best interests of the coal industry and the Queensland community for the terminal lease to be held by an independent party with a negotiate/arbitrate regulatory model providing for commercial negotiations between parties. Hence in assessing costs there should be an explicit allowance for compliance with the existing regulatory regime.

Prime's customers benefit from its stock exchange listing and access to the capital markets through the reduced cost of capital that this access allows. It would therefore be inappropriate to then not properly account for the costs that are associated with a public company.

This model will necessarily involve a higher level of corporate costs (directly and indirectly through external professional support) than for a comparable organisation owned by its customers with much more benign commercial and operational interfaces.

We have reviewed a number of ASX listed infrastructure investment entities and, while none are perfectly comparable, we believe the following are the most relevant:

- Envestra;
- GasNet; and
- Australian Pipeline Trust (APT).

### Ernst & Young Methodology

As noted above, we believe a “top down” approach is the most appropriate to determine the level of corporate costs applicable to DBCT. This approach should be based on benchmarking against comparable entities. As only a limited “top down” benchmarking analysis could be undertaken, we have supplemented it with a “bottom up” approach.

In its report Meyrick commented that a corporate overhead level of \$10 million on a revenue base such as DBCT’s would appear modest. Meyrick then discounted this fact as it believed certain overhead costs were incurred by the operator of DBCT, which needed to be added to Prime’s corporate costs to complete the picture of the full level of corporate costs being incurred. However, it is important to realise the distinction between corporate and functional overheads. When an entity outsources its maintenance, there is little expectation that corporate overheads will be reduced (notwithstanding the service provider may allocate some corporate overhead type costs to the activity). Typically costs only up to the direct supervision of the function are affected (including functional overhead type costs). Therefore it is not obvious that there would be any double counting of corporate overheads in these circumstances. Further, we can assume from Meyrick’s conclusion ( i.e. that costs would be incurred twice, once at the corporate level then again at the operator level) that Meyrick has made a fundamental assumption that an “outsourcing” model is inherently inefficient in that it will result in increased (or a “doubling up”) of corporate costs for no benefit. This assumption is at odds with the fact that the “outsourcing” model is widely used in the commercial world by competitive businesses.

We understand from Prime management that they have requested a breakdown of costs from the Operator but have been informed by the Operator that such a breakdown was not available.

In order to assess the robustness of Meyrick’s “bottom up” analysis, Ernst & Young undertook a re-assessment of each cost element based on benchmarking against appropriate benchmarks, analysis of 2004 actual costs and its own investigations. This analysis benchmarks the level of costs that have been incurred by similar entities, where possible, to determine whether the level of costs proposed by Prime is reasonable. Where an appropriate benchmark is not available, the actual cost incurred by Prime in 2004 was analysed to determine how much of the cost could be reasonably attributable to operations at DBCT, and hence provide a basis for the 2005 estimates.

In summary, the results of this methodology are as follows:

1. We have identified GasNet as an appropriate benchmark. In 2003 the ACCC allowed GasNet a level of annual general and administrative overheads (similar in nature to Prime’s corporate costs) in the range of \$7.76 million to \$8.69 million during the regulatory period 2003 – 2007. GasNet is a smaller entity than Prime in terms of revenue, assets and equity. On this basis, the corporate overhead proposed by Prime for DBCT of approximately \$6.5

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million is at least reasonable and could be described as modest.

2. Approximately 50% of Prime's corporate costs comprise salaries and wages and related costs, board of director costs, external and internal audit fees and accounting costs. Prime estimated that these costs would total \$3.68 million in 2005 and that \$3.31 million of this would relate to DBCT. For GasNet, Envestra and APT, these costs averaged \$2.89 million in fiscal 2003/04. However, the benchmark information only covered salaries for senior executives. Allowing for this, our assessment was that a reasonable level for Prime would be \$3.2 million with 75% or \$2.4 million allocated to DBCT.
3. Very limited benchmarking has been possible for Prime's remaining corporate costs due to a lack of public information. Instead we have undertaken a "bottom up" analysis similar to that performed by Meyrick and concluded that an appropriate level attributable to DBCT would be \$2.6 million.

### Conclusion

Based on the results of our limited "top down" analysis, the corporate overhead proposed by Prime for DBCT of approximately \$6.5 million is at least reasonable and could be described as modest.

Assuming inflation of 2.5% per annum the appropriate corporate cost allocation on this basis for DBCT for the regulatory period (2005-2009) is summarised below. This cost allocation is before (and excludes) recovery of QCA annual charges and site remediation costs.

#### Proposed Corporate Cost Allocation – "top down" basis

	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m
Top Down Allocation	6.5	6.82	6.99	7.16	7.34

Based on the results of our "bottom up" analysis, we believe that a **minimum level** for annual corporate costs attributable to DBCT is \$5.0 million. Assuming inflation of 2.5% per annum the appropriate corporate cost allocation for DBCT for the regulatory period (2005-2009) is summarised below. This cost allocation is before (and excludes) recovery of QCA annual charges and site remediation costs.

#### Proposed Corporate Cost Allocation – "bottom up" basis

	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m
Minimum level	5.0	5.12	5.25	5.38	5.51

In summary therefore, based on our analysis, it would be reasonable to provide a corporate cost allocation (before recovery of QCA annual charges and site remediation costs) of at least \$5 million and up to \$6.5 million for DBCT for the 2005 year.

### 1. Introduction

#### 1.1 Scope of the Engagement

Prime Infrastructure ('Prime') has requested that Ernst & Young independently assess the Meyrick and Associates report titled *Assessment of Prime Infrastructure Overhead Costs* ('the Meyrick Report'). The Meyrick report was prepared for the Queensland Competition Authority ('QCA') as part of the regulatory determination with respect to DBCT and specifically with regard to the inclusion of an allowance for corporate overheads in Prime's allowable revenue.

Prime requested that Ernst & Young focus its assessment in two parts:

- i. Independently examine the detailed reasoning behind the Meyrick Report's assessment of overhead costs proposed to be allocated to DBCT; and
- ii. Assess a reasonable level of corporate overhead costs for DBCT (through benchmarking or, where appropriate benchmarking could not be performed through other appropriate means).

#### 1.2 Approach and Limitations

Ernst & Young approached the task in the following manner:

- Met with Prime's management in order to document the various functions carried out in the Prime head office and to evaluate the allocation methodology used to attribute costs to DBCT.
- Reviewed the Meyrick report, both in relation to approach and to Meyrick's analysis of individual cost items;
- Identified appropriate benchmarks and benchmarked the costs proposed by Prime against publicly available information; and
- Analysed Prime's proposed cost allowances for 2005 against 2004 actual costs.

The following important points should be noted in terms of the approach carried out by Ernst & Young:

- The results and recommendations in this report are required for submission to the QCA on behalf of Prime and should not be used for any other purpose without our express consent;
- In undertaking this analysis, we analysed a sample of transactions within Prime's general ledger and traced them back to source documentation. The purpose of this was to verify that these costs were incurred in relation to DBCT activities and not in relation to other investments of Prime. Our analysis of a sample of transactions within Prime's general ledger did not constitute an audit in accordance with Australian Auditing Standards. Therefore, this report cannot be taken as Ernst & Young expressing assurance on Prime's costs. Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards, other matters might have come to our attention that may change our views expressed herein;
- We have not independently verified that the data extracted from the Connect 4 and IBIS databases (referred to in the appendices) are correct by checking against

the financial statements of the companies reporting data (approximately 100 companies). Consequently, we have relied on the accuracy of the data provider. No warranty is given by Ernst & Young as to the accuracy of such information; and

- The results and recommendations expressed in this report are based, in part, on discussions with and information provided by senior management of Prime. We have not independently verified these discussions and information. No warranty is given by Ernst & Young as to the accuracy of such information. Where possible, Ernst & Young has made its own independent investigations to augment the information provided by management.

### **1.3 Relevant Factors for Determining an Appropriate Allowance for Prime's Corporate Overheads**

Before one can determine an appropriate allowance for Prime's corporate overheads, it is necessary to establish the correct 'form' of the organisation that is being assessed.

Throughout the Meyrick Report Prime has been compared to a stand-alone terminal company based in Mackay with DBCT as its only asset. They appear to place considerable weight on Pt Waratah and Pt Kembla coal terminals as relevant benchmarks in their assessment of individual overhead cost elements for DBCT. In our view these coal terminals are not reasonable benchmarks for this purpose for a number of reasons:

- They are not listed and are privately held by their customers;
- It is not clear the extent to which their shareholders contribute corporate resources in support of their operations (for instance, the majority of directors are not paid by the terminal company);
- It is impossible to determine whether transfer pricing in relation to the provision of corporate resources by shareholders is appropriate;
- Commercial relationships with customers and other stakeholders are likely to be more benign given their shareholding; and
- They do not have the same regulatory compliance costs.

In Ernst & Young's view, listed infrastructure companies would be more appropriate benchmarks, with an explicit allowance for compliance with the existing regulatory regime. Prime's customers benefit from the fact it is a listed entity, with access to the capital markets, through the reduced cost of capital that this access allows. It would therefore be inappropriate to not properly account for the costs that are associated with a public company. Similarly, the Queensland Government considered it was in the best interests of the coal industry and the Queensland community for the terminal lease to be held by an independent party with a negotiate/arbitrate regulatory model providing for commercial negotiations between parties. This model will necessarily involve a higher level of corporate costs (directly and indirectly through external professional support) than for a comparable organisation owned by its customers with much more benign commercial and operational interfaces.

In making its assessment of allowable corporate costs, Ernst & Young has assumed that DBCT is held by a stand alone listed infrastructure company based in Brisbane. A Brisbane location is appropriate given the location of the company's customers,

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Prime's detachment from day to day responsibility for DBCT operations and the Brisbane location of other key stakeholders (DBCT Holdings, Government, QR, QCA etc).

### 1.4 Selection of Appropriate Benchmarks

We have reviewed a number of ASX listed infrastructure investment entities and, while none are perfectly comparable, we believe the following are the most relevant benchmarks where it is assumed that Prime is a stand alone listed infrastructure entity with DBCT as its sole asset:

- Envestra;
- GasNet; and
- Australian Pipeline Trust (APT).

Relevant statistics of each of the benchmark entities (sourced from the entities' audited financial statements) are provided in Table 1 below and compared to Prime (DBCT only).

**Table 1 – Benchmark Entities Financial Statistics (\$000)**

	Prime	Envestra	GasNet	APT
Asset Value <sup>(1)</sup>	1,009	1,884	967	1,257
Equity	400	438 <sup>(2)</sup>	256	427
Operations Revenue (2004) <sup>(3)</sup>	137	293	96	262

Note (1) – Excludes investments accounted for using the equity method (ie ownership of 50% or less) and intangible assets (for normalisation).

Note (2) – Includes 'equity' loan notes.

Note (3) – Includes pass through revenue

A brief description of each of the benchmark entities is provided below. These descriptions are sourced from their respective web sites.

#### ***Envestra***

Envestra has one main asset group, being natural gas distribution pipelines. Envestra owns about 18,000 km of natural gas distribution networks and 1,110 km of transmission pipelines, in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. The access tariffs Envestra charges are regulated by the state regulators in each state.

#### ***GasNet***

GasNet has one main asset group. GasNet owns and maintains 1,930 km of high pressure gas transmission pipeline networks, which serve approximately 1.4 million residential consumers and approximately 43,000 industrial and commercial users throughout Victoria. GasNet also owns other transmission related assets (e.g. metering services and an LNG storage facility).

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GasNet's transmission system is a covered pipeline under the National Third Party Access Code for Natural Gas Pipeline Systems (the National Code). Access to and tariffs for the use of the GasNet transmission system are regulated by the ACCC.

### ***APT***

Australian Pipeline Trust owns one main type of asset. APT owns, or has an interest in, over 7,500 km of gas transmission pipelines in Australia. These include the Moomba to Sydney pipeline (which is regulated by the ACCC), and the Goldfields gas pipeline, which is regulated by the Western Australia regulator.

We have been unable to derive a total corporate cost expense for any of the above benchmark entities from a review of their audited financial statements, however, certain relevant corporate costs are disclosed in the benchmark entities' audited financial statements, such as:

- External audit fees;
- Accounting and taxation fees paid to auditors;
- Board costs; and
- Senior executives' salaries and wages.

These benchmark costs are considered further in this report. Where possible, Ernst & Young has sought to identify other relevant benchmarks in order to assist in establishing an objective measure of corporate costs for Prime.

### **1.5 Structure of the Report**

The remainder of this report is structured into five sections, covering:

- Analysis of the Meyrick Report;
- "Top Down" Approach;
- Benchmarking applied to specific costs;
- Reassessment of "Bottom Up" costs; and
- Conclusions.

## 2. Analysis of Meyrick's Approach

### 2.1 Meyrick's Brief

Meyrick was engaged by the QCA to provide an independent view as to the appropriate amount for corporate overheads for inclusion in Prime Infrastructure's regulated allowable revenue. The specific terms of reference for the brief required Meyrick to:

- Assess whether the corporate overhead costs claimed by Prime were reasonable for current and future years out to 2008-09, given Prime's management responsibilities for DBCT, including an assessment of the basis on which Prime's costs are allocated between its various activities, both current and prospective;
- Set out in detail the reasoning behind the assessment;
- Determine whether the corporate overhead costs proposed by Prime are in line with what a similar or normal business in its market would incur; and
- Provide a Draft Report for comment prior to finalising the assessment.

### 2.2 Approach Adopted by Meyrick

Meyrick adopted a "bottom up" approach in assessing an appropriate corporate overheads allowance. This approach involved assessing each individual cost line item for reasonableness. In some cases a benchmark was used in this assessment but in many others it is not clear what methodology or analysis was utilised and it appears Meyrick has exercised considerable subjective judgement.

Meyrick undertook a "top down" approach as a reality check and noted that:

*"At first sight the overhead share does not appear unreasonable: \$10 million dollars (sic) on a revenue base of approximately \$150 million equates to 6%-7% in corporate overhead costs, which would generally be regarded as very modest."*

However, Meyrick then notes that:

*"We do not believe this is an appropriate yardstick in this case. Many of the cost items that would be classified as overheads in an operation in which ownership and management of the terminal are integrated will be included in the accounts of the operating entity when ownership and operations are separated. In order to construct an appropriate measure for comparison with industry and cross-industry norms, these would first need to be added to Prime's corporate overheads."*

Meyrick offered no reasonable explanation or evidence to support their view that costs would effectively be "doubled up" at the corporate and operator level (other than their subjective comment). In this regard, it is important to realise the distinction between corporate and functional overheads. When an entity outsources its operating and maintenance, there is little expectation that corporate overheads will be reduced (notwithstanding the service provider may allocate some corporate overhead type costs to the activity). Typically costs only up to the direct supervision of the function are affected (including functional overhead type costs). Therefore it is not obvious

that there would be any double counting of corporate overheads in these circumstances. Further, we can assume from Meyrick's conclusion ( i.e. that costs would be incurred twice, once at the corporate level then again at the operator level) that Meyrick has made a fundamental assumption that an "outsourcing" model is inherently inefficient in that it will result in increased (or a "doubling up") of corporate costs for no benefit. This assumption is at odds with the fact that the "outsourcing" model is widely used in the commercial world by competitive businesses.

Meyrick then measured the corporate overhead costs to other benchmarks being Port Kembla, Port Waratah, and unspecified coal mining companies (with "industry sources" cited but no further explanation provided as to who or what these sources are). For the reasons set out in Sections 1.3 and 2.3, Ernst & Young believes these benchmarks are not valid.

### 2.3 General Concerns with Meyrick's Approach

We have a number of concerns with Meyrick's approach:

- Ernst & Young are of the view that, ideally, a "top down" rather than a "bottom up" approach should be followed when assessing the reasonableness of overhead costs. A "bottom up" approach must, by its nature, be highly subjective and assumes an intimate knowledge of the operations and management of Prime, which the regulator cannot be expected to have and a consultant is unlikely to have, especially where the review conducted appears to have been limited to a desk top review. We understand that Meyrick did not contact Prime directly during the conduct of its review. The limitations of this approach are highlighted by Meyrick's assessment of individual cost items (such as, for example, office location costs), which may have been made without a full understanding of Prime's business in relation to DBCT. These individual cost items are discussed later in this report. If a "bottom up" approach is to be followed then a high standard of care must be taken in its application. As noted above, we are of the view that, ideally, a "top down" approach is more appropriate. However, we acknowledge that there are some problems associated with the application of a "top down" approach. These are considered later in this report.

Where benchmarks have been used by Meyrick (both in relation to the "bottom up" analysis and the "top down" reality check), the benchmarks used are, in our view, inappropriate. Meyrick has used Port Kembla, Port Waratah, and "industry sources" in relation to unspecified coal mining companies as "comparators". We cannot comment on "industry sources" as no detail is provided with regard to these sources. However, we believe the two ports are inappropriate. These ports are owned and operated by one or more of the mining companies they service and it is probable that a large part of the strategic, capital management and investment management role (i.e. the true owner role) would be undertaken at the shareholder level. As a result, the appropriately qualified executives who would undertake the "owner" role would not be employed within the port companies themselves. Ernst and Young are of the view that the appropriate benchmark is other listed infrastructure funds.

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- In respect of the two ports chosen, it would be difficult to conclude with any reasonable certainty that internal transfer pricing (between the owners and the operators) was appropriate and fully costed. Meyrick do not appear to have assessed whether internal transfer pricing for their chosen benchmarks was appropriate.
- Although Meyrick note that management fees are charged to coal mines in the vicinity of 1-2% (this figure has presumably been sourced from the “industry sources”), it is not clear what services are included in the management fee. Also as noted above it would be difficult to conclude with any reasonable certainty that internal transfer pricing was appropriate and fully costed and Meyrick do not appear to have attempted to analyse this. Therefore, any comparisons with the Prime – DBCT relationship cannot be appropriately verified or even reasonably inferred.
- The business model utilised by Prime is a successful and well established model (both in Australia and overseas). This model involves the separation of capital and strategic asset management from operations and maintenance. In Prime’s case, their ownership function also includes port master planning (i.e. planning for future capacity requirements including planning for the future expansion of DBCT) and customer relationships. It is not clear that Meyrick appreciated the nature of this business model, as they did not benchmark Prime against entities which apply it.
- Meyrick note that, at first sight, the corporate overhead costs claimed by Prime would generally be regarded as very modest. However they then effectively disregard this as they believe there is likely to be a “doubling up” of costs at the operator level. Meyrick note that they do not have the information to make an assessment of any doubling up. The same cautious approach has not, however, been applied to the transfer pricing issue for the comparators. As noted above, the separation of ownership from operation and maintenance does not necessarily mean any “doubling up” would occur.
- Prime has asked Ernst & Young to independently assess the methodology used by Meyrick to allocate costs to DBCT. However, it was not possible for us to analyse the methodology utilised in the Meyrick report as there was little or no detailed explanation/reasoning set out in the Meyrick report in arriving at conclusions. For example, in the analysis of size contested costs (section 4.5 of the Meyrick report), amounts are notionally allowed for each type of cost listed without sufficiently detailed explanation. (We provide further comment on this in our review of individual cost items below).
- There appears to be no pattern to the adjustments Meyrick has made to Prime’s proposed costs for DBCT. For example, we would have expected similar adjustments for similar types of costs (eg. internal audit, external audit, taxation and accounting could have been expected to be amended proportionately- they have not. Salaries and wages have decreased but the amount allowed for payroll tax has been increased.

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This suggests that the adjustments proposed by Meyrick are not soundly based on a methodology consistently applied.

- The Meyrick report in section 4.1 states that Prime's cost allocation methodology overstates costs for DBCT as the cost allocation methodology has the effect of allocating to DBCT all costs that cannot be specifically allocated to other activities.

From review of Prime's correspondence with the QCA, the cost allocation methodology utilised by Prime is driven by two factors:

- *Avoidable costs* –those costs that could have been avoided had Prime Infrastructure only had an investment in DBCT, rather than in other assets, were removed from corporate overheads.
- *Other costs* – Prime has reduced **all** costs by **an additional 10%** as Prime acknowledges that some of these costs may relate to non-DBCT activities.

The result of the allocation methodology is that for the determination period (2005-09), approximately 80% of corporate overhead costs are attributable to DBCT. For example, in 2005, total corporate overheads are estimated to be around \$8.1m of which only \$6.5 million is allocated to DBCT (i.e. 80%).

By employing this methodology, Prime has attempted to allocate costs to non-DBCT activities and to only include costs relevant to Prime's investment in DBCT. Meyrick's assertion in section 4.1 is therefore incorrect.

### 2.4 Ernst & Young Methodology

As noted above, we believe a "top down" approach is the most appropriate to determine the level of corporate costs applicable to DBCT. This approach should be based on benchmarking against comparable entities. Where inadequate information is available to make such an assessment, we have supplemented it with a "bottom up" approach.

### 3. “Top Down” approach

#### 3.1 Introduction

Ernst & Young is of the view that a “top down” rather than a “bottom up” approach is appropriate, with Prime’s total corporate overheads compared to an appropriate benchmark and that an appropriate benchmark for Prime would be listed infrastructure funds of a similar size. As noted above, this model, which involves the separation of capital and strategic asset management from operations and maintenance, is a successful and well established model both in Australia and overseas. Ernst & Young acknowledge that there are some problems associated with the application of a “top down” approach and these are discussed below:

- It is difficult to find listed infrastructure firms of a similar size and nature to Prime. However, while listed infrastructure firms may have different structures and own different assets, they do perform similar functions at the corporate level.
- From our review of listed infrastructure firms, the following appear to be the most appropriate benchmarks for Prime in relation to DBCT:
  - Envestra;
  - GasNet; and
  - Australian Pipeline Trust (APT).
- The audited annual financial statements for listed companies typically do not disclose the aggregate level of corporate costs as a separate line item. A number of corporate costs are individually disclosed, however, the total for corporate costs cannot be derived from the information provided in the audited annual financial statements.
- A review of the suggested benchmark firms’ web sites does not provide any additional information.
- A simple analysis of overheads divided by revenues should be treated with caution as different accounting treatments can be applied. For example, some infrastructure firms would include as revenue unrealised gains from upwards revaluations of its investments.

#### 3.2 Other Reliable Sources of Information

A review of the benchmark entities’ websites did not provide any further relevant information from which we could derive the total corporate costs incurred by each entity.

However, GasNet is a regulated entity and as such has provided detailed information on its corporate costs to the ACCC in relation to its 2003 – 2007 regulatory finding.

Table 2 below summarises the amounts the ACCC has allowed for GasNet’s general and administrative overheads (per page 8, GasNet Australia Access Arrangement Information, 6 January 2003):

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**Table 2 – GasNet General & Administrative Overhead Allowance**

	2003 \$million	2004 \$million	2005 \$million	2006 \$million	2007 \$million
GasNet G&A cost Allowance	7.76	8.16	8.29	8.52	8.69

From the information provided it is not possible to derive a definitive breakdown of these costs. However, at page 88 of their submission dated 27 March 2002 (entitled *GasNet Australia Access Arrangement Submission*), GasNet note that:

*“This category of costs covers activities not directly related to the pipeline operations and includes:*

- (a) finance, accounting and treasury;*
- (b) commercial and marketing;*
- (c) legal and regulatory expenses;*
- (d) system planning;*
- (e) executive management and board costs; and*
- (f) stock exchange listing expenses.”*

The GasNet description outlines costs that would be expected to be incurred by Prime at the corporate level. It could be argued that some of these expense categories do not apply to Prime, for example system planning. However, Prime would in turn incur overheads that GasNet would not incur (for example, in relation to terminal master planning).

In summary, while no benchmark will be perfect, GasNet are, in our view, an appropriate benchmark. On the basis of the public information disclosed as part of GasNet’s regulatory process, GasNet has been allowed \$8.29 million in the 2005 year for general and administrative expenses (the equivalent of Prime’s corporate costs). On this basis, Prime’s total proposed corporate cost allowance of \$6.47 million (per Prime’s letter to the QCA dated 24 August 2004) is reasonable and could be described as modest.

### **3.3 Review of Operator’s Costs**

As noted above in Section 2.2, Meyrick has stated that an overhead of \$10 million would generally be regarded as very modest but that in this case this is not an appropriate yardstick as many of the cost items will also be included in the accounts of the operating entity when ownership and operations are separated (i.e. in Meyrick’s view there is likely to be a double counting of costs).

It is important to realise the distinction between corporate and functional overheads. When a firm outsources its maintenance, there is little expectation that corporate overheads will be reduced (notwithstanding the service provider may allocate some corporate overhead type costs to the activity). Typically costs only up to the direct supervision of the function are affected (including functional overhead type costs). Therefore it is not obvious that there would be any double counting of corporate overheads in these circumstances.

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Further, we can assume from Meyrick's conclusion ( i.e. that costs would be incurred twice, once at the corporate level then again at the operator level) that Meyrick has made a fundamental assumption that an "outsourcing" model is inherently inefficient in that it will result in increased (or a "doubling up") of corporate costs for no benefit. This assumption is at odds with the fact that the "outsourcing" model is widely used in the commercial world by competitive businesses.

Notwithstanding the above, we have reviewed the budget provided by the Operator to Prime. This budget is provided in satisfaction of the Operator's obligations under the Operation and Maintenance contract it has with Prime. This budget provides cost data in aggregate form and it was not possible, from the information provided, to separately identify any "corporate" cost items.

We understand from Prime management that they have requested a breakdown of costs from the Operator but have been informed by the operator that such a breakdown was not available.

The question of whether Prime should be penalised for any "double up" (if any does exist) is a separate question for the regulator given that, as we understand it, the Users support the current set up and must therefore gain benefit from it.

#### **4. Benchmarking applied to Specific Costs**

Approximately 50% of Prime's corporate costs comprise salaries and wages including superannuation, board of director costs, external and internal audit fees and accounting costs. Prime estimated that these costs would total \$3.68 million in 2005 and that \$3.31 million of this would relate to DBCT (as detailed in Appendix 2 of its letter to QCA dated 24 August 2004). We have benchmarked these costs against GasNet, Envestra and APT, as relevant information is disclosed in their annual reports. We have also compared them to costs incurred by ASX listed entities with annual revenues of between \$100 million and \$300 million.

##### **4.1 Accounting and Taxation and External/Internal Audit Fees**

Prime has proposed that the following accounting/taxation, external audit and internal audit fee costs be allocated to DBCT activities for the 2005 year:

	<u>\$000</u>
Accounting/taxation	180
External Audit	99
Internal Audit	<u>77</u>
Total	<u>356</u>

In each case this represents 90% of Prime's estimated costs for 2005. We have compared Prime's 2005 total cost estimates to our suggested benchmark entities at Table 3 below. All information for the benchmark entities is sourced from their 2004 audited financial statements:

**Table 3 – Audit and Accounting and Taxation Costs - comparison to benchmark entities**

	Prime \$000	Envestra Actual \$000	GasNet Actual \$000	APT Actual \$000	Average. excl. Prime \$000
Accounting and taxation	200	176	88	200 <sup>(1)</sup>	155
External Audit	110	126	125	170	140
Internal Audit <sup>(2)</sup>	85	50	50	50	50
Total	395	352	263	420	345

Note (1) - Excludes \$1.0 million re acquisition due diligence costs.

Note (2) - Internal Audit fees are not publicly available and so we have included the lower Meyrick cost for this exercise.

We also note the following:

- accounting and tax services disclosed in audited financial statements normally relate to accounting and tax services fees paid to the auditor. This does not take into account other accounting, tax and consultancy fees paid to other firms which

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do not need to be disclosed (only fees paid to the auditors need to be disclosed under accounting disclosure standards). It is now common (corporate governance) practice to use firms other than the auditor's firm for accounting and taxation advice. It is likely therefore that the accounting and tax costs noted in Table 3 above for the benchmark entities are understated; and

- fees paid to internal auditors are not normally disclosed in audited financial statements. These fees would be paid to a firm other than the external auditor as it is usual to separate these roles to avoid conflict. For this exercise we have used the lower amount suggested by Meyrick of \$50,000.

Even with the likely understatement of accounting and tax costs and using the lower Meyrick internal audit costs of \$50,000, we can conclude from the benchmarking exercise above that the accounting and taxation, external audit and internal audit costs proposed by Prime for DBCT are reasonable.

In addition, Ernst & Young has carried out further benchmarking against ASX listed companies with annual revenues of between \$100 million and \$300 million. The full results of this benchmarking exercise are provided at Appendix 1. Although audit fees differ from firm to firm, the exercise at Appendix 1 shows that the average audit fee for listed companies in the revenue range of \$100 million to \$300 million is \$194,000. This was for the statutory audit alone. The average fees for other accounting and tax services paid to auditors was an additional \$145,000.

However, as noted above, this does not take into account other accounting, tax and consultancy fees paid to other firms as these costs do not need to be disclosed. In addition, as noted above, fees paid to internal auditors are not disclosed. These fees would be paid to a firm other than the external auditor as it is usual to separate these roles to avoid conflict. However, even if we use the Meyrick suggested amount of \$50,000 for internal audit fees and the average amount disclosed by the benchmark entities for accounting and taxation (which is likely to be understated), it can be shown that the total amount proposed by Prime is reasonable when compared to the average fees paid by similar sized entities (on the basis of revenue) listed on the ASX. It should also be noted that the benchmark costs are based on 2004 rather than 2005 estimates and hence do not allow for inflation in professional firm's fee rates. The comparison of Prime's proposed costs against the benchmark is summarised in Table 4 below:

**Table 4 – Audit and Accounting and Taxation Costs - comparison to ASX companies**

	Prime \$000	Benchmark (average costs) \$000
Accounting and taxation	200	145
External Audit	110	194
Internal Audit	85	50
Total	395	389

In conclusion, based on the analysis presented above, the total costs proposed by Prime for accounting/taxation, external audit and internal audit are considered reasonable.

### 4.2 Salaries and Wages, including superannuation

Prime has proposed an allocation of salary and wages costs, including superannuation, amounting to \$2,699,000 to DBCT, based on 90% of its estimated 2005 costs.

The Meyrick report concludes that Prime's average salary cost is high and that a generous allowance for a corporate office of a stand-alone coal terminal of 10 staff including on-costs, subscriptions etc. would be \$1,315,000 (at an average salary of \$110,000 per employee).

Meyrick's rejection of the costs proposed by Prime in favour of a much lower allocation appears to be based on a misunderstanding of the Prime corporate role and business model. This model involves the separation of capital and strategic asset management from operations and maintenance. In Prime's case, their ownership function also includes port master planning (i.e. planning for future capacity requirements including planning for any future expansion of DBCT) and customer relationships.

In fulfilling its ownership role Prime would be required to attract high quality executives skilled in capital and strategic asset management (as opposed to port operations) even if DBCT was its sole asset. Meyrick appears to have assessed DBCT Management salaries against a benchmark of executives with port operations management skills, and made a judgement that skilled professional executives, with general management and finance qualifications, are not required to manage an asset of DBCT's significance. This is consistent with a model that may be employed for user owned infrastructure in which strategic decisions are retained at the shareholder level. It is not consistent with the accepted management model for stand alone infrastructure assets under which operations are often efficiently outsourced, meaning the skills required in management are strategic asset management skills and capital management skills.

In order to assess the reasonableness of Prime's proposed allocation of salary and wages costs to DBCT we have compared Prime's 2005 total cost estimate to our suggested benchmark entities at Table 5 below:

**Table 5 – Salary and wages (including super) - comparison to benchmark entities**

	Prime \$000	Envestra Actual \$000	GasNet Actual \$000	APT Actual \$000	Average. Excl. Prime \$000
Total Management Remuneration	2,839	1,875	2,545	1,963	2,128
No. of employees	13	7	13	5	8.3
Average per employee	\$218	268	196	393	256

Note: Prime's remuneration cost covers all employees and is based on its budget for 2005, reduced by \$160,000 due to an error in calculation

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It should be noted that Prime's salary and wages figures include all employees while the benchmark entities' salary and wages figures (as disclosed in their audited financial statements) only include senior executives (or in the case of GasNet employees with remuneration in excess of \$100,000). It is likely therefore that the benchmark entities' salary costs are underestimated compared to Prime's proposed salary costs. For Envestra and APT, assuming a basic accounting and administrative function of 6 people, the benchmark entities' salary costs would increase by around \$400,000 per annum. For GasNet, we have assumed that two of the accounting and administrative staff are included in the remuneration disclosed in its annual report. Therefore, we have allowed an additional \$200,000 of salary and wage costs to cover the remaining accounting and administrative staff.

Including the additional employees would provide a more appropriate benchmark. Accordingly, the remuneration costs including the above annual estimates for accounting and administrative staff is presented at Table 6 below:

**Table 6 – Salary and wages (including super) - comparison to benchmark entities, including estimate for other staff**

	Prime \$000	Envestra Actual \$000	GasNet Actual \$000	APT Actual \$000	Average. Excl. Prime \$000
Estimated Remuneration	2,839	2,276	2,745	2,363	2,461
No. of employees	13	13	17	11	13.7
Average per employee	218	175	161	215	180

In addition, Ernst & Young has carried out further benchmarking against ASX listed companies with annual revenues of between \$100 million and \$300 million. The full results of this benchmarking exercise are provided at Appendix 4. This benchmarking shows the average remuneration per executive for senior executives for entities listed on the ASX with revenue from \$100 million to \$300 million is \$318,000, around 3 times higher than the figure quoted in the Meyrick report.

In 2003 the average of the total payments to senior executives (based on data for entities with four or more senior executives) was around \$2 million. As noted above, this figure is likely to be underestimated in comparison to Prime's costs as the salary and wages figures disclosed in these benchmark entities' audited financial statements only include senior executives. Again, assuming a basic accounting and administrative function of 6 people, the average benchmark entities' salary costs would increase by around \$400,000 per annum to \$2.4 million.

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On the basis of the above analysis we can conclude that a reasonable range for Prime's total costs would be between \$2.3 million and \$2.7 million (with the average at \$2.5 million).

Prime had based its 2005 estimates on the assumption that 90% of the budgeted salary and wages costs should be allocated to DBCT. However our inquiries indicate that an allocation of 75% would more fairly reflect the levels of effort directed towards DBCT. This results in an allocation of salaries including superannuation of \$1.88 million to DBCT.

### 4.3 Board Expenses

Prime has proposed that Board expenses of \$259,000 be allocated to DBCT for the 2005 year, based on 90% of its estimated 2005 costs.

Prime's shareholders are represented by a Board of six and the security holders ultimately determine the Board's remuneration. This is not an unusual number of directors for a listed company and it is usual for listed company security holders to determine the Board's remuneration level.

The Meyrick report asserts that Board member payments are high for both Prime and DBCT at \$259,000.

Meyrick has compared the costs proposed by Prime to those incurred at Port Waratah. However any comparison to Port Waratah is misleading. Port Waratah is not a listed entity but its annual report is available. Our examination of the Port Waratah Coal Services 2003 Annual Report shows that of its Board of Directors of 10 people, only 3 receive remuneration. This accounts for its low 'Payments to Directors' of \$127,000. The other Directors appear to be representatives of the companies that own Port Waratah Coal Services and are not paid for their services. Clearly, Port Waratah Coal Services has a different structure to that of a listed infrastructure firm (even if that listed infrastructure firm only owned a coal terminal). As a result, using Port Waratah as a benchmark without adjustments has led to a misleading conclusion. In short, Port Waratah is not an appropriate benchmark.

As noted previously, we believe the appropriate benchmark is listed infrastructure investment firms of a similar size to Prime.

We have compared Prime's budgeted 2005 board expenses to our suggested benchmark entities at Table 7 below. All information for the benchmark entities is sourced from their 2004 audited financial statements:

**Table 7 – Board Costs - comparison to benchmark entities**

	Prime \$000	Envestra Actual \$000	GasNet Actual \$000	APT Actual \$000	Average. Excl. Prime \$000
Total Board Expenses	289	596	347	337	426

Note: Above costs are for non executive directors only.

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We can conclude from the benchmarking exercise above that the Board expenses proposed by Prime for 2005 are reasonable.

We have carried out an additional benchmarking exercise by comparing director's fees proposed by Prime to those fees applying to ASX listed companies with revenue of between \$100 million and \$300 million. The results of this exercise are provided at Appendix 3.

As with Audit fees, there is a wide range for directors fees, however, in 2003:

- the average fee per Director (including the Chairman) is approximately \$57,000; and
- the average of total payments to directors was \$218,000.

Applying the average per director fee to Prime's six directors (which is not an unusual number) would result in a total cost to Prime of \$342,000. Further, as we included companies with available data for 2 or more directors, the average cost of \$218,000 is considered very conservative.

In conclusion, based on the additional benchmarking analysis provided above, Prime's budgeted 2005 Board expenses of \$289,000 are considered reasonable.

### 4.4 Allocation to DBCT

Approximately 50% of Prime's corporate costs comprise salaries and wages and related costs, board of director costs, external and internal audit fees and accounting costs. Prime estimated that these costs would total \$3.68 million in 2005. As summarised below, for GasNet, Envestra and APT, these costs averaged \$2.89 million in fiscal 2003/04.

**Table 8 – Summary of Benchmarked Costs (including additional staff)**

	Proposed by Prime \$000	Envestra Actual \$000	GasNet Actual \$000	APT Actual \$000	Average. Excl. Prime \$000
Audit and accounting fees	395	352	263	420	345
Salaries and Wages	2,839	2,276	2,745	2,363	2,461
Board Fees	289	596	347	337	426
Total	3,523	3,224	3,355	3,120	3,232

Note: Prime's remuneration cost covers all employees and is based on its budget for 2005, reduced by \$160,000 due to an error in calculation

As discussed above, the benchmark information for salaries and wages only relates to senior executives. Accordingly we have allowed for an additional \$400,000 for Envestra and APT and an additional \$200,000 for GasNet for additional staff. We have concluded that a reasonable range for the above costs would be \$3 – \$3.4 million. Prime has allocated 90% of these costs to DBCT. Our enquiries indicate that approximately 75% of management time and effort is now directed towards DBCT. Accordingly we have used this percentage to allocate the above range to DBCT, as follows:

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	DBCT Allocation \$000
High	2,550
Low	2,250
Average	2,400

Ernst & Young's approach is conservative (i.e. it may underestimate the true DBCT related cost). For example, it could be argued that many of the above costs would be unavoidable even if Prime only had one asset being DBCT. On this basis the full benchmark cost amount would be allowed rather than the 75% allocation.

## 5. Re-assessment of “Bottom Up” costs

### 5.1 Introduction

In order to assess the robustness of Meyrick’s “bottom up” analysis, Ernst & Young has undertaken a re-assessment of each cost element based on benchmarking against appropriate benchmarks, an analysis of 2004 actual costs and its own investigations. This analysis benchmarks the level of costs that have been incurred by similar entities, where possible, to determine whether the level of costs proposed by Prime is reasonable. Where an appropriate benchmark is not available, the actual cost incurred by Prime in 2004 was analysed to determine how much of the cost could be reasonably attributable to operations at DBCT, and hence provide a basis for the 2005 estimates.

Table 9 summarises the costs that Prime proposed as DBCT related costs for the 2005 financial year as included in Appendix 2 of the letter sent to the QCA dated 24 August, 2004. Prime’s claim is based on 2005 budgeted costs (which are themselves based on the 2004 actual costs).

The costs have been categorised on a consistent basis with the Meyrick Report, namely as:

- (i) Non contested costs – being costs accepted by Meyrick as corporate overheads and not abnormal in magnitude.
- (ii) Size contested costs – being costs accepted by Meyrick as corporate overheads and contested solely because they considered the amount unusually high.
- (iii) Type contested costs – being costs rejected by Meyrick as unusual for inclusion in DBCT’s corporate overhead pool.

**Table 9 - Cost Allocation Previously Proposed by Prime**

<b>Nature of Cost</b>	<b>Prime FY 05 (\$000)</b>
<i><b>Non-Contested Costs</b></i>	
Staff Amenities	6
Temporary Staff	14
Cleaning	18
Computer Expenses	153
Couriers	10
Gifts & Donations	18
Conferences	18
Telephone/Fax/Internet	31
Catering	5
ASIC Fees	2
Insurance – General	511
Entertainment - Non-deductible	45
Sundry	1
<b>Sub Total</b>	<b>832</b>
<i><b>Size Contested Costs</b></i>	

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<b>Nature of Cost</b>	<b>Prime FY 05 (\$000)</b>
Accounting and Taxation, Internal/External	356
AGM	106
Annual Report	140
ASX Fees	134
Bank fees	11
Board Expenses	259
Contingency	315
Consultancy	238
FBT	45
Legal	86
Newsletter	41
Payroll Processing	12
Office Rentals	135
Payroll tax	126
Printing and Stationary	24
Recruitment	99
Salaries and Wages	2,612
Share Registry	178
Superannuation	87
Training	18
Subscriptions	9
Taxi Fares	18
Travel – Airfares & Accommodation	281
Work cover Insurance	9
<b>Sub Total</b>	<b>5,339</b>
<b><i>Type Contested Costs</i></b>	
DBCT Credit Rating	135
Distributions Expenses	156
Parking	7
<b>Sub Total</b>	<b>298</b>
<b>Total</b>	<b>6,469</b>

As noted in the Meyrick report, some costs were not contested. However, Meyrick based its assessment on costs incurred in 2004 rather than on the fiscal year 2005 estimates proposed by Prime. Meyrick accepted a total of \$708,000 as non-contested, compared to Prime's estimation of \$832,000 for 2005. The major difference is due to an increase in insurance costs of \$100,000, reflecting increasing premiums in global insurance markets. Accordingly, for the 2005 year we would expect the cost categories claimed by Prime and determined as not contested by Meyrick amounting to \$832,000 to be allowed.

We have concentrated the remainder of our analysis on costs contested in the Meyrick report either due to their size or in their entirety.

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At the end of this report, we have provided a summary of the level of corporate costs that Ernst & Young considers reasonable (based on the analysis performed in this section and section 4) for an organisation of DBCT's size and complexity.

### 5.2 Size Contested Costs

#### 5.2.1 Accounting and Taxation and External/Internal Audit Fees

These costs have been considered in Section 4 above.

#### 5.2.2 AGM, Annual Report and Newsletter Costs

AGM costs proposed to be allocated to DBCT by Prime for the 2005 year for the AGM, Annual report and newsletter are as follows:

	\$000
AGM	106
Annual Report	140
Newsletter	<u>40</u>
Total	<u>286</u>

We have attempted to benchmark these costs. However, very little information on these costs appears in our benchmark entities financial statements. A wider search provided only one other potential information source. In its 2004 annual report, the Australian Infrastructure Fund (a diversified transport fund) notes that it incurred \$507,000 on security holder communication expenses and \$106,000 on security holder meeting expenses. On this basis, the costs proposed by Prime appear to be very reasonable.

Apart from the limited benchmark information noted above, in the time available, Ernst & Young was unable to identify any other publicly available information with which to benchmark these costs. Accordingly, we have reviewed the proposed costs by analysing the actual AGM, annual report and newsletter costs incurred in 2004. This analysis shows that the majority of the costs relate to fees paid for the following services:

- Freehills (lawyer) for professional services relating to the AGM (\$20,365);
- Kachink Communications for production of the AGM video (\$44,144);
- A notice of meeting mail out carried out by IPG Print. A notice of AGM is required under the Corporations Act (\$21,553);
- Phillips Group for services in organising the AGM such as liaising with media, research on potential questions and answers, media release, collation and distribution of AGM media and production management (\$25,285);
- Coordinating, printing and postage of the annual report (\$191,994); and
- Newsletters are issued three times a year in April, July and December to inform the shareholders of the performance of and issues confronting current assets (including its largest asset –pre Powerco- DBCT) and to inform investors of new investment opportunities and provide general corporate information. To date, the majority of the information contained in the newsletters has been about DBCT. (\$18,595 – this initiative was introduced in the second half of 2004 as an

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alternative to providing a full half year report - only one newsletter was produced in 2004 year).

Costs analysed above total \$321,936 (compared to a proposed allocation to DBCT for 2005 of \$286,000).

Meyrick has allowed only \$90,000 in total for these costs. Again no real basis, other than a subjective comment, is provided by Meyrick.

The costs incurred by Prime (as noted above) are in our view reasonable and would not be avoided if Prime only owned DBCT (in fact during the period in question DBCT was by far Prime's major asset). Meyrick's suggested total cost allowance (of \$90,000) can be seen to be wholly inadequate when compared to, for example, the costs associated with just co-ordinating, printing and posting the annual report (\$191,994). The cost of simply printing and posting the annual report was \$118,163 with postage alone costing \$60,378.

As the QCA would be aware communication with shareholders is an important and integral part of any listed entities' activities. As shown by the analysis above, the activities undertaken by Prime and the related costs incurred are both usual and expected for a listed infrastructure firm. It is very unlikely that a listed infrastructure firm would be able to avoid these costs. To date the success of Prime Infrastructure was largely dependant on the performance of DBCT, and DBCT was until recently its largest asset (note that Prime has based its proposed costs on its 2005 budget – based on the 2004 actual cost – which was set before the Powerco acquisition and so does not include any Powerco related costs). It is not unreasonable to allocate the majority of these costs to DBCT using the methodology employed by Prime.

Further, there is no explanation of the methodology provided by Meyrick in arriving at their alternative amount, only subjective comments without any analysis are provided. We do not believe that a reasonable basis has been established by Meyrick to deny or reduce the costs proposed by Prime.

In conclusion, we believe that the costs proposed by Prime to be allocated to DBCT relating to AGM, Annual Report and shareholder communications (i.e. the Newsletter) amounting to \$286,000 are reasonable.

### **5.2.3 ASX Fees and Share Register Fees**

Prime has proposed ASX and share register fees to be allocated to DBCT for the 2005 year as follows:

	\$000
ASX Fees	134
Share Registry fees	<u>178</u>
Total	<u>312</u>

In many instances, the Meyrick report argues that a similar 'stand alone' coal terminal owner would not incur a type of cost or costs to the level incurred by Prime. The Meyrick report does not explicitly state that the 'stand alone' benchmark entity it

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refers to throughout is listed on the Australian Stock Exchange ('ASX') and so would incur the type of costs or the level of costs that a listed entity would.

The Meyrick report does, however, suggest that the benchmark 'stand alone' entity is listed by reference to the fact that it would incur ASX fees and share registry costs. It then limits the amount of ASX fees to \$50,000 and share registry costs to \$40,000 with little explanation of the methodology employed to determine that these amounts are more appropriate than those proposed by Prime. Again only a subjective comment is provided.

We have analysed the ASX fees and share registry fees proposed by Prime. In this instance we have concluded that Prime has over-estimated these costs (or at least the proportion of these costs that would apply to DBCT) in its proposed cost level. We believe this is due to Prime including costs related to new issues of capital, which may not be related to DBCT activities. Our analysis is summarised below.

### *ASX Fees*

ASX fees include:

- Listing fees that the ASX charge Prime for being listed; and
- ASX Clearing House Electronic Sub-register System (CHES) fees Prime incurs when its shares are traded.

Prime has proposed ASX fees of \$134,000. An analysis of these fees showed that \$84,000 related to listing fees and \$50,000 related to CHES clearance system fees (i.e. fees relating to the administration of the buying and selling of shares).

On listing in June 2002, Prime's issued capital was \$400 million on a fully paid basis. Its only asset at that time was DBCT. Accordingly we can reasonably assume that if Prime was listed with DBCT as its only asset, then its market capitalisation would be \$400 million.

Assuming a listed entity with a market capitalisation of \$400 million, the annual ASX fee charged would be \$28,504. This is based on the official ASX fee schedule. Under this schedule the fee for companies with a market capitalisation of between \$100 million and \$1,000 million is \$22,770 plus 0.0019111% on the excess over \$100 million. The amount of \$28,504 does not include any amounts that would be charged by the ASX in relation to new issues (for example to fund or partly fund any expansion at DBCT).

In relation to CHES charges, Prime's registrar performed a benchmarking exercise comparing Prime's trading activity to that of other infrastructure funds and to entities operating in the transport and infrastructure area. The results of this exercise are provided at Appendix 2. This benchmarking exercise shows Prime to be a relatively thinly traded stock and accordingly, Prime's CHES charges would be among the lowest of the appropriate comparators. In other words, the actual CHES charges incurred by Prime would be a reasonable benchmark for CHES charges if it was assumed that DBCT was Prime's only asset.

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Prime's actual CHESS charges in the year ended 2004 were \$39,000. During that time Prime had a weighted average of 435 million securities on issue (see Prime's 2004 Annual Report, page 75). We believe a reasonable allocation of these costs to DBCT would be an allocation of 400/435. On this basis, we believe an appropriate allowance for chess charges to be \$36,000.

In conclusion, based on the analysis provided above, we believe a reasonable allowance for ASX related charges for the 2005 year to be \$64,000, rather than the \$134,000 proposed by Prime.

### *Share Registry Charges*

Share registry charges relate to the maintenance of the share register by the registrar. This is commonly performed by a professional registrar (in Prime's case by ASX Perpetual). Share registry charges cover, for example:

- Annual maintenance fee (based on number of holders rather than number of shares. In Prime's case this is around 11,000 holders, which is not unusual for an entity with Prime's market capitalisation and "yield stock" characteristics);
- Administration and processing of transfers;
- Printing and despatch of monthly statements;
- Printing and despatch of change of address confirmations;
- Maintenance of tax file numbers;
- Dividend payments;
- Receipts, processing and checking of proxies for meetings and assistance at AGM;
- Daily advice of large transfers;
- Annual report registry statistics;
- Processing of direct credit instruction etc.; and
- Out of pocket expenses.

We have reviewed the actual share registry expenses incurred by Prime in 2004. These amounted to \$167,000. However, we identified expenses totalling \$57,163, which we considered to be non-standard or one off expenses. On the same allocation basis as that used for ASX fees, we believe a reasonable allocation of share register costs to DBCT would be \$101,000 (i.e.  $\$167,000 - \$57,163 * 400/435$ ).

In conclusion, based on the analysis provided above, we believe a reasonable allowance for share registry related charges for the 2005 year to be \$101,000, rather than the \$178,000 proposed by Prime.

### **5.2.4 Bank Fees and Charges**

Due to the immaterial balance, we did not consider this amount further and have used the amount proposed by Meyrick.

### **5.2.5 Board Expenses**

These costs are considered in Section 4 above.

### 5.2.6 Consultancy Fees

Prime proposed that an allowance for consultancy costs totalling \$238,000 be allocated to DBCT for the 2005 year.

Meyrick has allowed \$150,000 in relation to consultancy costs and noted (at page 11 of their report):

*“Both Freemantle Port and Port of Melbourne Corporation showed a higher cost for consultants in 2003/04, but a closer investigation showed that this was over a much broader range of activities. The expenditure level appears to be very high when related back to a well established terminal operation with revenue turnover of just over \$150 million. (This judgement has been made in the absence of information on the specific nature of the consultancies assigned and the motivation for undertaking them. More detailed information could lead to revision on this item).”*

It is difficult, if not impossible, to benchmark these costs across entities given their entity specific nature. We therefore analysed the actual consultancy costs incurred by Prime in 2004 for reasonableness and to determine whether they are likely to recur.

Actual consultancy costs incurred in the year to 30 June 2004 amounted to \$345,000, made up as follows:

	\$
Consultancy provided by Channel Communications in respect of Beneficial Ownership Analysis Report, Investor and Market Intelligence Report, Broker Consensus Analysis and Register Searches.	37,000
Consultancy provided by Deloitte Touche Tohmatsu on Prime’s IFRS project	12,000
Consultancy provided by BMT Maritime Consultants on DBCT Master Plan Project Review	239,000
Others	<u>57,000</u>
Total	<u>345,000</u>

We have considered each of these consultancies in turn below:

- It is common for listed entities to commission a review of their register to determine who the beneficial owners of significant parcels of shares held in nominee names are. It would not be unusual for this activity to be performed once a year. It could be argued that such costs would be avoidable if DBCT was the only asset owned by the listed entity. However, we do not think it unreasonable for a listed entity, whatever assets it owns, to carry out such research.

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- Costs related to the implementation of International Financial Reporting Standards (IFRS) are likely to be incurred by most entities over the next few years as Australia moves to adopt IFRS, with effect from January 2005. It is difficult to benchmark the likely expenditure on outside consultancy services to aid with the implementation of IFRS as each company will face different impacts on adoption. However, based on our experience in this area, an amount of \$50,000 for the 2005 year would be very modest for DBCT.
- The largest amount for consultants was paid to BMT specifically in regard to the development of the DBCT 2004 Master Plan. Master plan development is a recurring annual obligation for DBCT and to date has been dynamic. It is reasonable to assume that a similar expenditure would be incurred in future years.

Prime has proposed an allocation of consultancy costs for DBCT of \$238,000 for the 2005 year. Based on the analysis above, this amount appears reasonable and may in fact be understated by as much as \$100,000.

### ***5.2.7 Legal Fees***

Prime has proposed an amount of \$86,000 be allocated to DBCT for legal fees in 2005.

The Meyrick report correctly notes that from the information it had received, it could not assess whether the legal fees related to DBCT rather than to Prime as an investment vehicle. On this basis Meyrick allowed \$nil.

Ernst & Young could not identify any publicly available information with which to benchmark these costs and as an alternative analysed the actual legal fees incurred by Prime for 2004.

Our analysis showed that approximately \$200,000 related to specific DBCT activities. The amount proposed by Prime to be allocated to DBCT in 2005 (\$86,000) appears very modest when compared to the actual costs related to DBCT activities in 2004. On this basis, the legal fees proposed by Prime for allocation to DBCT of \$86,000 are considered reasonable. The reduction in legal fees is not unexpected considering Prime now has an internal legal counsel.

### ***5.2.8 Office Rentals & Parking***

Meyrick concludes in its report that costs relating to Office Rental and Parking are incurred primarily due to the location of Prime's corporate office in Brisbane and that a stand alone coal terminal would not incur this cost. The report suggests that if Prime only owned DBCT it would be based in Mackay rather than in Brisbane.

This assertion is inconsistent with the operating models for just about every major piece of infrastructure in Australia. As Prime does not operate the terminal (this function is outsourced to a company owned by the major users of the terminal) its management function is high level and strategic, and includes port master planning, capital management and customer relationships. The management of each of the

## **Review of Corporate Overheads**

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major clients of DBCT with whom Prime management is dealing are based in Brisbane in close proximity to Prime's office. It would be inefficient for Prime management to be located in Mackay as it has no involvement in day to day operations and staff would be travelling daily to Brisbane or Sydney for customer and other business meetings. The location of Prime's head office in Brisbane mirrors its customers, the DBCT users, who also locate their management teams in Brisbane.

The following is a list of addresses of the main users of the terminal:

- AMCI Australia Pty Ltd, Level 20 AMP Place, 10 Eagle Street, Brisbane.
- BHP Billiton Mitsui Alliance (BMA), Level 13 Riverside Centre, 123 Eagle Street, Brisbane
- Millennium Coal Pty Ltd, Level 6 Grant Thornton House, 102 Adelaide Street, Brisbane
- Anglo Coal Australia Pty Ltd, Level 11, 201 Charlotte Street, Brisbane
- Burton Coal Pty Ltd, 1 Schneider Road, Rosevale
- Peabody Energy Australia Coal Pty Ltd, Level 27, AMP Place, 10 Eagle St,
- Brisbane Australian Premium Coals Pty Ltd, Level 8, 380 Queen Street, Brisbane
- Foxleigh Mining Pty Ltd, Level 20, 141 Queen St, Brisbane
- Xstrata Coal, Level 10 Riverside Centre, 123 Eagle Street, Brisbane
- Rio Tinto Coal Australia Pty Ltd, Level 3 – West Tower, 410 Ann Street, Brisbane

Prime's head office is situated in Brisbane to be close to the management teams of the customers it serves. Further, other key stakeholders including the lessor (DBCT Holdings Pty Limited), Queensland Rail, Ports Corporation of Queensland, the Queensland Government and the QCA itself are all Brisbane based. In their report Meyrick do not consider the practicality of being located close to these stakeholders and customers.

We have reviewed Prime's office rental and parking costs and these are reasonable for a small management team based in Brisbane. We do not believe there to be any reasonable basis to deny Prime these costs.

In conclusion, the amounts proposed by Prime to be allocated to DBCT for Office Rental and parking (of \$135,000 and \$7,000 respectively) are reasonable.

### ***5.2.9 Employee Related Expenses***

Salaries and Wages, including superannuation, are considered in Section 4 above.

#### *Other Employee Related Expenses*

In our experience, other employee related expenses tend to be strongly correlated with salaries and wages costs. Table 10 below sets out a list of employee related costs based on Prime's 2005 budget. As noted in Section 4, we believe an allocation of 75% of salary and wages costs to DBCT is reasonable. Accordingly, we have allocated a similar proportion of other employee related costs to DBCT.

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In the absence of appropriate benchmarking, we believe this to be a reasonable approach.

**Table 10 – Prime employee related expenses**

<b>Employee Related Expenses</b>	<b>Prime – total (\$)</b>	<b>Prime – at 90% (\$)</b>	<b>Ernst &amp; Young (75%)</b>
Payroll Tax	140,000	126,000	105,000
Payroll processing	14,000	12,000	10,500
Recruitment Costs	110,000	99,000	82,500
Fringe Benefits Tax	50,000	45,000	37,500
Work Cover	10,000		7,500
Insurance		9,000	
<b>Total</b>	<b>324,000</b>	<b>291,000</b>	<b>243,000</b>

### **5.2.10 Airfares and Accommodation**

Prime has proposed that airfares and accommodation expenses of \$281,000 be allocated to DBCT for the 2005 year.

Meyrick proposed an amount of \$35,000 for airfares and accommodation and noted that Prime's allocation:

“Tends to reflect the structure of the organisation, head office in Brisbane and operation in three different locations. DBCT as a stand alone operation would incur minimal travelling expenses. Compared with other port operations, expense is high when compared to revenue/turnover.”

We have already noted in some detail elsewhere in this report that:

- There are extremely good reasons why Prime is based in Brisbane;
- Prime provides an ownership rather than a port operations role; and
- Other port operations are not the appropriate benchmark.

As an alternative to Meyrick's subjective approach, and in the absence of any appropriate benchmark information, we have reviewed the actual airfare and accommodation costs incurred by Prime for the 2004 year.

The total airfare and accommodation expenses incurred by Prime in the 2004 year were \$166,000. We have reviewed these expenses and have assumed costs related to the following are DBCT specific or would not be avoided if Prime only owned DBCT:

- All travel between Brisbane and Mackay and accommodation and hire car charges in Mackay;
- Travel costs incurred by Directors to attend Board meetings (normal commercial practice in Australia is that listed entities draw board members from the Australian market, based on skills and qualifications rather than solely from the local market);

## Review of Corporate Overheads

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- Four trips of three days duration for two people (Chief Executive and Chief Financial Officer) to Sydney to present to share market analysts and institutions (i.e. once a quarter, including to present the full year and half year accounts); and
- Four trips of three days duration for two people (Chief Executive and Chief Financial Officer) to Melbourne to present to share market analysts and institutions (i.e. once a quarter, including to present the full year and half year accounts).

In summary, costs incurred given the above assumptions are:

	\$000
Brisbane – Mackay Travel	41,000
Board Travel	22,000
Sydney analyst and institutions	13,000
Melbourne analyst and institutions	<u>13,000</u>
TOTAL	<u>89,000</u>

Based on the above assumptions and actual airfare and accommodation expenses for 2004, we believe an allocation of at least \$89,000 is reasonable for DBCT.

### **5.2.11 Taxi Fares**

Prime has proposed a taxi fares expense of \$18,000 be allocated to DBCT for the 2005 year. Meyrick proposed \$3,000 on the subjective basis that \$18,000 was “High for a stand alone DBCT”.

Given the nature of the expense and the amount involved no further work has been performed. However, it should be noted that Meyrick has not provided any reasonable analysis as to why these costs should be less than that actually incurred by Prime (and on which Prime’s 2005 estimate) is based.

### **5.2.12 Printing & Stationery, Training & Subscriptions**

Prime proposed \$51,000 be allocated to DBCT in 2005 in respect of these items while the total amount allowed by Meyrick was \$32,000. This is not considered significant and therefore no analysis has been performed. In our summary of recommended costs provided at section 5 we have used the lower Meyrick number.

However, it should be noted that Meyrick has not provided any reasonable analysis as to why these costs should be less than that actually incurred by Prime (and on which Prime’s 2005 estimate) is based.

## **5.3 Type Contested Costs**

### **5.3.1 DBCT Credit Rating**

The DBCT project financing documents require Prime to obtain a shadow credit rating of investment grade or better in relation to the DBCT project debt. When a rating is assigned by a rating agency, an annual monitoring fee is charged to maintain the rating. The amount proposed by Prime for allocation to DBCT is in relation to the

## **Review of Corporate Overheads**

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annual monitoring fee payable on the current DBCT project financing debt. This is in our view a legitimate cost that should be included in allowable overheads.

However, we have reviewed the relevant documents relating to the assignment of a credit rating by the credit rating agencies. Prime had more than one agency assign a rating. The debt documents requirements would have been fulfilled by the assigning of one rating by one recognised credit rating agency.

Based on the above, and on our review of relevant documentation, we believe that a monitoring fee of \$40,000 would be appropriate for the DBCT debt (as opposed to the \$135,000 claimed by Prime).

We would also note that these costs cannot be capitalised under Australian Accounting Standards, as suggested by Meyrick, as they do not directly relate to a capital project

### **5.3.2 Distribution Expenses**

Distribution expenses mainly relate to professional services charged by advisors with regard to:

- dividend/distribution issues, including an audit with respect to the distribution to security holders;
- reviewing ASX announcements;
- drafting of amending deed and constitution for Prime Infrastructure Trust; and
- preparing ASIC forms.

These costs are incurred by Prime as it is a listed infrastructure entity. The actual cost incurred in 2004 in relation to these distribution expenses was \$164,000. Using the same allocation methodology as utilised earlier in this report in relation to CHESSE Charges and Share registry fees, it is reasonable to allocate an amount of \$150,000 in relation to these costs to DBCT (rather than the \$156,000 proposed by Prime).

### **5.3.3 Parking**

Parking is covered above along with office rentals.

### **5.3.4 Contingency**

Although it is usual for a contingency to be allowed in a budgetary process, we have not allowed for a contingency in our “bottom up” assessment of costs for DBCT. Although this may lead to an underestimate of the appropriate level of corporate costs to allocate to DBCT, any assessment of a contingency would:

- be highly subjective; and
- not be normal practice when performing a “bottom up” analysis.

### 5.4 Other Potential Costs Not Included By Prime

Ernst & Young has also identified additional costs that Prime has not included in its proposed allocation of costs to DBCT and which should, in our view, be included.

#### 5.4.1 Regulatory Related Costs

Prime has not included any costs associated with the regulation of the DBCT asset. It is likely that Prime will continue to interact with the regulator during the regulatory period and it is likely that Prime will incur significant costs associated with the engagement of expert consultants during this period. In this regard we note that:

- The QCA charges an annual fee to Prime of \$244,000 suggesting that significant additional work/interaction will take place during the regulatory period;
- The Access Undertaking is to be reviewed at regular intervals during its five year term;
- The Access Undertaking imposes obligations on Prime in addition to those contained in the current commercial contracts that Prime has entered into in relation to DBCT;
- The Access Undertaking imposes additional reporting requirements on Prime;
- Prime does not have a regulatory manager as part of staff, with the current CFO taking on this responsibility augmented by appropriately qualified consultants.

It is difficult to benchmark with any certainty the level of annual costs that Prime will incur in relation to the regulatory process. We note that the Authority has allowed \$200,000 per annum for ongoing regulatory compliance costs (Draft Decision page 201). It is difficult to assess whether this amount will be adequate but any amount we would suggest would itself be subjective. Given the lack of benchmarking and “actual” data against which an assessment can be made, we recommend that the amount of \$200,000 be reviewed annually against the actual costs incurred.

#### 5.4.2 Depreciation of Corporate Assets

Prime has invested in corporate office assets, being computer equipment and furniture and fit out. The costs associated with these corporate assets have not been included in the regulatory DORC. These assets are not significant. We would suggest that as an alternative to inclusion in the DORC an allowance is provided in corporate costs for depreciation of these assets.

We have reviewed the accounting records relating to depreciation of corporate assets for the year ended 30 June 2004 and have summarised this information below.

	\$000
Depreciation – office computer equipment	53,353
Depreciation – plant and office equipment	<u>72,402</u>
Total Actual 2004	

## Review of Corporate Overheads

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Depreciation Charge on  
Corporate Assets 125,755

On further review, we noted that the plant and equipment costs related to office fit-out expenses have been depreciated over the term of the initial lease (which is relatively short). However, we would normally see such expenses depreciated over a 5 year lease term. The total cost related to the office fit out was \$136,485. Depreciated over five years this would result in an annual depreciation charge of \$27,297.

In summary, based on Prime's actual costs, we believe it is reasonable to charge an allowance for depreciation on corporate assets amounting to \$60,488 to DBCT, calculated as follows:

	\$000
Depreciation – office computer equipment	53,353
Depreciation office PP&E	<u>27,297</u>
Total Actual 2004 Depreciation Charge on Corporate Assets	<u>80,650</u>
Allocation to DBCT (75%)	<u>60,488</u>

## 6. Conclusion

The limited “top down” analysis that we were able to perform (at Section 3) above suggests that the corporate overhead proposed by Prime for DBCT of approximately \$6.5 million is at least reasonable and could be described as modest.

Assuming inflation of 2.5% per annum the appropriate corporate cost allocation on this basis for DBCT for the regulatory period (2005-2009) is summarised at Table 11 below. This cost allocation is before (and excludes) recovery of QCA annual charges and site remediation costs.

**Table 11 - Proposed Corporate Cost Allocation – “Top Down” Basis**

	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m
Top Down Allocation	6.5	6.82	6.99	7.16	7.34

Based on our benchmarking of the major cost items at Section 4, and our re-assessment of the “bottom up” analysis at Section 5, a minimum level of corporate overheads of approximately \$5 million would appear to be appropriate for DBCT (as summarised at Table 12 below).

**Table 12 – Summary of recommended costs for allocation to DBCT**

Type	Nature of Cost	Prime FY	E&Y
		05 \$000	Recommendation \$000
<b>Non-Contested Costs</b>			
	Staff Amenities	6	6
	Temporary Staff	14	14
	Cleaning	18	18
	Computer Expenses	153	153
	Couriers	10	10
	Gifts & Donations	18	18
	Conferences	18	18
	Telephone/Fax/Internet	31	31
	Catering	5	5
	ASIC Fees	2	2
	Insurance – General	511	511
	Entertainment - Non-deductible	45	45
	Sundry	1	1
	<b>Sub Total</b>	<b>832</b>	<b>832</b>
<b>Size Contested Costs</b>			
	<i>Benchmarked costs-</i>		
	Accounting and Taxation, Internal/External	356	296
	Board Fees	259	217
	Salaries and wages, including superannuation	2,699	1,887

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Type	Nature of Cost	Prime FY	E&Y
		05	Recommendation
		\$000	\$000
	Total benchmarked costs	3,314	2,400
	AGM	106	106
	Annual Report	140	140
	ASX Fees	134	64
	Bank fees	11	4
	Conferences	18	15
	Contingency	315	-
	Consultancy	238	238
	FBT	45	37
	Legal	86	86
	Newsletter	41	41
	Office Rentals	135	135
	Payroll processing	12	11
	Payroll tax	126	105
	Printing and Stationary	24	20
	Recruitment	99	83
	Share Registry	178	101
	Training	18	9
	Subscriptions	9	3
	Taxi Fares	18	3
	Travel - Airfares & Accommodation	281	89
	Workcover Insurance	9	8
	<b>Sub Total</b>	<b>5,363</b>	<b>3,698</b>
<b>Type Contested Costs</b>			
	DBCT Credit Rating	135	40
	Distributions Expenses	156	150
	Parking	7	7
	<b>Sub Total</b>	<b>298</b>	<b>197</b>
<b>Other Costs</b>			
	Regulatory Related Costs	0	200
	Corporate Depreciation Allowance	0	60
	<b>Sub Total</b>	<b>0</b>	<b>260</b>
<b>Total</b>		<b>6,469</b>	<b>4,987</b>

As we have noted previously in this report, a “bottom up” analysis is subjective in nature. Although we have based our findings on appropriate benchmarking, where possible, and an analysis of actual costs incurred in the 2004 year, the actual costs incurred relating to DBCT for 2005 may be different. However, based on our “bottom up” approach, we are of the view that a minimum allocation of corporate costs of \$5 million is appropriate for DBCT for the 2005 year.

## Review of Corporate Overheads

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Assuming inflation of 2.5% per annum the appropriate corporate cost allocation for DBCT for the regulatory period (2005-2009) is summarised below at Table 13. This cost allocation is before (and excludes) recovery of QCA annual charges and site remediation costs.

**Table 13: Proposed Corporate Cost Allocation Based on Reassessed “Bottom Up” Analysis**

	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m
Minimum level	5.0	5.12	5.25	5.38	5.51

In summary therefore, based on our analysis, it would be reasonable to provide a corporate cost allocation (before recovery of QCA annual charges and site remediation costs) of at least \$5 million and up to \$6.5 million for DBCT for the 2005 year..

### Appendix 1 – Audit and Accounting Fees Benchmarking

#### Audit and related fees (000's) from IBIS database

Company name	Auditor name	Audit fee	Audit (other)	Total audit fees	Balance sheet date
Australian Agricultural Company Limited	Ernst & Young	168	388	556	30/06/2003
Autron Corporation Limited	Ernst & Young	452	102	554	30/06/2003
Adcorp Australia Limited	Ernst & Young	150	18	168	30/06/2003
Abacus Property Group	Ernst & Young	107	0	107	30/06/2004
Austereo Group Limited	Ernst & Young	247	17	264	30/06/2004
Australian Foundation Investment Company Limited	PricewaterhouseCoopers	93	49	142	30/06/2004
Advance Healthcare Group Limited	Ernst & Young	93	180	273	31/12/2003
Auckland International Airport Limited	Deloitte	103	82	185	30/06/2004
AI Limited	Hall Chadwick & Co	105	52	157	30/06/2003
A J Lucas Group Limited	KPMG	142	66	208	30/06/2004
Angus & Coote (Holdings) Limited	PricewaterhouseCoopers	141	35	176	25/07/2004
Auspine Limited	KPMG	209	114	323	30/06/2003
Australian Magnesium Corporation Limited	Deloitte	147	4	151	30/06/2003
Australian Pipeline Trust	Deloitte	154	165	319	30/06/2003
Ariadne Australia Limited	Ernst & Young	132	85	217	30/06/2004
ARB Corporation Limited	Pitcher Partners	128	18	146	30/06/2004
Ausdrill Limited	PricewaterhouseCoopers	142	310	452	30/06/2004
Australian Stock Exchange Limited	KPMG	379	581	960	30/06/2003
Astron Limited	BDO	55	34	89	30/06/2003
Ausron Limited	KPMG	190	27	217	30/06/2003
Avatar Industries Limited	Ernst & Young	281	33	314	30/06/2003
AAV Limited	Ernst & Young	155	215	370	31/12/2003
Arrow Pharmaceuticals Limited	Ernst & Young	101	38	139	31/12/2003
B Digital Limited	KPMG	128	34	162	30/06/2003
Baycorp Advantage Limited	PricewaterhouseCoopers	472	241	713	30/06/2003
Blackmores Limited	Deloitte	200	111	311	30/06/2004
Bank of Queensland Limited	KPMG	170	336	506	31/08/2003
Broadcast Services Australia Limited	BDO	146	73	219	30/06/2003
Broadcast Services Australia Limited	BDO	146	73	219	30/06/2003
Beyond International Limited	Pannell Kerr Forster	319	0	319	30/06/2003
Codan Limited	KPMG	105	129	234	30/06/2003
Central Equity Limited	Ernst & Young	219	26	245	30/06/2003
Central Equity Limited	Ernst & Young	219	26	245	30/06/2003
Central Equity Limited	Ernst & Young	219	26	245	30/06/2003
Chiquita Brands South Pacific Limited	Ernst & Young	268	76	344	31/12/2003
Cordukes Limited	PricewaterhouseCoopers	86	8	94	30/06/2003
Collection House Limited	Hacketts Pty Ltd	155	70	225	30/06/2003
CMI Limited	Deloitte	241	83	324	30/06/2003
Cumnock Coal Limited	Ernst & Young	87	0	87	31/12/2003
Candle Australia Limited	Williams Hatchman & Kean	89	34	123	30/06/2003
Coffey International Limited	PricewaterhouseCoopers	171	0	171	30/06/2003
Cochlear Limited	KPMG	363	620	983	30/06/2004

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Company name	Auditor name	Audit fee	Audit (other)	Total audit fees	Balance sheet date
Commonwealth Property Office Fund	Ernst & Young	150	0	150	30/06/2004
Croesus Mining NL	Grant Thornton	60	0	60	30/06/2004
Catalyst Recruitment Systems Limited	Ernst & Young	53	0	53	30/06/2003
Consolidated Minerals Limited	Ernst & Young	81	294	375	30/06/2003
Country Road Limited	Ernst & Young	150	50	200	30/06/2003
Data#3 Limited	Johnston Rorke	75	55	130	30/06/2003
Energy Developments Limited	Ernst & Young	591	2	593	30/06/2003
Energy Resources of Australia Ltd	PricewaterhouseCoopers	142	7	149	31/12/2003
ERG Limited	Deloitte	578	141	719	30/06/2003
Evans & Tate Limited	KPMG	52	251	303	30/06/2003
Fantastic Holdings Limited	Felsers	81	27	108	30/06/2003
FKP Limited	Pannell Kerr Forster	104	35	139	30/06/2003
Fisher & Paykel Healthcare Corporation Limited	PricewaterhouseCoopers RSM Bird Cameron Partners	287	39	326	31/03/2004
Funtastic Limited	Partners	140	80	220	31/12/2003
Fleetwood Corporation Limited	Deloitte	82	15	97	30/06/2003
Gale Pacific Limited	Pitcher Partners	159	63	222	30/06/2003
Green's Foods Limited	BDO	118	7	125	30/06/2003
Gribbles Group Limited	Deloitte	333	77	410	30/06/2003
Grand Hotel Group	Ernst & Young	235	103	338	30/06/2003
Globe International Limited	Alexander & Spencer	550	23	573	30/06/2003
GRD NL	Ernst & Young	252	274	526	31/12/2003
Great Southern Plantations Limited	PricewaterhouseCoopers	122	285	407	30/06/2003
Gazal Corporation Limited	Ernst & Young	159	58	217	30/06/2003
Heggies Bulkhaul Limited	Deloitte	151	94	245	30/06/2003
Hudson Investment Group Limited	Nexia Court & Co	138	68	206	31/12/2003
Hamilton James & Bruce Group Limited	PricewaterhouseCoopers	95	155	250	30/06/2003
HGL Limited	Deloitte	286	153	439	30/09/2003
HPAL Limited	PricewaterhouseCoopers	221	87	308	31/12/2003
Hudson Timber Products Limited	PricewaterhouseCoopers	141	41	182	30/06/2003
IOOF Holdings Ltd	PricewaterhouseCoopers	1030	723	1753	30/06/2003
Investor Group Limited	Hall Chadwick & Co	128	0	128	30/06/2004
ING Industrial Fund	Ernst & Young	115		115	30/06/2004
ING Office Fund	Ernst & Young				30/06/2004
InvoCare Limited	PricewaterhouseCoopers	583	214	797	31/12/2003
Jubilee Mines NL	Deloitte	40	0	40	30/06/2003
Keycorp Limited	Ernst & Young	233	339	572	30/06/2003
Lighting Corporation Limited	Ernst & Young	170	111	281	30/06/2004
Macquarie Corporate Telecommunications Holdings Limited	Ernst & Young	195	298	493	30/06/2003
Macarthur Coal Limited	KPMG	125	225	350	30/06/2004
Macquarie Communications Infrastructure Group	PricewaterhouseCoopers	364	699	1063	30/06/2003
Monadelphous Group Limited	Ernst & Young	96	65	161	30/06/2003
Mortgage Choice Limited	PricewaterhouseCoopers	90	592	682	30/06/2004
Macquarie Office Trust	PricewaterhouseCoopers	136	143	279	30/06/2004
MPI Mines Ltd	KPMG	300	47	347	31/12/2003
MaxiTRANS Industries Limited	KPMG	143	139	282	30/06/2004
National Can Industries Limited	PricewaterhouseCoopers	182	74	256	30/06/2003

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Company name	Auditor name	Audit fee	Audit (other)	Total audit fees	Balance sheet date
Network Foods Limited	BDO	55	7	62	31/12/2003
New Hope Corporation Limited	PricewaterhouseCoopers	239	706	945	31/07/2003
Optima ICM Limited	KPMG	68	73	141	30/06/2004
OPSM Group Limited	Deloitte	380	132	512	31/12/2003
OrotonGroup Limited	PricewaterhouseCoopers	136	220	356	2/08/2003
Perilya Limited	PricewaterhouseCoopers	148	187	335	30/06/2003
Prime Infrastructure Group	Deloitte	109	129	238	30/06/2003
Portman Limited	Ernst & Young	98	205	303	31/12/2003
Penfold Buscombe Limited	PricewaterhouseCoopers	102	47	149	30/06/2003
Programmed Maintenance Services Limited	Deloitte	209	111	320	31/03/2004
Prime Television Limited	Ernst & Young	223	342	565	30/06/2003
Primary Health Care Limited	Deloitte	167	100	267	30/06/2004
PowerTel Limited	Ernst & Young	200	329	529	31/12/2003
Roberts Limited	Wise Lord & Ferguson	153	46	199	30/06/2004
Ross Human Directions Limited	PricewaterhouseCoopers	84	10	94	30/06/2003
Raptis Group Limited	Gould Ralph & Co	50	66	116	30/06/2003
Ronin Property Group	Ernst & Young	90	12	102	30/06/2003
Resolute Mining Limited	Ernst & Young	119	220	339	30/06/2004
Schaffer Corporation Limited	Ernst & Young	204	64	268	30/06/2004
SFE Corporation Limited	PricewaterhouseCoopers	188	212	400	31/12/2003
Select Harvests Limited	Pitcher Partners	110	13	123	30/06/2003
Strathfield Group Limited	Ernst & Young	386	279	665	29/06/2003
Straits Resources Limited	PricewaterhouseCoopers	185	530	715	31/12/2003
Servcorp Limited	Deloitte	296	477	773	30/06/2004
Steamships Trading Company Limited	PricewaterhouseCoopers	615	295	910	31/12/2003
Symex Holdings Limited	KPMG	88	79	167	30/06/2003
Transurban Group	PricewaterhouseCoopers	250	611	861	30/06/2003
Timbercorp Limited	Deloitte	338	35	373	30/09/2003
Ticor Limited	KPMG	318	96	414	31/12/2003
Reject Shop Limited	PricewaterhouseCoopers	52	33	85	29/06/2003
UXC Limited	Deloitte	340	252	592	30/06/2003
Vietnam Industrial Investments Limited	Ernst & Young	96	12	108	31/12/2003
Vision Systems Limited	PricewaterhouseCoopers	454	1020	1474	30/06/2004
Villa World Limited	PricewaterhouseCoopers	155	244	399	30/06/2004
WAM Capital Limited	Moore Stephens WI	13	43	56	30/06/2003
Webster Limited	Deloitte	121	58	179	30/06/2003
Warmambool Cheese and Butter Factory Company Holdings Limit	Coffey Hunt & Co	96	42	138	30/06/2004
Waste Management NZ Limited	Ernst & Young	185	55	240	31/12/2003
Watpac Limited	KPMG	78	21	99	30/06/2004
Average		194	145	338	

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### Appendix 2 –ASX Clearing (CHESS) Fees - Analysis of Trading

<b>Comparison with other infrastructure funds</b>			
<b>Name of entity</b>	<b>Shares traded over past 12 months</b>	<b>Total issued capital</b>	<b>Percentage of issued capital traded over past 12 months</b>
Prime Infrastructure Group	195,021,543	621,636,917	31.37%
Macquarie Infrastructure Group	1,738,615,593	1,936,940,676	89.76%
Macquarie Communications Infrastructure Group	56,304,066	170,187,596	33.08%
Australian Infrastructure Fund	127,132,787	259,463,140	49.00%

<b>Comparison with other entities in the S&amp;P/ASX 200 Marine Ports &amp; Services Sub-Index</b>			
<b>Name of entity</b>	<b>Shares traded over past 12 months</b>	<b>Total issued capital</b>	<b>Percentage of issued capital traded over past 12 months</b>
Prime Infrastructure Group	195,021,543	621,636,917	31.37%
Adsteam Marine Limited	152,181,922	266,439,108	57.12%
Patrick Corporation Limited	548,931,844	618,677,157	88.73%

<b>Comparison with other entities in the S&amp;P/ASX 200 Transport Sub-Index</b>			
<b>Name of entity</b>	<b>Shares traded over past 12 months</b>	<b>Total issued capital</b>	<b>Percentage of issued capital traded over past 12 months</b>
Prime Infrastructure Group	195,021,543	621,636,917	31.37%
Adsteam Marine Limited	152,181,922	266,439,108	57.12%
Australian Infrastructure Fund	127,132,787	259,463,140	49.00%
Hills Motorway Group	89,678,335	185,000,000	48.47%
Macquarie Airports Group	1,327,023,184	1,406,907,268	94.32%
Macquarie Infrastructure Group	1,738,615,593	1,936,940,676	89.76%
Patrick Corporation Limited	548,931,844	618,677,157	88.73%
Qantas Airways Limited	2,685,050,821	1,867,790,699	143.76%
Transurban Group	557,838,903	539,228,108	103.45%
Toll Holdings Limited	214,193,038	323,763,366	66.16%

## Appendix 3 –Directors Fees Benchmarking

### Directors Fees Disclosure from Connect 4 Database (2003)

Company Name	Revenue (excl interest) \$m	Industry Group	Total Directors Fees	Average Directors Fees
A.I. Limited	205.9	Capital Goods	88,333	32,083
AAV Limited	104.7	Media	135,000	45,000
Abacus Property Group	118.7	Real Estate	60,224	30,112
Adcorp Australia Ltd	184.0	Media	160,000	53,333
Advance Healthcare Group Ltd	157.8	Pharmaceuticals & Biotechnology	141,660	23,610
Advent Limited	116.5	Diversified Financials	125,000	31,250
AJ Lucas Group Limited	120.6	Capital Goods	254,280	84,760
Angus & Coote (Holdings) Limited	239.2	Retailing	237,500	47,500
Ariadne Australia Limited	103.0	Real Estate	232,382	46,476
Auckland International Airport Limited	239.2	Transportation	290,000	58,000
Ausdrill Limited	159.0	Materials	106,650	35,550
Auspine Limited	218.1	Materials	162,760	54,253
Austereo Group Limited	245.2	Media	110,000	55,000
Australian Agricultural Company Limited	176.7	Food Beverage & Tobacco	275,976	68,994
Australian Foundation Investment Company Ltd	130.8	Diversified Financials	283,583	56,717
Australian Magnesium Corporation Ltd	213.9	Materials	176,139	58,713
Australian Stock Exchange Limited	243.3	Diversified Financials	1,358,469	135,847
Autron Corporation Limited	204.4	Technology Hardware & Equipment	206,438	44,155
Bank of Queensland Limited	280.0	Banks	405,924	57,989
Baycorp Advantage Limited	196.8	Software & Services	594,887	84,984
Blackmores Limited	118.0	Health Care Equipment & Services	323,298	80,825
Broadcast Services Australia Limited	100.1	Media	37,506	12,502
Candle Australia Limited	179.3	Commercial Services & Supplies	123,132	41,044
Catalyst Recruitment Systems Limited	111.6	Commercial Services & Supplies	71,250	14,250
CBH Resources Limited	101.4	Materials	151,656	50,552
CMI Limited	275.4	Capital Goods	105,187	52,594
Cochlear Limited	283.2	Health Care Equipment & Services	217,745	108,873
Coffey International Limited	200.2	Commercial Services & Supplies	145,000	108,873
Collection House Limited	117.5	Commercial Services & Supplies	270,833	38,690
Cordukes Limited	174.7	Capital Goods	121,791	40,597
Country Road Limited	194.4	Retailing	38,361	19,181
Croesus Mining NL	139.9	Materials	279,920	93,307
Data3 Limited	175.9	Software & Services	152,600	38,150
Energy Developments Ltd	159.5	Utilities	281,071	56,214
ERG Limited	262.5	Technology Hardware & Equipment	379,149	94,787
Evans and Tate Limited	101.6	Food Beverage & Tobacco	250,664	62,666
Fisher & Paykel Healthcare Corporation Limited	187.3	Health Care Equipment & Services	81,829	81,829

## Review of Corporate Overheads

Company Name	Revenue (excl interest) \$m	Industry Group	Total Directors Fees	Average Directors Fees
Forrester Parker Group Ltd		Building/Construction	267,173	53,435
Fleetwood Corporation Limited	259.7	Automobiles & Components	130,000	43,333
Funtastic Limited	229.0	Consumer Durables & Apparel	159,999	80,000
Gazal Corporation Limited	195.6	Consumer Durables & Apparel	363,000	72,600
Globe International Limited	187.0	Consumer Durables & Apparel	187,419	93,710
Grand Hotel Group	235.2	Real Estate	437,121	62,446
GRD NL	219.0	Materials	259,167	129,584
Great Southern Plantations Limited	208.3	Materials	146,601	48,867
Green's Foods Limited	149.5	Food Beverage & Tobacco	125,930	31,483
Gribbles Group Limited (The)	275.5	Health Care Equipment & Services	233,709	58,427
Hamilton James & Bruce Group Limited	106.3	Commercial Services & Supplies	177,125	59,042
Heggies Bulkhaul Limited	118.5	Transportation	70,850	35,425
HGL Limited	119.4	Capital Goods	171,094	34,219
HPAL Limited	160.9	Software & Services	339,900	67,980
Investor Group Limited	156.9	Diversified Financials	126,656	63,328
InvoCare Limited	150.1	Health Care Equipment & Services	167,854	33,571
Jubilee Mines NL	244.4	Materials	245,415	81,805
Lighting Corporation Limited	149.7	Capital Goods	143,453	47,818
Lindsay Australia Limited	153.4	Transportation	54,972	27,486
Macarthur Coal Limited	224.3	Materials	125,046	41,682
MPI Mines Limited	172.2	Materials	102,250	34,083
National Can Industries Limited	182.7	Materials	225,200	56,300
OPSM Limited	241.2	Health Care Equipment & Services	343,423	68,685
OrotonGroup Limited	147.4	Retailing	66,518	33,259
Penfold Buscombe Limited	110.0	Commercial Services & Supplies	112,350	22,470
Portman Limited	147.0	Materials	162,187	40,547
PowerTel Limited	134.1	Telecommunication Services	216,864	108,432
Primary Health Care Limited	151.1	Health Care Equipment & Services	165,343	41,336
Prime Television Limited	168.3	Media	213,277	42,655
Programmed Maintenance Services Ltd	205.8	Commercial Services & Supplies	228,375	76,125
Raptis Group Limited	132.9	Real Estate	105,401	52,701
Resolute Mining Limited	159.4	Materials	183,516	91,758
Roberts Limited	184.0	Commercial Services & Supplies	144,146	28,829
Schaffer Corporation Limited	191.6	Automobiles & Components	167,283	41,821
Select Harvests Limited	128.3	Food Beverage & Tobacco	191,759	47,940
Servcorp Limited	105.7	Real Estate	136,250	68,125
SFE Corporation Limited	-	Diversified Financials	495,424	70,775
Steamships Trading Company Limited	152.8	Capital Goods	154,100	17,122
Straits Resources Limited	233.0	Materials	390,852	130,284
Strathfield Group Limited	200.3	Retailing	329,712	109,904
Ticor Limited	240.8	Materials	628,315	78,539
Transurban Group	287.2	Transportation	619,111	123,822
UXC Limited	189.0	Software & Services	141,715	35,429

## Review of Corporate Overheads

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Company Name	Revenue (excl interest) \$m	Industry Group	Total Directors Fees	Average Directors Fees
Vietnam Industrial Investments Limited	159.9	Materials	80,577	40,289
Villa World Limited	174.9	Real Estate	133,444	44,481
WAM Capital Limited	121.3	Diversified Financials	52,431	13,108
Waste Management NZ Limited	158.7	Commercial Services & Supplies	254,000	50,800
Watpac Limited	280.3	Capital Goods	145,470	36,368
Webster Limited	159.3	Commercial Services & Supplies	170,600	56,867
Average			217,774	57,306
Max			1,358,469	135,847
Min			37,506	12,502
1st quartile			126,112	38,285
3rd quartile			257,945	70,330

Note:

- a) Prime was included in the list but it was excluded from the analysis.
- b) Data extracted from Connect 4 database.
- c) Companies were chosen only if they had information in the Connect 4 database for more than 2 directors.

## Appendix 4 –Senior Executives Benchmarking

### Senior Executive Remuneration Disclosures from Connect 4 Database (2003)

Company Name	Revenue (excl interest) \$m	Industry Group	Total Remuneration	Average Remuneration
A.I. Limited	205.9	Capital Goods	1,561,811	173,535
AAV Limited	104.7	Media	2,325,206	290,651
Abacus Property Group	118.7	Real Estate	2,562,497	320,312
Adcorp Australia Ltd	184.0	Media	1,408,010	234,668
Advance Healthcare Group Ltd	157.8	Pharmaceuticals & Biotechnology	487,522	81,254
Advent Limited	116.5	Diversified Financials	788,024	157,605
AJ Lucas Group Limited	120.6	Capital Goods	2,021,518	288,788
Angus & Coote (Holdings) Limited	239.2	Retailing	2,202,970	314,710
ARB Corporation Limited	101.8	Retailing	1,059,939	211,988
Arrow Pharmaceuticals Limited	263.4	Pharmaceuticals & Biotechnology	1,965,771	218,419
Ausdrill Limited	159.0	Materials	1,216,744	202,791
Auspine Limited	218.1	Materials	804,641	201,160
Austereo Group Limited	245.2	Media	5,178,800	575,422
Australian Agricultural Company Limited	176.7	Food Beverage & Tobacco	1,801,521	360,304
Australian Magnesium Corporation Ltd	213.9	Materials	3,732,491	533,213
Australian Stock Exchange Limited	243.3	Diversified Financials	4,185,947	697,658
Autron Corporation Limited	204.4	Technology Hardware & Equipment	2,462,581	260,005
Avatar Industries Limited	141.5	Consumer Durables & Apparel	1,919,183	319,864
B Digital Limited	280.6	Telecommunication Services	953,915	190,783
Bank of Queensland Limited	280.0	Banks	4,070,592	581,513
Baycorp Advantage Limited	196.8	Software & Services	4,310,884	615,841
Beyond International Limited	101.4	Media	1,663,854	237,693
Blackmores Limited	118.0	Health Care Equipment & Services	2,289,359	286,170
Broadcast Services Australia Limited	100.1	Media	630,252	126,050
Catalyst Recruitment Systems Limited	111.6	Commercial Services & Supplies	1,250,366	208,394
CBH Resources Limited	101.4	Materials	755,754	151,151
Central Equity Limited	291.5	Real Estate	6,363,322	909,046
Chiquita Brands South Pacific Limited	146.7	Food Beverage & Tobacco	1,128,868	225,774
CMI Limited	275.4	Capital Goods	961,472	192,294
Cochlear Limited	283.2	Health Care Equipment & Services	3,100,318	620,064
Coffey International Limited	200.2	Commercial Services & Supplies	1,613,274	268,879
Collection House Limited	117.5	Commercial Services & Supplies	2,589,492	369,927
Consolidated Minerals Limited	129.8	Materials	1,814,460	302,410
Cordukes Limited	174.7	Capital Goods	1,351,791	225,299
Country Road Limited	194.4	Retailing	993,776	198,755
Croesus Mining NL	139.9	Materials	1,244,941	311,235

## Review of Corporate Overheads

Company Name	Revenue (excl interest)		Total Remuneration	Average Remuneration
	\$m	Industry Group		
Data3 Limited	175.9	Software & Services	814,135	162,827
Energy Developments Ltd	159.5	Utilities	2,843,276	406,182
Energy Resources of Australia Limited	197.3	Materials	2,138,231	427,646
ERG Limited	262.5	Technology Hardware & Equipment	3,624,156	604,026
Evans and Tate Limited	101.6	Food Beverage & Tobacco	1,492,464	248,744
Fantastic Holdings Limited	184.6	Retailing	831,717	166,343
Forrester Parker Group Ltd		Building/Construction	3,322,118	553,686
Funtastic Limited	229.0	Consumer Durables & Apparel	1,885,336	314,223
Gazal Corporation Limited	195.6	Consumer Durables & Apparel	1,905,260	317,543
Globe International Limited	187.0	Apparel	2,934,571	366,821
GRD NL	219.0	Materials	4,033,576	504,197
Great Southern Plantations Limited	208.3	Materials	2,309,648	329,950
Green's Foods Limited	149.5	Food Beverage & Tobacco	928,423	185,685
Gribbles Group Limited (The)	275.5	Health Care Equipment & Services	1,961,887	326,981
Hamilton James & Bruce Group Limited	106.3	Commercial Services & Supplies	2,533,032	422,172
Hardman Resources Limited	202.9	Energy	906,783	151,131
Heggies Bulkhaul Limited	118.5	Transportation	1,005,861	201,172
HGL Limited	119.4	Capital Goods	2,243,304	448,661
HPAL Limited	160.9	Software & Services	1,674,861	279,144
Hudson Investment Group Limited	134.3	Real Estate	711,854	118,642
Hudson Timber Products Limited	132.4	Capital Goods	630,878	126,176
Investor Group Limited	156.9	Diversified Financials	1,846,064	205,118
InvoCare Limited	150.1	Health Care Equipment & Services	2,406,126	481,225
Jubilee Mines NL	244.4	Materials	2,327,039	290,880
Keycorp Limited	100.8	Technology Hardware & Equipment	1,706,012	341,202
Lighting Corporation Limited	149.7	Capital Goods	2,582,188	258,219
Lindsay Australia Limited	153.4	Transportation	802,454	133,742
Macarthur Coal Limited	224.3	Materials	1,343,520	223,920
Macquarie Corporate Telecommunications Limited	226.9	Telecommunication Services	2,364,538	337,791
Maxitrans Industries Limited	164.7	Capital Goods	1,369,591	228,265
Monadelphous Group Limited	222.7	Capital Goods	1,357,883	226,314
MPI Mines Limited	172.2	Materials	1,551,942	310,388
National Can Industries Limited	182.7	Materials	1,313,991	218,999
OPSM Limited	241.2	Health Care Equipment & Services	4,033,970	672,328
OrotonGroup Limited	147.4	Retailing	1,499,804	214,258
Penfold Buscombe Limited	110.0	Commercial Services & Supplies	1,188,051	237,610
Perilya Limited	189.7	Materials	792,793	198,198
Portman Limited	147.0	Materials	2,036,398	339,400
PowerTel Limited	134.1	Telecommunication Services	2,407,568	401,261
Primary Health Care Limited	151.1	Health Care Equipment &	1,743,544	249,078

## Review of Corporate Overheads

Company Name	Revenue (excl interest) \$m	Industry Group	Total Remuneration	Average Remuneration
		Services		
Prime Television Limited	168.3	Media	4,101,103	683,517
Programmed Maintenance Services Ltd	205.8	Commercial Services & Supplies	1,916,079	319,347
Raptis Group Limited	132.9	Real Estate	757,002	126,167
Resolute Mining Limited	159.4	Materials	1,646,702	274,450
Roberts Limited	184.0	Commercial Services & Supplies	1,451,902	241,984
Schaffer Corporation Limited	191.6	Automobiles & Components	3,601,624	514,518
Select Harvests Limited	128.3	Food Beverage & Tobacco	1,172,508	195,418
Servcorp Limited	105.7	Real Estate	1,908,788	238,599
SFE Corporation Limited	-	Diversified Financials	3,288,938	548,156
Straits Resources Limited	233.0	Materials	2,093,864	299,123
Strathfield Group Limited	200.3	Retailing	2,036,238	339,373
Symex Holdings Limited	119.0	Materials	1,177,823	235,565
Ticor Limited	240.8	Materials	2,640,850	440,142
Transurban Group	287.2	Transportation	5,347,848	763,978
UXC Limited	189.0	Software & Services	506,118	126,530
Vision Systems Ltd	159.9	Materials	2,981,410	496,902
Villa World Limited	174.9	Real Estate	2,981,410	276,400
Watpac Limited	280.3	Capital Goods	1,555,652	259,275
Webster Limited	159.3	Commercial Services & Supplies	797,043	159,409
Average			2,022,522	318,238
Max			6,363,322	909,046
Min			487,522	81,254
1st quartile			1,182,937	206,756
3rd quartile			2,497,807	368,374

Note:

- d) Prime was included in the list but it was excluded them from the analysis.
- e) Data extracted from Connect 4 database.
- f) Companies were chosen only if they had information in the Connect 4 database for 4 or more senior executives