



**PORTS CORPORATION
QUEENSLAND**

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Dear Sir

DBCT Asset Valuation Request for Comments

Port Corporation of Queensland provides the following comments as the former owner and developer of the Dalrymple Bay Coal Terminal and as a current port infrastructure investor.

Valuation of Shiploaders

The option of utilising an "off the shelf" shiploader in lieu of the current design shiploader in use at DBCT was considered in some detail by the Ports Corporation as part of the design for Stage 6. The terminal operator, DBCT Pty Ltd, also was involved in the evaluation.

In essence the "off the shelf" designs, whilst varying in design, are generally of a slewing configuration as opposed to a luffing configuration. They also tend to be of significantly lighter construction as evidenced by Maunsell's conclusion that the weight of an alternative design would be reduced by 350 tonnes (i.e. approx. 30% reduction in weight).

To start with, it should be noted that the five example shiploaders (Table 2) are all located within enclosed harbours and not open sea conditions as experienced at DBCT.

Accordingly, ships being loaded at berth tend to be much more stable and less likely to be effected by wave action. As a result a slewing type shiploader wherein the loader needs to manoeuvre between ship's cranes is safer in an enclosed harbour. In an open sea condition the luffing loader is a safer option for both the terminal and ship.

Given the exposed offshore location it is also important that the equipment is designed for low maintenance, for example using fully enclosed members rather than light weight right angle members which are more susceptible to corrosion and consequently higher maintenance. Whilst some saving may be available in capital costs it will be matched by higher maintenance costs. In PCQ's view, the lowest "whole of life" cost was the luffing shiploader.

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Finally, it must be realised that DBCT is located within the Great Barrier Reef and adjacent to World Heritage areas. The facilities at DBCT are required by environmental agencies to meet stringent environmental conditions as part of their approval process. These approvals have included the need to incorporate collection devices on the shiploader to capture coal spillage. This has resulted in a significant increase in the weight of the machine to support both the collection devices as well as the coal collected. It is unlikely those additional weights have been incorporated in the Krupp design.

It is PCQ's view that the Maunsell specification is not consistent with SL3.

In summary, it is felt that caution should be exercised in optimising out shiploading machines, which have been professionally designed for the specific location, unless all parties have a full understanding of all relevant impacts on capital, operating and maintenance costs, as well as reliability.

Yard Machines

Stockpile optimisation is not considered a defined science, but depends upon the operational constraints and assumptions, which underpin the operation of the Terminal at the time.

A significant factor in this regard is the extent of dedicated stockpiling as compared to cargo assembly areas. Prime and their consultants are in the best position to respond to the technical issues raised. PCQ understands however that Prime's consultants have benchmarked DBCT and identified the Terminal as one of the most efficient bulk coal export operations in the world.

In such an environment, it is felt caution should be exercised in optimising out stockyard machines which are operating in an efficient manner by world standards. It is presumed that using the existing layout would also simplify the evaluation of whether capital improvements of existing equipment should be included in the regulatory asset base going forward.

On Costs

PCQ is probably not best placed to comment on the level of allowances to be incorporated in the capital base. However, PCQ considers that recent actual construction costs including actual variations are available to determine whether 10% or lower is an appropriate estimate of on-costs.

Yours sincerely



Brad Fish
Chief Executive Officer