

26 November 2004

Mr John Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear John

DBCT Undertaking Draft Decision

The Queensland Resources Council (QRC) provides this brief response to the QCA's draft decision. The DBCT User Group will be submitting a more comprehensive response in accordance with its initial submission.

QRC refers to its initial submission lodged in response to the QCA request for comments and which remains relevant.

This submission covers two issues, the WACC and the expansion trigger mechanism.

WACC

QRC previously submitted that the determination of the WACC should not be in isolation of the context of the entire undertaking. QCA's draft decision proposed a WACC of 8.2%. Prime has publicly compared the QCA figure with other regulated decisions and argued it is too low. However, QRC considers the context of the entire undertaking mechanism supports a relatively low WACC. QCA has supported the DBCT Users approach for a revenue cap model and this plus the fact that Prime is not exposed to operating risk coupled with the competitively based DBCT coal chain warrants a correspondingly low WACC. Indeed Prime is considered to have a minimal risk profile under the model proposed and the WACC should be not far removed from the risk free rate.

Expansion Trigger

QCA has proposed an alternative mechanism for triggering expansions than that proposed by Prime and the DBCT Users. It is understood that discussions between QCA and the Users have resulted in support for such a mechanism.

This will require that a clear and transparent expansion path has been identified and agreed through the Master Plan process with the capacity increment and cost of each step having been agreed. The actual trigger for going ahead with each stage being a percentage of tonnage increment being committed need not, in QRC's opinion, be the same for each increment but needs to be agreed as part of the Master Planning process.

QRC urges QCA to move quickly to finalise its decision on the DBCT Undertaking.
Export opportunities are being lost, possibly permanently as a result of delays in further expansion of the terminal.

Yours sincerely

Keith Barker
Industry Policy Adviser