

DBCT User Group



Thursday 19th August 2004

c/ Burton Coal Pty Ltd
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Mr E J Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
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Dear Mr Hall

Re: Dalrymple Bay Coal Terminal – Asset Valuation Request for Comments

The DBCT User Group, representing all of the coal producers who are existing users of the Dalrymple Bay Coal Terminal (the Terminal), wishes to respond to your letter dated 10 August 2004.

The User Group notes the Authority's paper "DBCT Asset Valuation: Request for Comments" dated August 2004. It is noted that the Authority commissioned Maunsell Australia, in association with Sedgman coal handling consultants and DTZ property valuers to undertake a valuation of the Terminal using a DORC methodology. The User Group understands that these firms are reputable consultants.

The Authority's paper raises three specific issues for further consideration as follows:

1. valuation of shiploaders
2. optimisation of the stockyard; and
3. allowances for the on-costs of project risk and contract variation

These three issues were previously considered by the User Group and their engineering consultants (GHD Pty Ltd) in their comprehensive studies into the appropriate Asset Valuation for the Terminal. Comments were provided to the QCA in the Group's substantial submission to the Authority dated 3 September 2003 (refer Part B, Chapter 3, pages 57 – 79).

In response to the questions raised by the Authority, the User Group wishes to provide comments as follows:

1. Valuation of shiploaders

The User Group considers that Maunsell is competent to describe the duty specifications for a ship loader. The sourcing of prices from firms such as Krupp is appropriate, since Krupp are very experienced in ship loader design, manufacture and construction. Indeed, GHD's valuation report included reference to Krupp information.

2. Optimisation of the Stockyard

The User Group considers that the approach proposed by Maunsell is not unreasonable, although the Group wishes to point out that in its submission, GHD went further with the potential for optimisation of the stockyard, including such things as fewer bunds and conveyors required to service the stockyard.

3. Allowances for the on-costs of project risk and contract variation

The User Group considers that the approach proposed by Maunsell is not unreasonable although the Group suggested lower allowances, with some costs being built into the lump-sum estimates rather than treated as a percentage allowance. The User Group has previously raised concerns about the level of such allowances requested for inclusion in the Asset Base.

The User Group has provided a brief and succinct response to assist the QCA's final consideration of these issues. The Group looks forward to the resolution of all matters and the publication of the Draft Determination by the Authority at the earliest date.

Yours sincerely
DBCT User Group

Viv Forbes
Chairman