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34.	Supplementary – Corporate Accounting Personnel	TH	Agreed	<a href="#">34</a>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
1.	Owner 12	<p>Please confirm that all costs relate to [REDACTED] contract, if not what are the other sources of cost?                      Please advise the average % occupancy (or vacancy) that BBI paid for over the duration of the Contract.                      We note that the Accommodation Strategy July 2005 found that with BBI encouragement and incentive there should be sufficient private accommodation.                      Please provide any further studies/ memos etc which provide information in regards to</p> <ul style="list-style-type: none"> <li>• number of rooms that should be supported;</li> <li>• alternatives and potential costs were considered;</li> <li>• method and basis of selecting [REDACTED];</li> <li>• assessment of the cost/benefit of the [REDACTED] Contract;</li> <li>• assessment of the reasonableness, or otherwise, of [REDACTED] Schedule 2 and 3 rates.</li> </ul>
BBI Response		Notes & References
<p><b>Construction Accommodation Costs</b></p> <ol style="list-style-type: none"> <li>1. All costs relate to [REDACTED] Contract.</li> <li>2. Average vacancy rate was 40%.</li> <li>3. See attachments Accommodation Information Paper and Accommodation Strategy. The Accommodation Strategy refers to the alternatives considered and the number of people that were expected to be accommodated.</li> <li>4. As outlined in the Accommodation Information Paper, BBI was seeking a private enterprise looking to expand their existing facilities with some encouragement/support by BBI. As part of the selection process the community was canvassed and several parties expressed an interest. However [REDACTED] was the only provider that did not require an upfront injection of capital from BBI prior to proceeding with expanding their facilities.</li> <li>5. Based on information available it was anticipated that demand would exceed the available accommodation and costs were expected to be minimal. Further to that, the accommodation contract included a cancellation clause exercisable at BBI's discretion. The cost associated with project delays should accommodation not be available for the project was too great a risk and the accommodation contract with [REDACTED] mitigated that risk.</li> <li>6. [REDACTED] rates were compared with other accommodation providers in the local region and the results are shown in the attached graph.</li> </ol>		<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. Accommodation Strategy</li> <li>2. Accommodation Information Paper</li> <li>3. Rate Comparison Chart</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
2.	EPCM	<ol style="list-style-type: none"> <li>1. Section 3.4 provides a more detailed breakdown of the forecast total EPCM costs. Please provide the original budget broken into the same (or similar) categories and comparison with current forecast final costs.</li> <li>2. Please identify each area of significant (more than 3%) cost overrun and provide a brief comment as to: <ul style="list-style-type: none"> <li>• Reason for cost overrun;</li> <li>• Was the overrun avoidable?;</li> <li>• Why the project received value (if any) from the Services provided by the increased cost.</li> </ul> </li> <li>3. Provide brief benchmarking information showing a comparison of the EPCM cost for this and other projects. We suggest on a whole of 7X basis</li> </ol>

**BBI Response****EPCM**

A comparison of the EPCM budget to the current forecast is shown on the following page. An allocation of the contingency provision has been made to allow for comparison at the total level to be made. The contingency allocation has been carried out with reference to the capital cost risk analysis conducted in mid 2006. The overall project contingency developed was 17.7%, however the contingency for the EPCM estimate is lower than this at 11.4%. This reflects the level of work completed at the time as well as the higher certainty associated with this part of the estimate. From the comparison, it can be seen that the two items that exhibit a significant variance are Engineering and Expenses. An explanation of the overrun in these two categories is provided below.

**Engineering** The engineering element of the EPCM cost has experienced an overrun of just under 10%, driven by a number of factors as summarised below:

- The estimate included a number of allowances for capital items that were largely unknown at the time. These included Environmental Upgrades, Jetty Maintenance Platform, Mega Reel, Works Associated with Machine Relocations, Warehouse etc. Engineering was not included for these items in the staffing plans as the scope of work was not sufficiently understood. The capital allowance was intended to include any required engineering services. As such a budget transfer would be appropriate to reallocate the engineering component of these items. This has not been implemented at this stage.
- Technical documentation was excluded from the estimate. The scope of this item was not sufficiently developed to allow its inclusion in the estimate. The eventual cost of this work is forecast at \$2.2M. The scope is necessary to comply with the requirements of the new Plant Code standard and is therefore accepted as a scope change to the engineering scope.
- At the time of development of the estimate, the QCA processes were not fully developed and have subsequently added some additional scope into the engineering aspect of the job. The additional work is mainly for the development of fit for purpose reports and additional support in the QCA approval processes.
- The estimate for engineering resources was inadequate in the area of post award support. The level of construction activity in the market has generally lead to a higher level of technical queries and requirement for post award support. This was not anticipated at the time of development of the budget.

**Travel and Expenses** The travel and expenses item has experienced an overrun against the budget of 8.4%. This has been driven predominantly by the change in mix of site staff compared to the budget assumptions. It was anticipated that a percentage of site resources would be sourced from the local market. The final outcome was that a relatively low number of the site team were able to be sourced from the Mackay region resulting in a higher cost for travel and relocation.

**Benchmarking** A benchmarking exercise is provided below.

EPCM Budget Comparison Table

**DBCT 7X Project**  
**Other Cost Information**  
**EPCM Cost Comparison**

Cost Category	Base Estimate	Contingency Allocation	Total Budget	Actual Cost	Variance	Variance %	Comments
Engineering							Design costs for undefined items incl in capital costs
Project Management							
Construction Management							
IT Charges							Reduced site IT cost
Disbursements							
Fees							
Travel and Expenses							Increased percentage of staff relocated
Consultants							Some costs transferred to staff
<b>Total</b>							
EPCM Contingency %							
Overall Project Contingency %							

## EPCM Benchmarking

The attached table provides a range of benchmarking information. The table shows a comparison over a range of jobs of the EPCM cost as a percentage of project direct cost. This is a standard comparison used in the industry to benchmark EPCM Cost performance.

It should be noted that this information is highly confidential. It is generally not published around the industry and is retained by individual EPCM organisations. The information tabulated has been derived from a number of different sources [REDACTED]. Specific projects were not disclosed in order to maintain the confidentiality of the data.

While the comparison table provides a general indication of the EPCM cost performance for the DBCT 7X Project, it should be noted that there are a number of factors that can have a significant bearing on the EPCM cost:

- Project location
- Project scale
- Range of EPCM services provided
- Market forces during project execution
- Greenfields or brownfields nature of project
- Project financing arrangements
- Structure of the EPCM service provision (eg sole provider, joint venture, off-shoring etc)
- Liability/risk that the Owner requires the EPCM organisation to carry
- Need for, and extent to which EPCM organisation must comply with certain Owner standards and/or requirements (eg safety management, quality, life expectancy, operations input, etc)
- Complexity of engineering requirements

In order to achieve a true comparison of EPCM cost performance it would be necessary to understand the nature of the benchmark projects against all of the above factors. However this is not practical and a high level comparison only is usually available.

## Commentary

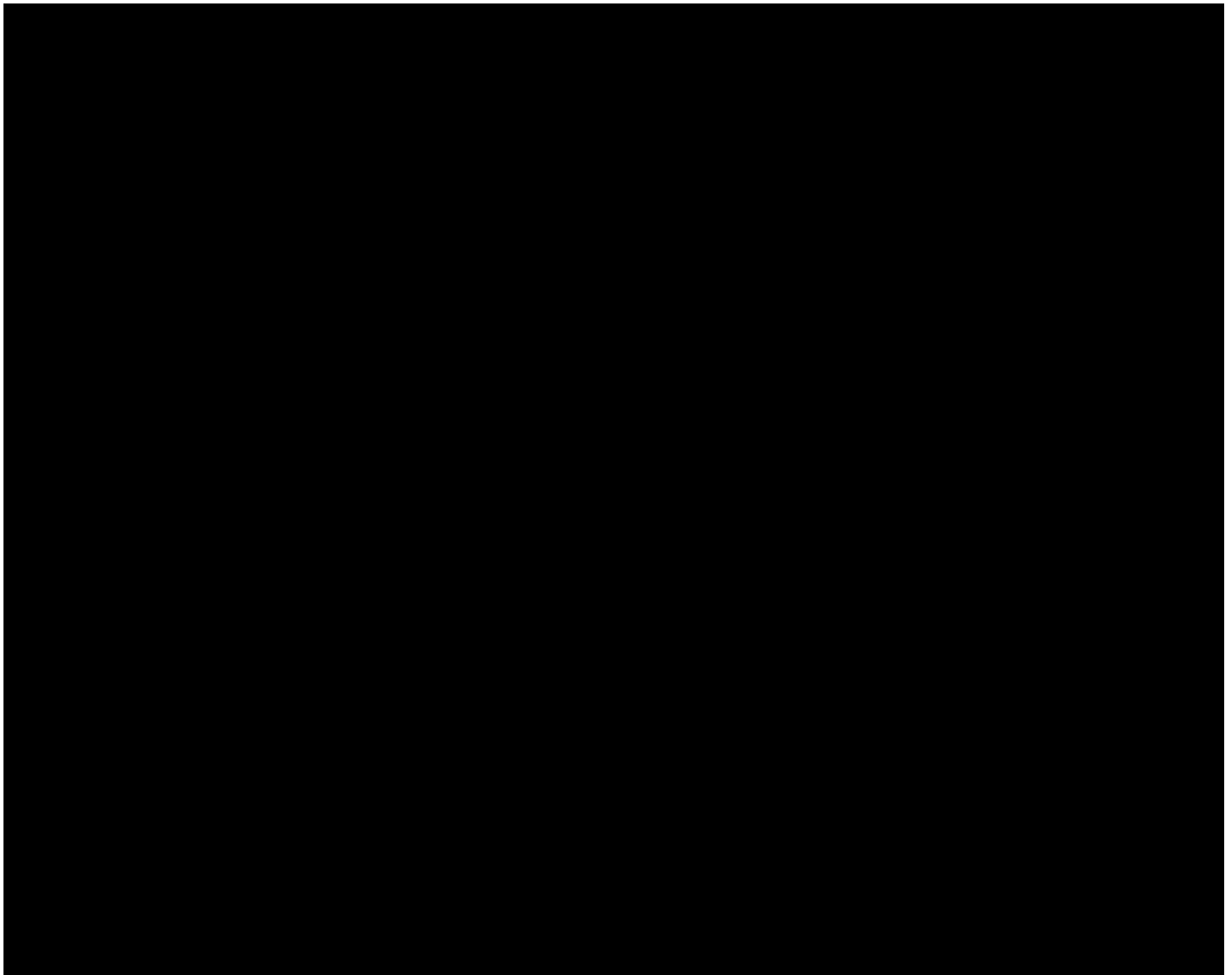
It should be noted that the comparison of costs has been carried out at the total project level. As has been previously discussed, the engineering services for the total expansion were included as part of the Phase 1 scope. This was to ensure that there were no delays to implementation of Phase 2/3 once full approval was received. Consequently any attempt to benchmark the DBCT 7X Project by individual phase would be distorted by this.

From the table it can be seen that the EPCM percentage falls in the range of 14% to 30% of the project direct cost. Based on the above influencing factors it would be reasonable to expect the DBCT 7X Project to fall at the upper end of this range due to the current market conditions, the high brownfields content of the work, the high degree of auditing required to satisfy both the financing and regulatory requirements and the fact that the full range of EPCM services inclusive of plant commissioning were required to be performed. This has been offset by the scale of the project, the relatively low technical complexity of the plant and the familiarity of Connell Hatch with the facility, having been involved in all previous expansions at DBCT.

Given these factors BBI (DBCT) management considers the EPCM cost falls well within the expected range and represents a competitive and efficient outcome for the project.

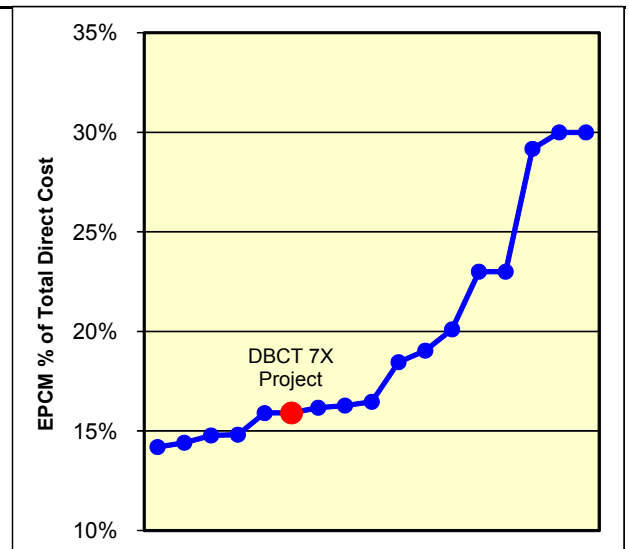
BBI (DBCT) Management Pty Ltd

DBCT 7X Project  
EPCM Benchmarking Data



**Notes**

1. This information is confidential and not for publication or redistribution



Q.	Ref No.	Issue raised by Flagstaff Consulting Group
3.	CF&S C940	Please forward information for this cost area – Construction Consumables.
BBI Response		Notes & References
<p data-bbox="96 325 539 352"><b>C940 – Construction Consumables</b></p> <p data-bbox="96 368 1574 520">This package relates to expenditure to support the fitout &amp; operation of the project site office, and the supply of communications, materials &amp; transport to project personnel on site. Connell Hatch procure and manages this package under the EPCM agreement, however these costs are not considered to be part of the EPCM services provision. Under their normal processes Connell Hatch would have raised an order for each of these items, however these small orders could be purchased within their \$20K authority limit per the Expenditure Approval Matrix.</p> <p data-bbox="96 536 264 563">Items include:</p> <ol data-bbox="96 579 1451 810" style="list-style-type: none"> <li>1. Construction Facilities including Site Office Costs eg kitchen supplies, copiers, stationery, printing, and other miscellaneous charges.</li> <li>2. Site Office Radios &amp; Phones</li> <li>3. Site Office Furniture &amp; Fitout</li> <li>4. Site Vehicle Hire and Fuel (short-term hire &amp; peak usage, as distinct from Construction Vehicle leases in P045)</li> <li>5. Site Safety Lockout Equipment (EPCM contract includes PPE, non-PPE items purchased via C940)</li> <li>6. Medical Supplies</li> </ol>		<p data-bbox="1603 325 1765 352"><b>Attachments</b></p> <ol data-bbox="1603 368 2018 443" style="list-style-type: none"> <li>1. Extract from EPCM Agreement</li> <li>2. Expenditure Approval Matrix</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
4.	DNT C022	Same request as above.
BBI Response		Notes & References
<p><b>C022 – Minor Works for SR Relocations</b></p> <p>The budget was established to accumulate the costs for a number of tasks required to be completed associated with the installation of the new yard machines and the relocation of the existing machine. At the time of preparation of the budget estimate, the tasks were relatively poorly defined and the budget was essentially a series of allowances. As design progressed and the tasks were better defined, it became clear that a stand alone contract was not the most effective approach and the various tasks were split up and allocated to existing contracts as variations. The following is a list of the tasks included in this budget item</p> <ul style="list-style-type: none"> <li>• Provision of foundations and relocation of the boom and bogie storm park anchors and end travel buffer systems required as part of the upgrade scope for Stacker Reclaimer SR2 (this was deleted when the upgrade of SR2 was removed from the project scope)</li> <li>• Provision of foundations and relocation of the boom and bogie storm park anchors and end travel buffer systems required as part of the upgrade scope for Stacker Reclaimer SR5</li> <li>• Strengthening of the existing rail clip systems at the storm park locations for the new Stacker Reclaimers SR3A and SR4A</li> <li>• Construction of new foundations for the new boom storm park restraint and buffers for the Stacker Reclaimer SR3A. Note that this was required as the new machine could not use the existing positions due to a longer tripper.</li> <li>• Establishment of new centre feed pits for power water and control systems for the new Stacker Reclaimers SR3A and SR4A.</li> <li>• Supply and installation of new HV centre-point termination boxes for the new Stacker Reclaimers SR3A and SR4A.</li> <li>• Construction of storm park access platforms</li> </ul> <p>The above items have generally been completed under other contracts with the costs appearing as contract variations. The costs expended were significantly lower than budgeted. The justification for these costs appears as part of the explanation for the applicable contract variation.</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group																									
5.	DNT Misc	Ref BBI Draft Submission Section B001 to B012 – are these all for Misc Orders? The value for these orders appears to equal approx \$141,000 whereas cost to end Jan 08 is \$511,765. Please provide back-up for the remainder of the costs in the form of a summary.																									
<b>BBI Response</b>			<b>Notes &amp; References</b>																								
<b>Miscellaneous Minor Orders</b>			<b>Attachments</b>																								
<ul style="list-style-type: none"> <li>There was a separate tab for Spares which included B003 &amp; B007, otherwise the other B series orders are Miscellaneous Minor Orders. The Misc &amp; Spares tabs in the submission included orders that were current at the time, however since then the number of orders has increased significantly.</li> <li>The cost to end Jan-08 was \$124,087 (forecast was \$511,765). A full listing is attached below. Note the marked items are to be reclassified in the next routine report update.</li> </ul>			1. Additional B-series orders for Misc tab																								
<table border="1"> <thead> <tr> <th>Order</th> <th>Description</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>B001</td> <td>SR5 Anchor Modifications</td> <td>10,460</td> </tr> <tr> <td>B002</td> <td>SR3 Anchor Modifications</td> <td>20,440</td> </tr> <tr> <td>B003</td> <td>Pinions for SL1/SL2</td> <td>56,600</td> </tr> <tr> <td>B006</td> <td>Install R4 Idlers</td> <td>18,578</td> </tr> <tr> <td><b>B008</b></td> <td><b>Spares for R3-4-7-8 Scoop Coupling Actuators</b></td> <td><b>7,763</b></td> </tr> <tr> <td>B012</td> <td>Cable MCC17 to Hydraulics Building</td> <td>10,246</td> </tr> <tr> <td colspan="2">Grand Total</td> <td>124,087</td> </tr> </tbody> </table>			Order	Description	Total	B001	SR5 Anchor Modifications	10,460	B002	SR3 Anchor Modifications	20,440	B003	Pinions for SL1/SL2	56,600	B006	Install R4 Idlers	18,578	<b>B008</b>	<b>Spares for R3-4-7-8 Scoop Coupling Actuators</b>	<b>7,763</b>	B012	Cable MCC17 to Hydraulics Building	10,246	Grand Total		124,087	
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Q.	Ref No.	Issue raised by Flagstaff Consulting Group
6.	DNT Capital Spares	Please provide: <ul style="list-style-type: none"> <li>• Summary of spares which equates to the total cost;</li> <li>• Please confirm that for each category these are spares for the facilities in the 7 X expansion.</li> </ul>

BBI Response	Notes & References
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**Capital Spares**

- A summary of spares is shown below to match the provided reporting.
- Except where marked, these items are spares for the 7X facilities. The marked items will be reclassified for the next cost report update – this is a normal correction process.

Phase	Package	Order	Title	Cost to Feb-08
P1	Spares	B007	Spares for SL2 VSDs	22,445
P2/3	Spares	B010	Spares for R1 Fines Diverter Actuator	3,200
P1	Spares	B014	Spare Gear Motor for SP1 & BF1	3,106
P1	Misc	B015	Train Speed Indicator	4,986
P1	Spares	B018	Spares for Low Speed Braking Systems	3,679
P1	Misc	B019	RRP3 Sound Barriers	86,160
P1	Spares	B020	Spares for SL1 VVVF	29,880
P1	Spares	B022	Spare gal thruster motor	2,651
P1	Spares	B026	Spare sound alarm monitor	399
P1	Spares	B099	Commissioning Spares DBCT Store Supply	2,808

**Attachments**

1. Additional B-series orders for Spares tab

<b>Q.</b>	<b>Ref No.</b>	<b>Issue raised by Flagstaff Consulting Group</b>
7.	Owner	Question deleted
<b>BBI Response</b>		<b>Notes &amp; References</b>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	Notes & References
8.	Owner 0202	Please provide brief answers: <ul style="list-style-type: none"> <li>• How was legal firm selected and rates agreed?;</li> <li>• Description of duties and how these were requested.</li> </ul>	
<b>BBI Response</b>			
<b>General Consultancy Services – Legal Contract/General</b>			
<p>██████████ was selected as the provider of legal services for the project mainly due to the fact that ██████████ was already appointed as the legal provider for BBI corporate requirements and consistency of the service was considered sensible. However in recognition that legal services in a construction environment can require different legal experience, a check was carried out on the nominated resources from ██████████. Testimonials were received from another project owner organisation to support the selection/appointment of ██████████ and the nominated resources. ██████████ offered a discount on their standard rates for this project.</p>			
<p>In addition ██████████ were used to develop the contracting arrangements for the dredging of Berth 4 carried out in August 2005. This was done due to the unique nature of the work and the involvement of ██████████ personnel in earlier dredging contracts at DBCT. The User Group required this work to be accelerated and as a result it was determined that the most expedient option was to utilise ██████████ experience in lieu of starting again with ██████████</p>			
<p>The list of tasks assigned to ██████████ is as follows</p>			
<ul style="list-style-type: none"> <li>• Support for the development and negotiation of the EPCM Agreement with Connell Hatch</li> <li>• Development of project specific general terms and conditions of contract</li> <li>• Support for establishment of environmental approvals for DBCT expansion works</li> <li>• Provide advice on occupation health and safety obligations</li> <li>• Review and advice on amendments to standard contract conditions as requested by contractors in the tender negotiation period</li> <li>• Assistance in negotiation of lease terms for project leases</li> <li>• Legal advice associated with preparation and submission of Capacity Expansion Application and Draft Amending Access Undertaking for Phase 1</li> <li>• Management of workers compensation claim from ██████████ employee</li> <li>• Participation and support in contract claims response and negotiation (eg ██████████ etc)</li> </ul>			
<p>All legal support is managed and monitored by the BBI (DBCT) Contracts and Commercial Manager.</p>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
9.	Owner 0101	With reference to Staff recruited for this project, please briefly describe: <ul style="list-style-type: none"> <li>• Methodology of bench marking proposed salary scales to current industry rates at commencement of the project;</li> <li>• Where staff recruited of or near proposed salary scales?;</li> <li>• What has been the average annual salary increase across all staff over the period of The Project?</li> </ul>
BBI Response		Notes & References
<p><b>Owner's Team Costs – Staff</b></p> <p>The staffing plan developed &amp; issued with the Project High Level Execution Plan has been closely followed from the start of the project and has delivered effective performance in all roles of the Owner's Team with minimal staff turnover compared with other organizations involved in the project.</p> <ul style="list-style-type: none"> <li>• No formal salary scales were used due to the low availability of staff with the right skill set for these roles, however market rates were addressed for each individual role. Staff remuneration was significantly less than secondment of an employee performing in a similar role in an EPCM consultant, which was taken as the prevailing market basis.</li> <li>• Project staff were sole-sourced based on their experience with the terminal, strong skill set, ability to perform well in their given role, and suitability with a small focused single-project, single-asset Owner's Team. Remuneration was offered in the range between an equivalent of their previous employment and the [REDACTED] rate for a person in a similar role on the project. Note that BBIDBCT remained flexible with employment type, given the uncertainty of the duration of the project at the time of employment, lack of career opportunities, no availability of post-project roles, and the diverse group of people recruited to form the Owner's Team for this project. Staff were employed via:                             <ul style="list-style-type: none"> <li>• agencies on a casual contract basis with either monthly, daily or hourly rate (9)</li> <li>• direct hourly rate contract (4)</li> <li>• secondment from EPCM contractors &amp; consultants (3)</li> <li>• permanent BBI staff assigned to the project (3)</li> <li>• direct all-in rate contract (1)</li> </ul> </li> </ul> <p>For contract staff, the rate is the only form of remuneration.</p> <ul style="list-style-type: none"> <li>• Except for two promotional increases, annual remuneration adjustments for Owner's Team staff were kept [REDACTED] consistent our budget and taking into account CPI, salary scales for private sector engineers, standard schedule of rates increases for seconded consultants, and in some cases a nominal premium for retention in tight market conditions. This was less than the informal benchmark of [REDACTED] EPCM contract rates, which increased by [REDACTED] over the last annual period.</li> </ul>		<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. Owner's Team organization chart from High-Level Execution Plan</li> <li>2. Staffing plan basis for budget</li> <li>3. Detailed staffing recruitment &amp; remuneration assessment by Project Director (on request)</li> <li>4. Staff contracts (confidential on request)</li> <li>5. [REDACTED] rate increase (confidential on request)</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
10.	Owner 0212	<ul style="list-style-type: none"> <li>• Please confirm if [REDACTED] are the only auditor, if not which other groups and their roles were involved?;</li> <li>• Briefly describe the process to procure each auditor;</li> <li>• Briefly describe how BBI satisfied themselves of the reasonableness of the rates, etc, applicable to each auditor;</li> <li>• Provide brief reasons for Budget overrun.</li> </ul>
BBI Response		Notes & References
<p><b>General Consultancy Services – Independent External Auditor</b></p> <ul style="list-style-type: none"> <li>• [REDACTED] are the only auditor acting in the capacity of Independent External Auditor.</li> <li>• [REDACTED] was engaged on a sole-source basis, following approval by the QCA of a comprehensive Recommendation to Award, including an assessment of Concorde's offer, preliminary audit process flowcharts and a deed of engagement. This documentation is available for review on request.</li> <li>• A desktop comparison of [REDACTED] with other potential auditors was undertaken, addressing 18 key criteria including rates, availability, understanding of the project, and experience. BBI was satisfied that [REDACTED] <ul style="list-style-type: none"> <li>▪ best suited the requirements of the role</li> <li>▪ had the required mix of skills and project experience</li> <li>▪ offer commercially reasonable (comparable with similar consultants [REDACTED])</li> <li>▪ had no Conflict of Interest issues.</li> </ul> </li> <li>• The budget was established on the basis of preliminary audit processes and time assessments. As the project progressed, the auditor's time was impacted by: <ul style="list-style-type: none"> <li>▪ Increased number of packages to be audited</li> <li>▪ Increased number of checkpoints</li> <li>▪ Increased complexity of the audit processes</li> <li>▪ Churn in clarification &amp; correction of audit points</li> <li>▪ Transfer of packages to Other Costs</li> <li>▪ Delays associated with identifying, accessing &amp; retrieving required documentation</li> <li>▪ Addition of the "Alternate Delivery" process and TCMP Rev 1 which created significant increase in workload</li> </ul> </li> </ul>		<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. RTA, Deed, audit process maps &amp; QCA approval letter</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
11.	Owner 0205	Please provide brief comment: <ul style="list-style-type: none"> <li>• Description of services and service suppliers to “Operations Support”;</li> <li>• Reason for Budget overrun.</li> </ul>
BBI Response		Notes & References
<p><b>General Consultancy Services – Operations Support</b></p> <p>DBCT Operations personnel or their contractors providing consultancy support to the project primarily for Engineering. This is a requirement under the Operation and Maintenance Contract between BBI (DBCT) and the Operator. Broadly the tasks carried out by the Operations personnel are as follows:</p> <ul style="list-style-type: none"> <li>• HAZOP Reviews</li> <li>• Design Reviews</li> <li>• Site Drafting Services</li> <li>• Support during Construction and Commissioning</li> </ul> <p>Includes charges for hours attending 7X meetings, actions arising from meetings, interface, planning and inspections, and general duties eg access etc.</p> <p>The budget was intended to cater only for the design related support provided by the operations personnel. However in addition, support provided by operations personnel during the construction and commissioning phase of the project has also been allocated to this cost code. This was intended to be allocated to cost code 08-01. If both codes are considered, the overall result is a budget overrun of approximately 5% which can be attributed to the extended duration of the project.</p>		<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. Extract from OMC outlining operations support for project</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	Notes & References
12.	Owner 0206	As above	
<b>BBI Response</b>			
<b>General Consultancy Services – Risk Analysis</b>			
<p>BBI employed the services of ██████████ to undertake capital cost risk analysis services of the estimates prepared for the DBCT 7X Project. Through this process, the contingency levels for each estimate were established. There were two separate sessions carried out for Phase 1. The first occurred in mid 2005 when the project control estimate was completed, to reflect the agreed scope of the expansion. The second capital cost risk analysis took place in mid 2006 at completion of the definitive estimate. As this exercise encompassed both phases of the project, the cost has been shared across phase 1 and phase 2/3. In addition to these activities, Broadleaf also facilitated a safety hazard risk workshop carried out in March 2005, the results of which were included in the detail design process.</p>			
<p>The budget overrun has been corrected with the reallocation of Phase 2/3 work included in this item, with the result that this is now on budget</p>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
13.	Owner 0214	Please provide: <ul style="list-style-type: none"> <li>• Summary of consultants/ total cost/ brief description of services;</li> <li>• Identify if any of these services were originally to be supplied by the EPCM Contractor;</li> <li>• Briefly describe the value to the project of the Project of these services.</li> </ul>

**BBI Response**

**General Consultancy Services – Miscellaneous**

Refer to summary below for a full listing of the consultants in this category.

The most significant component of cost in this category is associated with the provision of additional resources to the construction contractors as part of the IMT processes. It was identified that most of the construction contractors were finding it difficult to provide resources to cover the range of reporting requirements under their contracts with BBI. This specifically impacted on the quality of the planning and scheduling activities. As a result BBI elected to appoint consultant services who could supply these services direct to contractors. The consultant resources were made available at no cost to the contractors and the resources were to be considered as part of the contractor’s team. In addition, as part of the IMT process, BBI appointed a relationship coach to assist in the team building and team relationship management for each of the contracts. The total cost incurred by BBI for these services was approximately \$1.48M, which while significant provided value to the project through improvement in the quality of contractor planning and reporting as well as major improvement in the general relationships between contractors and the BBI/Connell Hatch team.

In addition to the above, [redacted] was at times unable to source the necessary resources due to the current constraints of the construction market. BBI (DBCT) was able to utilise the industry contacts at its disposal and source the necessary resources to fill these gaps from independent consultants. These costs have been included in this category and amount to \$0.74M.

The other unbudgeted items in this category are the User Creditworthiness Advice activity carried out by [redacted] and the Coal Research package provided by [redacted]. Both of these were required to confirm the capacity required for the expansion but was omitted from the budget.

Vendor	Purpose	Total	EPCM Scope?
[redacted]	Coal research package to validate supply/demand for potential financiers	77,801	N
[redacted]	Preparation of initial project cashflow forecasts	31,200	N
[redacted]	Corporate governance documents & advice	20,953	N
[redacted]	Prepare check estimate for tenders for IL3 contract	38,033	N
[redacted]	IL3 quantity check for steelwork, pipework and concrete works	46,770	N
[redacted]	Jetty extension quantity check for steelwork and piping	8,500	N
[redacted]	Miscellaneous drafting support to BBI (DBCT)	27,473	N
[redacted]	Services [redacted] to facilitate resolution of [redacted] contract claims	33,247	N
[redacted]	Additional support services to various site contractors	636,248	N
[redacted]	Additional support services to various site contractors	901,675	N
[redacted]	Team building & coaching services in support of Integrated Management Team processes	468,283	N
[redacted]	Team alignment advice	9,100	N
[redacted]	Financial modelling support for Phase 1 DAAU Submission	13,546	N
[redacted]	User creditworthiness advice	54,911	N
[redacted]	Shutdown planning support for [redacted] OL2 shutdown works	6,664	N
[redacted]	Facilitation services for capacity workshop	3,259	N
[redacted]	Document preparation support for Phase 1 DAAU Submission	45,820	N
[redacted]	Provision of additional commissioning services for Phase 1	146,278	Y
[redacted]	Prepare Report on SR1 Replacement	1,160	N
<b>Grand Total</b>		<b>2,570,921</b>	

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
14.	Owner 0401	Briefly describe how Q leave charges are calculated and levied.
BBI Response		Notes & References
<p><b>Statutory, Compliance &amp; Licensing – QLeave</b></p> <p>QLeave is a state government levy applied to all capital projects in Queensland with a capital cost in excess of \$80,000. The levy is calculated as 0.35% of the total capital cost of the project. The current forecast is based on the levy being payable on the total project cost inclusive of the financing charges. Some elements of the project cost are exempt from the levy and once final costs have been determined, a reconciling submission will be made to QLeave and a final payment will be required.</p>		<p><b>Attachments</b></p> <p>1. Info from QLeave website</p>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
15.	Owner 0601	<ul style="list-style-type: none"> <li>• Provide a sketch showing the land areas applicable to the leases.</li> <li>• Provide brief comment to describe reasons for Budget overrun.</li> </ul>	
BBI Response			Notes & References
<p><b>Land Access/Use – Long-Term Leases</b></p> <ul style="list-style-type: none"> <li>• Diagrams of the expanded lease boundaries are attached</li> <li>• When this item was budgeted, the extent of the change in lease boundaries and the pricing process was not known, so a notional budget of \$500K was assigned. DBCT Holdings have since advised the actual cost.</li> </ul>			<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. Lease boundaries – aerial photo</li> <li>2. Lease boundaries – drawings</li> <li>3. Lease areas description – email</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
16.	Owner 0801	Briefly describe the Services supplied as “Construction Support by Operations”	
BBI Response			Notes & References
<p data-bbox="94 316 539 347"><b>Operations Support – Construction</b></p> <p data-bbox="94 363 1319 395">Services supplied to the 7X Project by Operations Personnel or their contractors, including the following:</p> <ul data-bbox="94 411 1218 549" style="list-style-type: none"><li data-bbox="94 411 714 443">• Assisting project to move equipment in stockyard</li><li data-bbox="94 448 763 480">• Providing assistance with processing of work permits</li><li data-bbox="94 485 1218 517">• Moving coal to create barriers between operations &amp; construction zones for safe work areas</li><li data-bbox="94 521 658 553">• Control system installation &amp; coding support</li></ul>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
17.	Owner 0101	Please advise if there is any Corporate Accounting personnel included in the staff costs.
BBI Response		Notes & References
<p><b>Owner's Team Staff</b></p> <p>No corporate accounting personnel are included in staff costs.</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
18.	Owner 11	<ul style="list-style-type: none"> <li>• Briefly describe why it was regarded as unnecessary to implement Health and Safety Initiatives;</li> <li>• Provide brief comparison of actual vs. target Safety Statistics.</li> </ul>	
BBI Response			Notes & References
<p><b>Health &amp; Safety Initiatives</b></p> <ul style="list-style-type: none"> <li>• A number of Health &amp; Safety initiatives have been implemented, as featured from time to time in the Connell Hatch Project Monthly Progress Reports. As these initiatives were satisfactorily implemented under Connell Hatch leadership and the costs were paid via the Connell Hatch EPCM contract, it was decided there was no further requirement for Safety Initiatives in the Owner's Cost area.</li> <li>• The targets for key Safety Statistics are invariably zero. On completion of the Phase 1 Expansion, there were 2 lost time injuries on the project overall with a total of 3.3 million hours worked to date, for an LTIFR of 0.60. This is excellent performance benchmarked against world's best practice, especially considering the nature of the LTIs which were not serious or disabling injuries for those involved.</li> </ul>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
19.	Owner 13	Please provide brief reasons for budget overrun.
BBI Response		Notes & References
<p><b>Project Office – IT Infrastructure</b></p> <p>The budget for this item was set assuming that BBI would be providing suitable infrastructure as part of its corporate costs. However in the interim, the BBIDBCT organization was restructured as a stand-alone entity in terms of its IT infrastructure, since it was entirely project-focused. Following an IT audit, an IT Plan was drafted to identify a robust, fit-for-purpose project IT infrastructure. While the cost of this exceeded the original budget, significant gains in terms of connectivity and overall staff productivity were made, while reducing risks associated with data security, software compliance &amp; hardware failure. This was achieved at a cost well below benchmark IT infrastructure rates.</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
20.	Owner 19	Please list Principal Supplied Insurance Policies.
BBI Response		Notes & References
<p><b>Insurance</b></p> <p>The insurance program established for the project incorporated the following policies</p> <ul style="list-style-type: none"> <li>• Contract Works Insurance</li> <li>• Contract Works Delayed Start Up Insurance</li> <li>• Public and Products Liability Insurance</li> <li>• Marine Transit Insurance</li> <li>• Marine Transit Delayed Start Up Insurance</li> </ul> <p>A project wide program was implemented as it is believed that this provides a benefit in terms of consistency of cover as well as cost compared to the alternative of requiring contractors to implement individual policies for their respective contracts. Note that some policy premiums are calculated as a percentage of the final completed project cost and will require a final adjustment once all costs are complete. This is allowed in the current forecast.</p> <p>This cost category also includes the fees for the provision of insurance brokerage services by [REDACTED]. [REDACTED] were selected as a result of their long term involvement with the terminal through provision of brokerage services to the operator. In addition [REDACTED] were well known to the BBI Owner’s Team from previous project experience.</p>		<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. Detailed breakdown is available on request</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
21.	EPCM S075 S076	Please provide: <ul style="list-style-type: none"> <li>• Brief description of service;</li> <li>• Name of service provider;</li> <li>• Brief description of how service provider was selected;</li> <li>• Brief description as to how BBI satisfied that they were obtaining value for money.</li> </ul>	
BBI Response			Notes & References
<p><b>S075 &amp; S076 – SR/RL Conversion Engineering</b></p> <ul style="list-style-type: none"> <li>• These contracts were awarded as sub-consultancy agreements to provide structural design for AS4324 compliance for the conversion of existing stacker reclaimers SR4 and SR3 to reclaimer RL2 and stacker reclaimer SR6A, respectively.</li> <li>• [REDACTED] was awarded these sub-consultancies.</li> <li>• [REDACTED] was selected as the provider because of their intricate and prior knowledge of the machines and the terminal, and their capability and expertise in the critical engineering required for such machine conversions. [REDACTED] specialize in machine design auditing and are the only organization of their type in Brisbane.</li> <li>• We were satisfied with obtaining value for money on the basis that:               <ul style="list-style-type: none"> <li>• the charge-out rates were on par or lower than current market rates;</li> <li>• the overall estimate for all machine design, reviews and audits was evaluated and accepted as being a reasonable estimate for the projected services; and</li> <li>• to obtain the necessary resource expertise at the time required ensured overall project value because of timely completion.</li> </ul> </li> </ul>			<p><b>Attachments</b></p> <ol style="list-style-type: none"> <li>1. RTAs for S075 &amp; S076</li> </ol>

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
22.	CF&S C059	Please provide: <ul style="list-style-type: none"> <li>• List of building/civil works carried out identifying new structures, including maintenance as a single line item;</li> <li>• Confirm that no work was carried out to DBCT existing facilities as part of the Contract.</li> </ul>
BBI Response		Notes & References
<p><b>C059 – Minor Civil &amp; Building Services</b></p> <p>These works were competitively bid, which provided a reliable schedule of building &amp; civil day-works rates.</p> <p>List of typical Building/Civil works carried out as follows, identifying new structures:</p> <ul style="list-style-type: none"> <li>• Construct Bus Shelters at Western Gatehouse</li> <li>• Install Bollards at Western Security Gate</li> <li>• Temporary fencing along boundary alignment</li> <li>• Install chain gates at Owner's equipment storage area</li> <li>• General maintenance on site</li> </ul> <p>We confirm that no works were carried out to DBCT existing facilities as part of this Contract</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
23.	CF&S C060	Confirm that costs only relate to BBI/ CH Construction offices and other waste created by the 7 X Construction Phases.	
BBI Response			Notes & References
<p><b>C060 – Waste Collection Services</b></p> <p>We confirm the costs relate only to removal of waste generated by the 7X Project</p>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
24.	CF&S C062	Please confirm: <ul style="list-style-type: none"> <li>• What \$ value of services for increased project duration?;</li> <li>• Briefly identify any other additional services paid for (only if excess is greater than \$20,000)</li> </ul>	
BBI Response			Notes & References
<b>C062 – Site Cleaning Services</b> 1. The extra cost for the increased project duration is approx \$15K. 2. Additional services included: <ul style="list-style-type: none"> <li>• Cleaning of blinds in administration offices approx \$3K (Variation 001)</li> <li>• Cleaning of walls in old administration donga \$400 (Variation 001)</li> <li>• Increased wages and additional hours approx \$18K (Variation 004)</li> </ul>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
25.	CF&S XCFS	Please describe briefly what was included in the budget for “Construction Facilities” and why these facilities were not required.
BBI Response		Notes & References
<p><b>XCFS – Construction Facilities</b></p> <p>The budget consisted of the following items</p> <ul style="list-style-type: none"> <li>• Site clean up</li> <li>• Temporary storage facility for owner supplied items</li> <li>• Temporary fencing</li> <li>• Additional temporary offices</li> <li>• Maintenance for temporary offices</li> <li>• Dust suppression</li> <li>• Vendor representatives</li> </ul> <p>Of the above items, site clean up was not required at completion of Phase 1, as the project is continuing and the temporary facilities remain in use for Phase 2/3. The balance of the items has generally been completed under other contracts with the costs appearing as contract variations. The cost expended for the temporary storage facilities were less than budgeted, however the cost associated with dust suppression were significantly higher than budgeted. The justification for these costs appears as part of the explanation for the applicable contract variation.</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
26.	DNT C061	Please provide: <ul style="list-style-type: none"> <li>• List of new works undertaken – note maintenance or minor modification to 7 X facilities can be listed as a single line item;</li> <li>• Confirm that no work related to other than 7 X works;</li> <li>• Briefly describe how this work was ordered and controlled to ensure value for money.</li> </ul>
BBI Response		Notes & References
<p><b>C061 – Minor mechanical Works</b></p> <p>These works were competitively bid, which provided a reliable schedule of mechanical day-works rates.</p> <p>List of new works undertaken under this contract as follows:</p> <ol style="list-style-type: none"> <li>a) Construct SR3A &amp; SR4 Centre Pits</li> <li>b) Sample Plant SP1 &amp; SP2</li> <li>c) SS4 Cable Pit</li> <li>d) RRP3 Distribution Board Access Platform</li> <li>e) Rail Gates</li> <li>f) Hydraulic Building Blockwork Walls</li> <li>g) Minor Modifications and maintenance type works</li> </ol> <p>We confirm that no work is being carried out other than work directly related to the 7X Project</p> <p>The above works were either controlled by:</p> <ul style="list-style-type: none"> <li>• Getting competitive bids</li> <li>• Signed off daywork sheets based on the agreed contract rates including appropriate invoices, plus approved contractor's mark-ups.</li> <li>• Experienced engineers were assigned to ensure the requested works were carried out within the timeframe, cost &amp; specifications on the site instruction.</li> </ul>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
27.	Owner 09	Please briefly describe: <ul style="list-style-type: none"> <li>• The various contracts, scope of services for the various environmental consultants;</li> <li>• The method by which services were procured;</li> <li>• A breakdown of \$ per contract or service.</li> </ul>

**BBI Response**

Environmental Consultants			Notes & References
Consultant	Cost	Description	
[REDACTED]	\$16,804	Operational Capacity Modelling - Study the benefits of loading Handimax tonnage at anchorage from a self-discharging transshipment vessel. The resulting report was then used in Master Plan 2005. The contractor was selected on the basis of their expertise in this area of port operations	All consultants for this scope were sole-sourced due to: <ul style="list-style-type: none"> <li>• Mandatory requirement</li> <li>• Specialisation &amp; high level of expertise</li> <li>• Previous experience with DBCT site</li> <li>• Continuation of ongoing program</li> </ul>
[REDACTED]	\$68,906	Coordination of delivery & testing of DBCT coal types [REDACTED] to determine the relationship between coal dustiness and moisture content. This was a requirement of the original Stage 6/7 Development Approval. [REDACTED] was selected on the basis of his extensive specialist expertise in this area for many Australian coal types and coal terminals.	
[REDACTED]	\$3,205	Application Fee for MCU application [REDACTED] to support Stage 7 expansion. (Mandatory fee)	
[REDACTED]	\$17,947	Concurrence Agency Assessment Fee associated with DBCT 7X reclamation works Development Application. (Mandatory fee)	
[REDACTED]	\$11,285	Application Fee for the Capital Dredging of the fourth berth. (Mandatory fee)	
[REDACTED]	\$132,314	Sediment Sampling Berth 4 Dredging. To obtain a permit for ocean disposal of dredged spoil, National Ocean Disposal Guidelines for Dredged Material (NODGDM) require that sediment be analysed for potential contaminants. NODGDM also requires the development of a Sampling & Analysis Plan (SAP) to support the assessment for the spoil disposal permit. On the basis of their extensive prior dredging management expertise & marine environmental services, [REDACTED] were engaged to prepare the SAP in accordance with NODGDM and to co-ordinate the required sampling, analysis, reporting, and sea dumping approvals [REDACTED]	
[REDACTED]	\$51,140	Water Quality Monitoring Berth 4 Dredging. Sea Dumping permits obligate the proponent to perform various water quality monitoring including turbidity during dredging activities. On the basis of their extensive prior marine environmental experience, and the fact that [REDACTED] were also overseeing the 24 hr dredging management campaign on our behalf, [REDACTED] were engaged to perform the environmental management.	
[REDACTED]	\$16,500	Permit under the Environment Protection (Sea Dumping) Act 1981 to dispose or dredge or excavation material at sea. (Mandatory fee)	
[REDACTED]	\$390	IDAS Application Assessment Fee for Capital Dredging of Fourth Berth. (Mandatory fee)	
[REDACTED]	\$171,026	Environmental consultancy services, co-ordination & planning for the "Amended Stage 7" expansion of DBCT (generally between Sept 04 to Mar 05). [REDACTED] were engaged to assist Prime Infrastructure (PI) to provide an Initial Advice Statement (IAS) regarding the impacts of the Amended Stage 7 expansion to 70mtpa. The original Stage 6/7 expansion approvals in place were limited to 59mtpa. Initially called the "Stage 8 IAS", [REDACTED] assisted in the co-ordination of dust & noise subconsultants [REDACTED] to assist PI to demonstrate there were no additional env impacts associated with the "Amended Stage 7" expansion to 70mtpa, over and above that predicted in the original Stage 6/7 approvals. [REDACTED] were selected on the basis of their design involvement and knowledge of existing expansion scope and associated environmental impacts.	
[REDACTED]	\$28,383	Stage 8 IAS Preparation, later rephrased to be the "Amended Stage 7" IAS, as described above.	
<b>Total</b>	<b>\$517,899</b>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
28.	Owner 19	<p>Please briefly describe:</p> <ul style="list-style-type: none"> <li>• Procurement and selection process for obtaining the Project Insurance;</li> <li>• How BBI satisfied themselves they received value for money, including brief comments in regards to the risk profile retained by BBI under alternate policies.</li> </ul>	
<b>BBI Response</b>			<b>Notes &amp; References</b>
<p><b>Insurance</b></p> <p>BBI (DBCT) used the services of [REDACTED] to provide broker services to the project. [REDACTED] were selected due to their familiarity with the terminal having been the broker for the operations insurances and also for previous expansions. A sole source justification was prepared for the appointment of [REDACTED] which is available if required.</p> <p>[REDACTED] in conjunction with BBI (DBCT) prepared a tender for the provision of insurance for the project. This was issued to a number of prospective insurers and the resulting responses were analysed and a recommendation for placement was prepared and approved in accordance with the appropriate project authorities.</p> <p>The decision to implement project wide insurance policies instead of allowing each individual contractor to be responsible for insuring its part of the works, was made on the basis that it was preferable to have a consistent insurance coverage across the whole project. It was also expected that this would be more cost effective than having this cost included in each contract. The suite of policies adopted was developed in conjunction with [REDACTED] and the projects legal advisors, to ensure that an appropriate risk position was established through the insurance policies and the general conditions of contract.</p> <p>The level of insurance coverage was established through a risk identification workshop facilitated by [REDACTED] and attended by senior management representatives from BBI (DBCT). The workshop identified a number of potential risk scenarios and then quantified them in terms of the likely impact. This information was then used to determine the appropriate limits for each of the individual policies. The output from the risk analysis workshop is available if required.</p> <ul style="list-style-type: none"> <li>• BBI (DBCT) is satisfied that the insurance coverage was appropriate for the project. The measures adopted by BBI (DBCT) to satisfy itself that value for money was received are as follows</li> <li>• BBI (DBCT) secured the services of a reputable insurance broker to provide expert advice on the level and type of cover required for the project.</li> <li>• A formal insurance risk workshop was conducted to identify the major risks that would be faced by the project during the course of construction.</li> <li>• The selected insurance cover was tendered to the insurance market. Tenderers included some offshore insurers.</li> <li>• The adoption of an interactive approach with insurers, including several site visits during the course of construction, has resulted in the insurers being satisfied with the risk management approach taken by the project. This has ensured that no problems have been identified by the insurers that could give rise to increased premiums.</li> </ul> <p>Detailed recommendations were prepared for the placement of each element of the project insurance program and are available if required.</p>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group																														
29.	Value of Budget	<p><b>Comment:</b> Flagstaff note that the value of the budget for individual contracts detailed in various “Recommendations to Award” do not match with the budget for various cost categories in the BBI Draft Submission. The following is observed differences:</p> <table border="1"> <thead> <tr> <th>Contract No.</th> <th>Description</th> <th>RTA Budget</th> <th>BBI Jan 08 Submission Budget</th> <th>Cost Category</th> </tr> </thead> <tbody> <tr> <td>C010</td> <td>Ambulance &amp; First Aid</td> <td>\$937,519*</td> <td>\$959,696</td> <td>CF&amp;S-C010</td> </tr> <tr> <td>C059</td> <td>Minor Civil/ Bldg Works</td> <td>\$0</td> <td>\$98,000</td> <td>CF&amp;S-C059</td> </tr> <tr> <td>C060</td> <td>Site Waste Collection</td> <td>\$29,400</td> <td>\$20,210</td> <td>CF&amp;S-C060</td> </tr> <tr> <td>C062</td> <td>Site Cleaning</td> <td>\$287,256*</td> <td>\$148,500</td> <td>CF&amp;S-C062</td> </tr> <tr> <td>P045</td> <td>Lease Construction Vehicles</td> <td>\$407,025</td> <td>\$453,676</td> <td>CF&amp;S-P045</td> </tr> </tbody> </table> <p>* Budget for Phase I and Phase II / III – No split provided.</p>	Contract No.	Description	RTA Budget	BBI Jan 08 Submission Budget	Cost Category	C010	Ambulance & First Aid	\$937,519*	\$959,696	CF&S-C010	C059	Minor Civil/ Bldg Works	\$0	\$98,000	CF&S-C059	C060	Site Waste Collection	\$29,400	\$20,210	CF&S-C060	C062	Site Cleaning	\$287,256*	\$148,500	CF&S-C062	P045	Lease Construction Vehicles	\$407,025	\$453,676	CF&S-P045
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C062	Site Cleaning	\$287,256*	\$148,500	CF&S-C062																												
P045	Lease Construction Vehicles	\$407,025	\$453,676	CF&S-P045																												
<b>BBI Response</b>		<p><b>BBI Submission – Value of Budget</b></p> <p>The budget information contained in the BBI (DBCT) submission is the budget contained in the submissions required as part of the Access Undertaking. These submissions were the 60/60 Submission issued to Access Holders in June 2006 and the Capacity Expansion Application submitted to the QCA in July 2006 and approved by the QCA in August 2006. All budget information used in the BBI (DBCT) submission is consistent with the budget information contained in the Capacity Expansion Application.</p> <p>The original budget for the DBCT 7X Project was developed in April 2005 and was based on preliminary engineering information and costing information developed as part of a series of studies carried out in 2004. In normal circumstances it is customary to conduct a full feasibility study once the scope of a project has been finalised. However due to the urgency of delivery of expansion capacity to the users, BBI (DBCT) elected to proceed with the project on the basis of the preliminary estimate and adopted this as the initial project budget. In the early part of 2006, BBI (DBCT) initiated an estimate update to take account of engineering development that had taken place and also to include the impact of market conditions that had become evident since the project commenced. This revised estimate was then presented to the users and was adopted as the “current budget” in May 2006. Contract approval documentation prepared prior to May 2006 utilised budget information from the initial budget and approval documentation prepared subsequent to adoption of the revised budget utilised the current budget. The Capacity Expansion Application contained the revised budget and all budget references in BBI (DBCT) submissions have adopted this as the basis. This would account for most of the discrepancies listed above however comments are shown below against each contract for completeness.</p> <p>C010 – awarded in Jan-06 and therefore RTA documentation utilised the initial budget which was changed as part of the revised estimate process.                      C059 – awarded in May-06 and RTA documentation utilised the initial budget which was changed as part of the revised estimate process                      C060 – awarded in Nov-06. BBI (DBCT) has checked its records and confirms that the Phase 1 budget as shown in the RTA was \$20,210                      C062 – awarded in May-06 and RTA documentation utilised the initial budget which was changed as part of the revised estimate process.                      P045 – awarded in May-06 and RTA documentation utilised the initial budget which was changed as part of the revised estimate process.</p>																														
		<b>Notes &amp; References</b>																														

29 (a) **Question:** Please provide a short summary of how the Budget in the BBI submission was calculated and its relationship to other published budgets used in the various Recommendation to Award through out the Project.  
 29 (b) Please comment in regards to the differences identified in the above schedule.

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
30.	Schedule	Please confirm: <ul style="list-style-type: none"> <li>• Original Planned Completion Date;</li> <li>• Date of formal announcements and actual extensions to completion dates;</li> <li>• Actual completion date; for Phase I.</li> </ul>
BBI Response		Notes & References
<p><b>Schedule</b></p> <p>The project schedule included as part of the Capacity Expansion Application was September 2007. The movements in the completion date were as follows</p> <ul style="list-style-type: none"> <li>• In June 2006 the completion date was changed to November 2007</li> <li>• In October 2006 the completion date was changed to December 2007</li> <li>• In August 2007 the completion date was changed to January 2008</li> <li>• In December 2007 the completion date was changed to February 2008</li> <li>• Completion and handover of Phase 1 was achieved on March 3rd 2008</li> </ul> <p>The delays reported in 2006 were caused mainly by delays in completion of the rail receival pit and delays in completion of the new yard machines.</p> <p>The delays reported in 2007/2008 were caused mainly by delays in completion of the third inloading system and delays in completion of the new yard machines.</p> <p>The original completion date for the project as established by the preliminary schedule in early 2005 was July 2007. This date was changed to September 2007 due mainly to delays in awarding early works caused by delays in obtaining initial approvals for awarding the early contracts. The absence of an approved Access Undertaking (approved in June 2006) resulted in difficulties with securing financial approvals for the early works and caused the slippage in the completion date to September 2007.</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
31.	EPCM Services	<ul style="list-style-type: none"> <li>• Please confirm the original Recommendation to Award the EPCM Contract for all Phases was:                             <ul style="list-style-type: none"> <li>• Commitment - [REDACTED]</li> <li>• Provisions - [REDACTED]</li> </ul> </li> <li>• Please advise what the BBI Budget was at time of award;</li> <li>• Please provide a schedule of approved variations issued in accordance with Clause 11 of the EPCM Contract;</li> <li>• Please confirm the value of the original budget for the EPCM Contract.</li> <li>• Please explain any differences between the original budget and the budget (base estimate and provisions) in the BBI draft submission;</li> <li>• With reference to BBI’s answer to Q1, please advise when the new Plant Code Standard became applicable and briefly describe the additional works involved to comply;</li> <li>• With reference to BBI’s answer to Q1, please provide a summary of the increased capital items, approximate capital value, approximate engineering cost. Provide reference to documentation that excluded this work from the original EPCM scope and budget;</li> <li>• With reference to additional costs to comply with QCA regulatory requirements please provide approximate costs complete with brief logic as to how this extra Cost was assessed;</li> <li>• With reference to BBI’s answer to Q1 – “estimate for engineering services was inadequate in the area of post award support”, please (a) provide some additional comments to justify this estimate shortfall; and (b) provide approximate estimate of these costs complete with brief logic as to how this extra cost was assessed.</li> </ul>	
<b>BBI Response</b>			<b>Notes &amp; References</b>
<p><b>EPCM Services</b></p> <p>The figures quoted above are confirmed as being the basis of the original RTA for the EPCM Agreement prepared in November 2005.</p> <p>The original EPCM budget inclusive of contingency was [REDACTED]</p> <p>No variations have been issued under the EPCM contract. Clause 11 was included in the agreement to provide BBI (DBCT) with a mechanism for deleting major parts of the work. At the time of award there was considerable uncertainty over the approval of Phase 2/3. Members of the User group had provided underwriting agreements to allow BBI (DBCT) to proceed with Phase 1 scope in the absence of any formal QCA approvals, however no work was approved in relation to Phase 2/3 (with the exception of engineering). Clause 11 was intended to provide BBI (DBCT) with a basis for deleting this part of the work in the event that the Users elected not to proceed with Phase 2/3.</p> <p>The budget information contained in the BBI (DBCT) submission is the budget contained in the submissions required as part of the Access Undertaking. These submissions were the 60/60 Submission issued to Access Holders in June 2006 and the Capacity Expansion Application submitted to the QCA in July 2006 and approved by the QCA in August 2006. All budget information used in the BBI (DBCT) submission is consistent with the budget information contained in the Capacity Expansion Application.</p> <p>The original budget for the DBCT 7X Project was developed in April 2005 and was based on preliminary engineering information and costing information developed as part of a series of studies carried out in 2004. In normal circumstances it is customary to conduct a full feasibility study once the scope of a project has been finalised. However due to the urgency of delivery of expansion capacity to the users, BBI (DBCT) elected to proceed with the project on the basis of the preliminary estimate and adopted this as the initial project budget. In the early part of 2006, BBI (DBCT) initiated an estimate update to take account of engineering development that had taken place and also to include the impact of market conditions that had become evident since the project commenced. This revised estimate was then presented to the users and was adopted as the “current budget” in May 2006.</p>			

[31. EPCM Services continued...]

Plant Code of Practice 2005 came into effect on 1 April 2005 and superseded Plant Advisory Code 2000. The Plant Advisory Code 2000 essentially required the provision of vendor manuals and the EPCM budget allowed for Connell Hatch to receive, collate and handover the manuals to the operator. Plant Code of Practice 2005 contains a much broader range of obligations on designers, owners and operators. It was agreed at time of budget development that the staffing plan would not attempt to allow for the additional obligations as imposed by the new code. This was allowed as a specific contingency amount in order to provide opportunity for consultation with the operations personnel to ensure that the technical documentation system met their needs. In order to determine the scope for the technical documentation, we asked Connell Hatch to benchmark what other clients and facilities were doing so that we could convince ourselves that the scope was fit for purpose. We established that in normal circumstances, in facilities like DBCT, it was common to go beyond what we are delivering for eMods but in most circumstances this was because the owner was the operator. We then made judgments on a case by case basis on what types of information would normally be provided or further developed by operators and maintainers and we specifically excluded these from 7X scope and told the operator that they needed to justify and implement that separately. We then set about providing what we believed was our obligation under the Plant Code.

The capital items in question are listed below with their associated capital values

- Environmental Upgrades - \$7M
- Jetty Maintenance Platform - \$1.5M
- Mega Reel - \$1.3M
- Minor Works Associated with Machine Relocations - \$3M
- Warehouse - \$3M

The engineering cost associated with these items is assessed as being 5% of the capital value of the works. The amount of overrun attributed to this item is therefore \$0.7M. There is no formal documentation that excluded this work from the CEA budget. It was accepted and acknowledged at the time that there was insufficient definition of the scope of these items to allow engineering hours to be assessed and included in the detail staffing plan that formed the basis of the estimate at the time.

At the time of preparation of the estimate that formed the basis of the CEA budget, the bulk of the impact of the requirements of the regulatory processes was reasonably well defined and therefore allowed in the staffing plans. However the introduction of “fit for purpose” process in May 2006 added the requirement to produce design review work books for the remaining tender packages. To date a total of 18 design review workbooks have been finalised and a further three are anticipated. Most of the work that underpins the workbooks is carried out as part of the normal design development and review processes, but the form of documentation and associated attention to detail are reasonably demanding.

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
32.	C052	<p><u>Comment:</u> The budget in BBI submission is \$362,000 with forecast final costs of \$396,437. The Recommendation for Award stated original budget of \$31,422 upgraded to a trended budget of \$362,000 and forecast cost of \$405,000.</p> <p><u>Question:</u> Please briefly explain the budget process.</p>
BBI Response		Notes & References
<p><b>C052 – Security Services</b></p> <p>Refer to comments made under question 29. Contract C052 was awarded in March 2006 and RTA documentation therefore utilised the initial budget which was changed as part of the revised estimate process. The revised estimate (current budget) for this contract was \$362,000 as it was believed at the time that the provision for variations in the RTA was higher than necessary. The current forecast contains a number of additional scope items that were added during the course of the contract (predominantly the provision of additional site access cards required due to the increased number of site personnel compared to the original allowance).</p>		

Q.	Ref No.	Issue raised by Flagstaff Consulting Group	
33.	P063	<p>The value and award was \$547,000 and actual final cost is \$633,000. Please provide:</p> <ul style="list-style-type: none"> <li>• Details to justify the cost increase;</li> <li>• An explanation as to why BBI accepted [REDACTED] right to increase the cost of the goods without notice.</li> </ul>	
<b>BBI Response</b>			<b>Notes &amp; References</b>
<p><b>P063 – WM1 Piping Material</b></p> <p>1. During the intervening period between tender submission and contract award the design was further developed, resulting in the following changes:</p> <ul style="list-style-type: none"> <li>• Additional take-off points along the pipe route</li> <li>• Refinement of details of pipework connections</li> <li>• Pipe route change</li> <li>• Changed quantities</li> <li>• Amendments to pipe “special lengths”</li> <li>• Additional materials for poly ethylene sleeving, including flange kits, gaskets and bolting kits</li> </ul> <p>These changes resulted in the issuing of 2 variations for the cost increase of this contract, for which itemised details can be provided, if required.</p> <p>2. The water reticulation system WM1 was seen as a critical element that required construction prior to the erection of the new in-loading system IL3 steelwork. The awarding of this supply contract was the strategy chosen to alleviate the supply from the critical path. In so doing, it was recommended by our EPCM contractor to accept [REDACTED] terms and conditions. BBI accepted this recommendation on the basis that the supply of these items was crucial in not delaying the works and that the risk of [REDACTED] increasing their prices was minimal because the agreed terms related solely to [REDACTED] rights to alter the cost of their published price lists, not their quotation, which was fixed.</p>			

Q.	Ref No.	Issue raised by Flagstaff Consulting Group
34.	01-01	Please advise as to whether any Corporate Accounting Staff have all or part of their salaries charged to the Owner's Team.
BBI Response		Notes & References
<p><b>Owner's Team Staff &amp; Expenses</b></p> <p>No corporate accounting personnel are charged to the project in whole or part.</p>		

Agreed as a true record of the meeting:

\_\_\_\_\_  
For Flagstaff Consulting Group Pty Ltd

Name:

Date:

\_\_\_\_\_  
For BBI (DBCT) Management Pty Ltd

Name:

Date:

Q.	Ref.No.	Issue raised by Flagstaff Consulting Group	Notes & References
34.	01-01	Please advise as to whether any Corporate Accounting Staff have all or part of their salaries charged to the Owner's Team.	
<b>BBI Response</b>			
<b>Owner's Team Staff &amp; Expenses</b>			
No corporate accounting personnel are charged to the project in whole or part.			

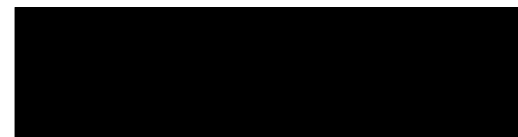
Agreed as a true record of the meeting:



For Flagstaff Consulting Group Pty Ltd

Name: IAN HARRINGTON

Date: 31/7/08



For BBI (DBCT) Management Pty Ltd

Name: PERRY HARVEY

Date: 31-JUL-08