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Mr Jeff Pollock
Chief Operating Officer - Transport Infrastructure
BBI (DBCT) Management Pty Ltd
Level 25, 1 Eagle St
Brisbane Qld 4000

Dear Mr Pollock

Capacity Expansion Application for the Dalrymple Bay Coal Terminal

On 28 July 2006, Babcock and Brown Infrastructure (BBI) submitted a capacity expansion application for the expansion of the Dalrymple Bay Coal Terminal (DBCT) pursuant to Clause 12.5(a) of the approved DBCT access undertaking.

The Authority considered the application at its meeting on 10 August 2006. The Authority's decision and a summary of its reasons are outlined below. The Authority's decision was based on the information included in BBI's application of 28 July 2006, independent technical advice and on the basis of the Authority's own analysis.

Tender Contract and Management Process

In accordance with clause 12.5(i) of the DBCT access undertaking, the Authority approved the Tender and Contract Management Process (TCMP) as submitted, on the basis that it:

- is in accordance with good industry practice — noting that the TCMP contains detailed processes consistent with ISO 9001;
- should generate an efficient and competitive outcome — including the flexibility to select a contractor and form of contract best suited to each specific contract package;
- adequately addresses the issue of conflicts of interest or collusion amongst tenderers — by explicitly containing provisions requiring bidders to state that they have no conflict of interest and clarifying that conflicts of interest and collusion constitute a breach of any contract awarded;
- is appropriate in the circumstances of the DBCT capacity expansion project — by ensuring that there is sufficient flexibility in contracting strategy to match the market circumstances and to ensure that there is sufficient independent scrutiny of the tender selection and contract management process;
- should avoid unreasonable exposure to contract variation claims — including through the creation of pro-formas and a requirement to formally minute pre-award discussions with contractors to ensure the standard and specifications issued to tenderers are clear.

In accordance with clause 12.5(l) of the DBCT access undertaking, the Authority has approved the appointment of Concorde Corporation as the Independent External Auditor to audit the compliance of DBCT Management's tender and contract management processes in accordance with the approved TCMP.

Scope of the Proposed Works

In accordance with clause 12.5(f)(1) of the DBCT access undertaking, the Authority approved the scope of the phase 1 expansion works, including:

- a new third in-loading system based on a 5,500 tph loading rate and an associated loading conveyor to the stockyard;
- increased stockyard capacity — new bunds 5A and 6; new yard conveyors S7 and R7 and extension to conveyor L1/L2; modification to sampling plant; new stockpile row 8 for storage of recovered coal; upgrades to stacking machines SR2/R3 and SR5 to 5,500 tph; and relocation and upgrade of stacker/reclaimer SR4 to become reclaimer RL2 on Bund 6;
- new stockyard machines — new stacker ST3 and new stacker/reclaimers SR3A and SR4A;
- increased outloading capacity — upgrade SB1 feeders and BF5 and BF 7 drives; upgrade shiploader SL1 & SL2; increase speed of out-loading conveyors L1, L2, L3 & L4 to accommodate higher reclaim rates from new reclaimers and berth pocket dredging; and
- engineering and construction facilities services — upgrade of site-wide high voltage power supply; control and automation software; upgrade of storage dams and stockyard dust suppression and construction services facilities for phase 1,

on the basis that the proposed works are consistent with the DBCT Master Plan 2005 and the related addendum of February 2006.

In making this decision, the Authority noted that it will progressively review the expansion contract packages to ensure ongoing consistency with the approved Master Plan for DBCT as well as being of an appropriate standard and specification.

60/60 Requirement

In accordance with clause 12.5(h)(4) of the DBCT access undertaking, the Authority confirms the sufficiency of the evidence provided by BBI that it has met the 60/60 requirements of clauses 12.5(h)(1) and (2) of the DBCT access undertaking for the phase 1 expansion, on the basis that:

- BBI has secured from access seekers firm contracts of at least 10 years duration for at least 60% of the proposed terminal capacity increment (limb 1); and
- no (other) existing access holder opposed the capacity expansion (limb 2).

The Authority also confirmed that BBI provided access holders with the relevant material outlined in Clause 12.5(h)(2) of the DBCT access undertaking for the purposes of enabling access holders to determine whether or not to oppose the capacity expansion.

Yours sincerely,



EJ Hall
Chief Executive