



**DALRYMPLE BAY  
COAL TERMINAL**  
PTY LTD

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20 March 2008

General Manager Adjudication  
Australian Competition and Consumer Commission  
470 Northbourne Avenue  
**DICKSON ACT 2602**

**Attention: Mr David Hatfield**

Dear Mr Hatfield

**NON-CONFIDENTIAL Version of 2007 Annual Report - Queue Management System  
At Dalrymple Bay Coal Terminal, Hay Point, Queensland**

As recently requested, please find attached the Non-Confidential version of the 2007 Annual Report on the operation of the Queue Management System at Dalrymple Bay Coal Terminal, Hay Point, Queensland, Australia.

Yours faithfully

**KIM GEBERS**  
**Chief Executive & General Manager**

Att.

cc: H.Atkin (ACCC)  
D.Poddar & S.Benson (Mallesons)  
K.Gebers, K.Lockyer, & T.Loskill (DBCTPL)

CAUST. COMPETITION & CONSUMER COMMISSION  
CANBERRA  
31 MAR 2008





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*Non-Confidential Version of the  
2007 Annual Report -*

**QUEUE MANAGEMENT SYSTEM AT  
DALRYMPLE BAY COAL TERMINAL**

*In accordance with The Australian Competition & Consumer Commission's  
final determination of Authorisation A30239 - A30241 and substitution by A91060 - A91062*

**As prepared by Dalrymple Bay Coal Terminal Pty Ltd for  
The Australian Competition & Consumer Commission**

*As submitted 12 March 2008*

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## 1.0 INTRODUCTION AND PURPOSE OF REPORT AND SUMMARY

### 1.1 Introduction and purpose of report

This report ("Report") by Dalrymple Bay Coal Terminal Pty Limited ("DBCTPL") to the Australian Competition & Consumer Commission ("Commission") is intended to provide the Commission with information relating to 2007 on the operation of the Queue Management System ("QMS") at Dalrymple Bay Coal Terminal ("Terminal") in accordance with the Commission's final determination of authorisations A30239, A30240 and A30241 and substitution by A91060, A91061 and A91062.

### 1.2 Executive Summary

Throughout 2007, DBCTPL has continually sought to maintain Terminal efficiency and to maximise Terminal throughput within the constraints accorded by the BBI 7X expansion project. The QMS continues to support the Terminal's goal to maximise Terminal efficiency and throughput in a complex operating environment, whilst recognising that within the Goonyella supply chain there is an inherent level of interdependence and consequential loss introduced by service providers that negatively impacts system capacity.

The QMS targets a working queue of 15 ships. For 2007, the vessel queue averaged 38 vessels, with a peak of 46 in October, and a minimum of 15 in January. The QMS required the execution of 7 queue adjustments, a total of 5,660,000t of entitlement removed from 2007 overall entitlement under the QMS.

This report indicates that the QMS objectives remain the priority of the Terminal but objectives b, c and d have been difficult to achieve in the 2007 calendar year. The coal throughput of the Terminal was reduced significantly due to inloading, yard and outloading constraints arising from the expansion project, and overall supply chain performance issues. With throughput reduced, the ability to achieve and maintain a working queue was very difficult.

On 17 October 2007 DBCTPL was granted interim authorisation to enable the QMS system at DBCT to remain in place until the ACCC final determination on the QMS comes into effect, or until the ACCC revokes the Authorisation. On the 20<sup>th</sup> of December 2007 the ACCC released its Draft Determination on DBCTPL's request.

## 2.0 QUEUE MANAGEMENT SYSTEM OBJECTIVES

The key objectives of the Queue Management Procedures are to:

- (a) ensure a fair, equitable and transparent allocation of System Capacity (and where applicable Queue Adjustment System Capacity) from time to time between Users;
- (b) achieve and maintain a Working Queue, so as to minimise deadweight demurrage costs to all Users;
- (c) maximise utilisation of System Capacity, hence maximising Coal exports from the Terminal; and
- (d) restore and maintain the reputation of the Terminal as a reliable and low demurrage facility<sup>1</sup>

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<sup>1</sup> Clause 3, Terminal Regulations. p.p. 6-7.



### 3.0 REPORT DETAILS

Table 1 sets out various statistics required in Section 7.138 of the Commission determination dated 15 December 2005<sup>3</sup>:

**Table 1 – QMS Operation Information**

	Volume of Coal Exported	Declared System Capacity	Aggregate Entitlement Allocated	Aggregate Entitlement Consumed	Aggregate Entitlement Not Consumed	Aggregate Entitlement Swapped or Transferred	Minimum Length of the Vessel Queue No of Ships	Maximum Length of the Vessel Queue No of Ships	Queue Adjustment System Capacity <sup>5</sup>
<b>January 2007</b>	4,449,909	4,796,550	4,796,550	4,718,365	78,185	473,079	15	24	
<b>February 2007</b>	3,294,149	4,378,860	4,378,860	4,288,836	90,024	376,970	27	38	
<b>March 2007</b>	3,936,634	4,867,171	4,867,171	4,751,521	115,650	452,584	33	44	
<b>April 2007</b>	4,119,036	4,316,130	3,908,630	3,969,759	-61,129	109,496	42	50	Yes
<b>May 2007</b>	4,339,555	4,484,507	4,077,007	4,328,843	-251,836	281,480	45	52	Yes
<b>June 2007</b>	3,737,023	3,850,887	3,850,887	3,854,889	-4,002	324,288	47	57	Yes
<b>July 2007</b>	3,873,589	4,134,900	2,430,431	2,382,975	47,456	206,091	37	54	Yes
<b>August 2007</b>	3,062,844	3,465,990	2,728,795	2,844,139	-115,344	166,290	32	38	Yes
<b>September 2007</b>	3,626,459	3,706,236	4,227,322	4,196,363	30,959	255,126	34	40	
<b>October 2007</b>	3,512,410	3,487,624	3,487,624	3,373,025	114,599	233,166	32	46	Yes
<b>November 2007</b>	3,157,503	2,768,189	3,328,721	3,666,155	-337,434	377,000	35	45	Yes
<b>December 2007</b>	3,454,614	3,942,607	3,942,607	3,911,388	31,219	515,000	33	45	Yes
<b>Total</b>	<b>44,563,725</b>	<b>48,199,651</b>	<b>46,024,605</b>	<b>46,286,258</b>	<b>-261,653</b>	<b>3,770,570</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Notes: All volumes given in tonnes unless otherwise stated.

Source: DBCTPL

- **Expansion Projects at the Terminal and their impact on System Capacity**

The BBI 7X Expansion project has had a significant material impact on system Capacity. Constraints such as de-commissioning/commissioning machines and loss of yard footprint have significantly reduced the throughput of the Terminal during 2007. Yard loss was significantly higher than planned with the peak loss of yard space planned for 3 months extending to 8 months. The Independent Expert attempted to include consequential lost capacity into the released declared system Capacity Figures, but these efforts were often ineffectual due to significant number and un-predictable consequence of these changes to the BBI 7x Expansion project (machinery) milestones, often at short notice.

- **Expansion Projects in the Goonyella Coal Chain and their impact on System Capacity**

Please refer attached detailed list, Annex A.

- **Expansion Projects for 2008 in the Goonyella Coal Chain or at the Terminal**

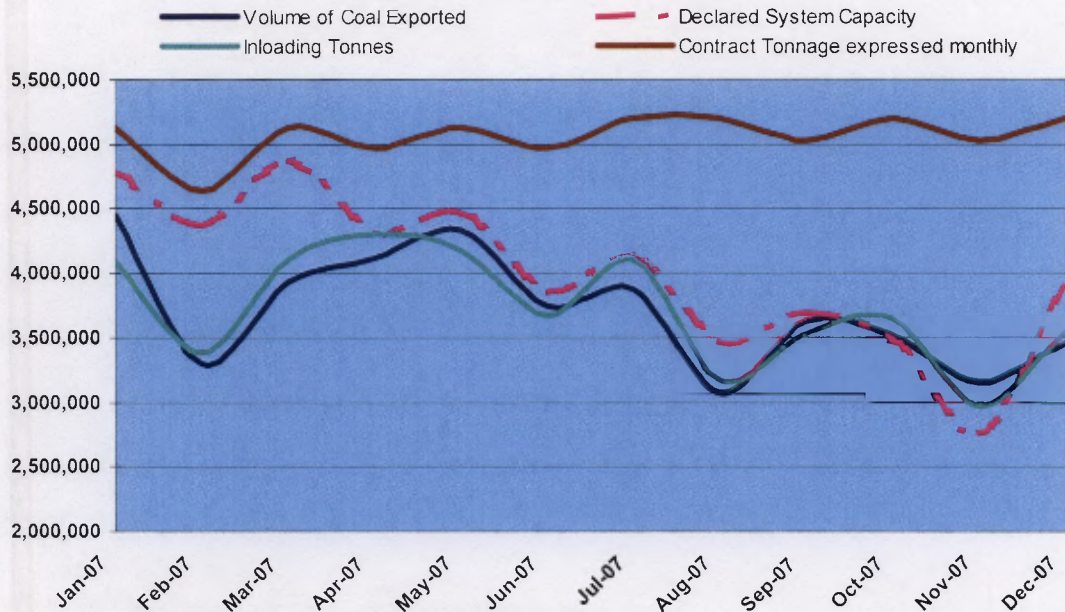
BBI 7x Expansion project will continue. Phase 1 has been identified by BBI for completion on 29 Feb 08 with Phase 2 and 3 later in the year. QR has several projects in place including the Jilalan Yard Upgrade project planned to commence in 2008. A detailed list of future projects is attached at Annex A.



#### 4.0 VOLUME OF COAL EXPORTED

Goonyella coal supply chain capacity is determined by the capability of constraint/s, either operating mode or asset capability, less planned losses (eg maintenance and interruption from construction). This is the basis for System Capacity determined by the Independent Expert.

Figure 1 - Terminal Throughput



Source: DBCTPL

It is DBCTPL's opinion, that the QMS, and the way it has operated in practice, has not materially contributed to the difference between System Capacity (as determined by the Independent Expert), and actual tonnages exported. Issues that reduced the potential volume of coal exported throughput in 2007 to less than the theoretical System Capacity (and having not been taken into account in the forecast of System Capacity by the Independent Expert) included:

- Rail provider – industrial action (February)
- Mine production issues – (February)
- Above rail (locomotive) reliability (December 2006, February, March and June 2007)
- Rail crewing issues (December 2006 – March 2007)
- Short loaded trains 250 – 300 tonnes per train under target (January – August)
- Unscheduled power outage (March)
- Weather – excessive rain, blocked chutes and high wind events (January, February, June and December)
- BBI 7X Expansion constraints on yard and machine availability (July – December)
- Implementation of Coal Transport Plan 30, Peak 17 trains per day (CTP30) (February – August)
- Fire on Inloading conveyor (June)
- Poor performing vessels – excessive deballast stops (June – July)
- Stockyard constraints due to high yard stock levels (August) and
- Slow unloading due to sticky coal (January – August)

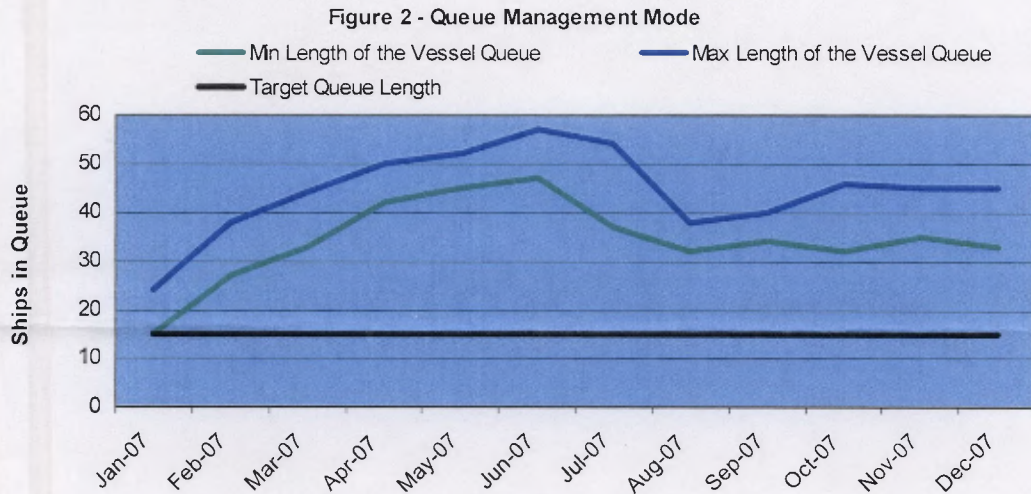


## 5.0 QMS EFFECT ON QUEUE

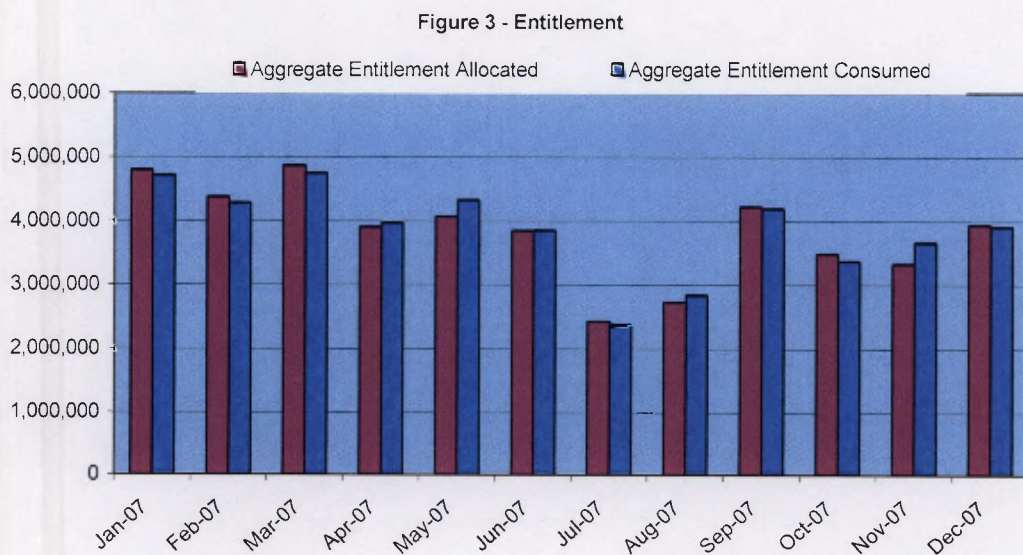
DBCTPL acknowledges that a number of factors as detailed in Section 4.0 have contributed to the QMS not having the desired effect of reducing the queue and subsequently demurrage incurred at the Terminal. Queue adjustments were used throughout 2007 in an effort to reduce the vessel queue at the Terminal. In total 7 queue reductions were enforced as follows:

- April - 407,000t
- May - 407,000t
- July - 1,955,000t
- August - 1,020,000t
- October - 850,000t
- November - 595,000t
- December - 425,000t

Figure 2 and Figure 3 demonstrate that the significant coal throughput constraints both at the Terminal and with the Rail Providers during 2007 meant that the application of the QMS (with and without queue reductions) has not been able to maintain an optimal vessel queue for the reporting period.



Source: DBCTPL



Source: DBCTPL

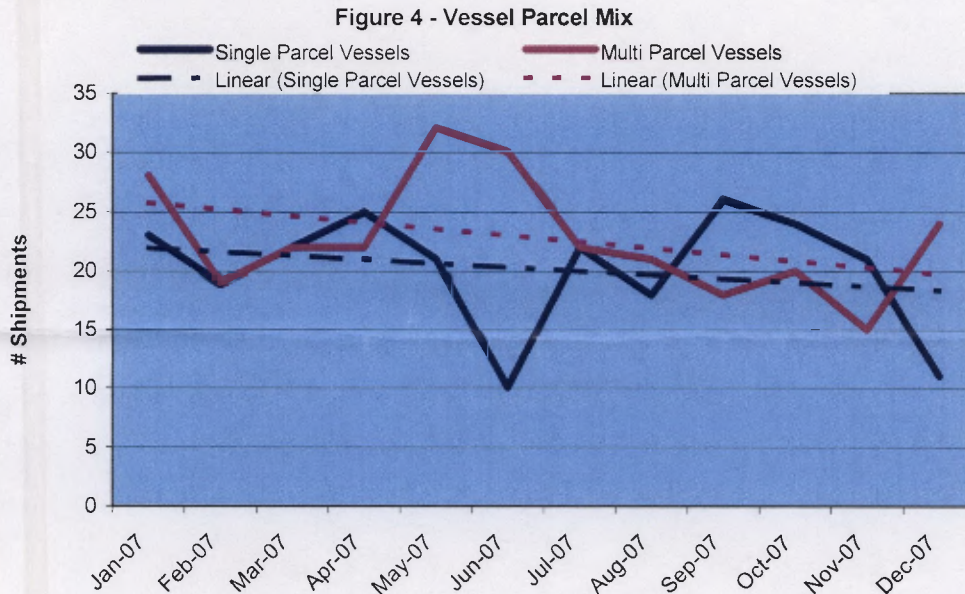


## 6.0 ENTITLEMENT MANAGEMENT

To ensure the application of QMS process is fair, equitable and transparent, DBCTPL has continued to distribute a weekly report pursuant with Section 8 of the Queue Management Procedures. In addition to this, DBCTPL distributes a daily report to provide Users with current information on the preloading status, entitlement consumed, and a system summary.

The Terminal Regulations also provide a process for disputes to be resolved expeditiously by an Independent Administrator. The Regulations require that this audit process occur every 6 months. To date the independent auditor, Ernst and Young has conducted quarterly audits of the documentation and administration procedures of the QMS. It is important to note that in the October 2007 audit, the Auditors advised that in 2008, as a result of continued close adherence to Terminal Regulations, audits of the QMS would revert to 6 monthly occurrences (as required in the Terminal Regulations), the first commencing in February 2008.

Regular forums continue to be facilitated by DBCTPL to encourage Entitlement swaps or transfers between Terminal Users.



Source: DBCTPL

**Figure 4.** Identifies that there has been a decrease in customer and/or marketing requirement for multi-parcelling of vessels, though there has been no significant change in vessel size or vessel mix at DBCT.



## 7.0 APPLICATION TO EXTEND QMS

On 26 September 2007, DBCTPL lodged an application with the ACCC to revoke authorisations A30239-A30241 and substitute them with new authorisations A91060-A91062. DBCTPL also requested interim authorisation at this time. Effectively, DBCTPL requested the ACCC to authorise the extension of the QMS at DBCT, based on the continued imbalance of supply, demand and capacity causing the current large queue of vessels at the Terminal.

In reviewing this application, the ACCC considered a number of key areas including (but not limited to): the balance of public detriment and public benefit, the current and future coal market, and the length of the requested authorisation.

The ACCC confirmed that on 17 October 2007 it granted DBCTPL interim authorisation to allow the current QMS to remain in place until the date of the ACCC's final determination coming into effect or until the ACCC revokes the interim authorisation. On the 20<sup>th</sup> of December 2007 the ACCC released its Draft Determination on DBCTPL's request.

Additionally, the ACCC determined that it would seek further detailed submissions from participants/interested parties in the DBCT QMS in order to inform its final determination. DBCTPL continues to provide a pivotal role in assisting interested parties, primarily the Terminal Users, to place their submissions with the ACCC by providing operational data and process execution.

## 8.0 OUTCOMES AND CONCLUSIONS

In summary DBCTPL is effectively managing the application of QMS to ensure the key objectives, stated in Section 2, are being met.

DBCTPL continues to operate systems and processes to support and record all transactions associated with the allocation, swaps and transfers of System Capacity at a high standard. To ensure DBCTPL's management and application of the QMS process is fair and equitable and being managed in an open and transparent manner, these systems and processes continue to be independently audited by Ernst & Young to confirm that DBCTPL has accountable and robust procedures surrounding the QMS.

The ship queue rose from a 2006 average of 13.9 to an average of 38 vessels. As a result deadweight demurrage costs have not been reduced to the levels anticipated by the QMS due to constraints across the Coal Chain. However, the length of the queue is substantially lower that it would be without the QMS in place.

Development of whole of coal chain planning in order to reduce inefficiencies across the Coal Chain, and thus the Terminal remain the key to not only to ensuring correct operation of the QMS but also to achieving optimal Coal Chain or 'system' capacity. DBCTPL looks forward to working with the new Coal Chain Central Coordinator and Terminal Stakeholders in developing new initiatives to improve the Coal Chain 'system capacity'.



**ANNEX A**  
**Non-Conf. 2007 Annual Rpt to ACCC, dated 12 March 2008**

**Planned/Completed works for Goonyella Coal Chain**

<b>Entity</b>	<b>Completed/Planned Works</b>	<b>Commencement Date</b>	<b>Completion Date</b>
QR	22 <sup>nd</sup> and 23 <sup>rd</sup> Consists on-line		2007
QR	Isaac Plains and Carborough Downs Passing Loops Completed		2007
QR	Coppabella-Broadlea-Wotonga Track Duplication	2007	November 2008
QR	Harrow Passing Loop	2007	August 2008
QR	Stephens Passing Loop	2007	December 2008
QR	Coppabella Yard Upgrade	2007	April 2008
QR	Jilalan Yard Upgrade	February 2008	December 2009
QR	Coppabella Ingsdon Track Duplication	July 2008	November 2009
Hail Creek Mine	Installation of productivity/operations analysis system		Late 2008/early 2009
Riverside Mine	Staged upgrade of Riverside Loadout Point		March 2009
BBI	Completion of majority of 7X phase 1 deliverables including: bund development, machine and shiploader upgrades, water reticulation upgrade and belt feeder upgrades. For more detailed information on Phase 1 deliverables please see 7X webpage:www.dbctexpansion.com.au		2007
BBI	Installation of 3 <sup>rd</sup> rail receival system and wagon vibrator at 7500h rate and associated conveyors.		January 2008
BBI	Phase 2 and 3 of project 7X deliverables include: 3 <sup>rd</sup> outloading system, 4 <sup>th</sup> offshore berth, bund development and installation of further conveyors, additional dust control measures.		December 2008
BBI	Based on Inloading 3 success, potential retro fit of wagon vibrators to inloading 1 and 2 at DBCT to improve unload times		2008
BBI/DBCT	Site Wide Process Control Upgrade	Changeover: December 2007	2008
BBI/DBCT	Coal Supply Management System project: replacement/upgrade of Minetrak and associated orphaned systems.		