

File ref: 2043777

24 April 2025

Mr Jonathan Blakey
Chief Commercial and Sustainability Officer
Dalrymple Bay Infrastructure Management
Level 15, 1 Eagle Street
BRISBANE QLD 4000

Dear Mr Blakey

DBCT NECAP expenditure – prudence ruling

I refer to your letter of 6 February 2025 requesting a prudence ruling in respect of non-expansion capital (NECAP) expenditure.

I wish to advise that the QCA has determined that \$6.12 million of 2024-25 NECAP expenditure on completed works for 2 projects – Arc Flash Mitigation (Phase 2) and Site Roads Upgrade Program – is prudent.

The QCA has made its determination in accordance with the requirements of the DBCT 2021 access undertaking and based on the information provided by DBIM to support its request as well as information in subsequent submissions that the QCA received.

The QCA is satisfied that the expenditure was prudently incurred, having regard to the need for the projects and their implementation and management. A comprehensive process was adopted in undertaking the works and appropriate consideration was given to the scope, standard and cost of the projects, as well as alternatives.

Further detail on the QCA's reasoning is attached. It will be published on the QCA's website for stakeholders' information, along with this letter.

Yours sincerely



Ann Jones
Director, Business Performance (A/g)

DBCT NECAP expenditure – prudency ruling

24 April 2025

The Queensland Competition Authority has determined that \$6.12 million of NECAP expenditure in respect of 2 projects (Arc Flash Mitigation – Phase 2 and Site Roads Upgrade Program) is prudent.

The reasons are set out below in accordance with section 12.10(c) of the DBCT 2021 access undertaking.

DBIM'S application for a prudency ruling

Under the DBCT 2021 access undertaking (AU), Dalrymple Bay Infrastructure Management (DBIM) is required to incur non-expansion capital (NECAP) expenditure as necessary to ensure that the terminal complies with good operating and maintenance practice and its obligations under the Port Services Agreement (PSA).¹

Under these arrangements, NECAP expenditure will be presumed to be prudent if, among other things it has the approval of access holders. We can also determine that NECAP expenditure is prudent.²

On 6 February 2025, DBIM requested that we determine that 2 projects – that DBIM had proceeded with, in the absence of unanimous access holder approval – were prudent:

- Arc Flash Mitigation – Phase 2: part of a 4-stage safety program to upgrade electrical switchgear and other devices to reduce the exposure of personnel to dangerous arc flash incidents (\$3.77 million)
- Site Roads Upgrade Program: part of a program to upgrade heavily used roads at the terminal to extend road life and improve road safety (\$2.34 million).³

¹ AU, s.12.10.

² AU, s. 12.10(c).

³ This amount of \$6.12 million excludes interest during construction, which is calculated separately in accordance with user agreements.

Assessment approach

We have assessed the 2 projects in DBIM's request against the criteria in section 12.10(c) of the AU.

In forming our view, we had regard to information that DBIM provided in its initial application, as well as the submissions we received from Fitzroy Australia Resources (Fitzroy Resources) and DBIM.⁴

Fitzroy Resources was concerned that DBIM had not provided it with sufficient evidence for it to accept the prudence of these projects – and that the deficiencies remained in the information DBIM provided to us to support its proposal.⁵

In response, DBIM outlined the steps it took to consult with individual access holders to facilitate their approval. This included providing detailed technical and project information (noting its obligations under the PSA and the AU) as well as responding directly to queries as they arose (which included providing additional information to the extent it could be reasonably provided).⁶

We consider the information DBIM provided to access holders as part of its consultation process is comprehensive. It is evident that access holders were provided with details of each of the projects on multiple occasions and that DBIM endeavoured to respond to queries about the projects from individual access holders. We note that DBIM provided Fitzroy Resources with the same level of information (and opportunity to receive information) it provided to all other access holders.

We consider this material is sufficiently comprehensive for us to form a view on the prudence of the NECAP works.

Decision

We have assessed DBIM's request and consider that \$6.12 million of NECAP expenditure in respect of the 2 projects is prudent.

We are satisfied that the expenditure was prudently incurred, having regard to the need for the projects and their implementation and management. A comprehensive process was adopted in undertaking the works and appropriate consideration was given to the scope, standard and cost of the projects, as well as alternatives.

Arc Flash Mitigation – Phase 2

Having regard to the specific matters in section 12.10(c) of the AU, we consider that the Arc Flash Mitigation – Phase 2 project is prudent. In particular:

- there was an identified need for the work to be undertaken⁷ – the purpose of the works was safety related, and designed to reduce the risk to personnel from being exposed to arc flashes while working around electrical switchgear
- the scope of the works undertaken was reasonable, and the standard of the works was appropriate⁸ – the works were a continuation of the Arc flash program and were similar in nature to phase 1 of the project. There were no alternatives for many aspects of the project that were needed on safety grounds, and the works were consistent with those recommended

⁴ These submissions are available on our [website](#).

⁵ Fitzroy Resources, *Dalrymple Bay Infrastructure NECAP 2024-25*, 6 March 2025, p. 1 (Fitzroy Resources submission).

⁶ DBIM, *Application for NECAP prudence ruling – further submission*, 21 March 2025, p. 2 (DBIM further submission).

⁷ AU, s. 12.10(c)(1)

⁸ AU, ss. 12.10(c)(2), (3).

by specialist consultants. The works were also managed and implemented by the operator,⁹ with appropriate oversight, in accordance with its standard procedures and procurement practices¹⁰

- the cost of the works reflects the prevailing market, and whole-of-life costs are minimised¹¹ – the cost was prudent, and end-of-life components were replaced with new components. We also accept that the costs and quantities had regard to previous similar works by the operator, with aspects of the works competitively tendered or undertaken by existing contractors at the terminal.¹² While there is been a material cost increase across the broader Arc flash program,¹³ we accept DBIM's position that the original estimate was a 'concept level estimate'¹⁴ prior to a clearer understanding of the required engineering and design
- the construction and operation of works were undertaken safely¹⁵ – the works were undertaken by the operator's project team, and no injuries or damage occurred in the course of the works. The works have also led to improvements in safety operationally with reduced risks of injury from arc flash incidents. The works also have a program objective of eliminating the need for highly constricted personal protective equipment¹⁶
- the works complied with relevant environmental requirements¹⁷ – all works have to comply with the operator's environmental processes for which it has accreditation. There were also no community complaints regarding the works.

Site Roads Upgrade Program

Having regard to the specific matters in section 12.10(c) of the AU, we consider that the Site Roads Upgrade Program is prudent. In particular:

- there was an identified need for the work to be undertaken¹⁸ – the purpose of the works was to upgrade 3 high priority roads, with the objectives of extending road service life, improving road safety and reducing whole-of-life cost¹⁹
- the scope of the works was reasonable, and the standard of the works was appropriate²⁰ – the works were consistent with previous road upgrades and involved, among other things, reconstruction and resurfacing. It is apparent that the roads were high usage and clearly needed upgrading to extend their service life and avoid escalating maintenance costs.²¹ The works were also managed and implemented by the operator, with appropriate oversight, in accordance with its standard procedures and procurement practices
- the cost of the works reflects the prevailing market, and whole-of-life costs are minimised²² – the cost was prudent, with the road upgrade utilising existing materials where appropriate

⁹ We note that the operator has no incentive to undertake projects unnecessarily and in an inefficient manner, given it is owned by a majority of access holders, who are ultimately likely to bear the costs of the projects.

¹⁰ DBIM, [Application for NECAP Prudency Ruling for Projects NS01 and NS06: supporting material](#), 6 February 2025, p. 20 (DBIM supporting material).

¹¹ AU, ss 12.10(c)(4), (7).

¹² DBIM supporting material, February 2025, p. 20.

¹³ Fitzroy Resources submission, March 2025, p. 2.

¹⁴ DBIM further submission, March 2025, p. 3.

¹⁵ AU, s. 12.10(c)(5).

¹⁶ DBIM supporting material, February 2025, p. 15.

¹⁷ AU, s. 12.10(c)(6).

¹⁸ AU, s. 12.10(c)(1)

¹⁹ DBIM supporting material, February 2025, pp. 23, 100 (refer to NECAP Project Brief: NS06 – Site Roads Upgrade program, p. 1).

²⁰ AU, s 12.10(c)(2), (3).

²¹ DBIM supporting material, March 2025, pp 23-27.

²² AU, s. 12.10(c)(4), (7).

and avoiding much larger costs associated with a major road upgrade in the future. The costs and quantities had regard to previous similar works by the operator. Relevantly, we have been advised that the final project outcome will likely underrun its budget due to reduced pricing in the competitively tendered construction contracts.²³ It is also clear that adequate regard was given to whole of life costs by consideration of alternatives, including undertaking localised minor repairs²⁴

- the construction and operation of works has been undertaken safely²⁵ – the works were undertaken by the operator’s project team, and no injuries or damage occurred in the course of the works. They have also led to improvements in safety operationally with road alignment, guardrails and sign works as appropriate²⁶
- the works complied with relevant environmental requirements²⁷ – all works have to comply with the operator’s environmental processes for which it has accreditation. There were also no community complaints regarding the works.

The NECAP expenditure that we have determined to be prudent is provided in Table 1.

Table 1: NECAP expenditure 2024-25 determined to be prudent

Project	Expenditure (\$) ^a
NS01 Arc Flash Mitigation – Phase 2	\$3, 772, 496
NS06 Site Roads Upgrade Program	\$2, 343, 051

^a This excludes interest during construction, which is calculated separately in accordance with user agreements

²³ DBIM supporting material, February 2025, p. 28.

²⁴ DBIM supporting material, February 2025, pp. 58-59 (Project Brief).

²⁵ AU, s. 12.10(c)(5).

²⁶ DBIM supporting material, p. 23.

²⁷ AU, s. 12.10(c)(6).