

**Sugar Terminals Limited**

**AGM 22 October 2004**

**Address by John Baartz**

The contract, dated 13 August 2002, provided for the partial design and construction of the Sugar Shed at the Bulk Sugar Terminal in Townsville. The contract price was approximately \$48million.

Practical Completion was to be achieved by 17 July 2003 (this was later extended under the contract to 7 August 2003). In broad terms, practical completion is defined under the Contract as being achieved where the works are completed except for minor omissions and defects and where Walter supplies various documents including:

- as-built drawings;
- operation and maintenance manuals;
- warranties and guarantees;
- commissioning manuals;
- quality assurance documents.

Early in 2003, it became clear to QSL / STL that Walter was going to have difficulty in achieving Practical Completion by the due date. The Chairman has referred to a structured negotiation process which took place in 2003. As part of this process, the parties addressed achievement of practical completion and came up with an agreed process for completion referred to as the "way home program" whereby Walter agreed to achieve completion, by 21 August 2003, of one half of the shed and the in loading system which would have permitted QSL to start partial in-loading and storage of sugar.

By late August 2003, the shed was still a long way from Practical Completion, however it had been completed to a stage where sugar could be partially in-loaded and stored. It was agreed between the parties that this would occur notwithstanding that Practical Completion had not been achieved.

Even by early this year, the cost to complete defective and omitted work, excluding the aerobelt conveyor, was estimated to be around half a million dollars.

Additionally, Walter has claimed variations totalling \$9.74m, extensions of time totalling 140 days and delay and disruption costs of \$7.62m. They are also claiming claims preparation costs. There is also a TPA claim.

QSL / STL have been continuing to pressure Walter to achieve Practical Completion. It has done this through the contract mechanisms including by calling on a \$4.2 million bank undertaking which the Chairman has referred to. Other remedies under the contract such as termination and taking the work out of Walter's hands have been considered, however, it was decided the best course was to allow Walter to complete the work.

The present position is that sugar has been in-loaded and stored for the second year in a row notwithstanding Practical Completion has still not occurred. The outstanding issues at present are:

- Air support conveyor performance
- Tunnel concrete reinforcement corrosion protection
- Cladding fixings compliance with manufacturers specification
- Austress Freyssinet warranties and guarantee

STL / QSL have always done their best to ensure that Walter receives whatever it is entitled to receive under the contract in respect of both time and money. They have also willingly participated in various alternate dispute resolution processes and has invested thousands of man hours and considerable cost into this.

STL / QSL have taken all possible appropriate action to date.