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Lodgement of Open Briefing.

Australian Pipeline Trust Limited
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The Australian Pipeline Trust (the Trust) recently announced a net profit after tax and minorities of $21.3 million for the half year to 31 December 2002, up 12 percent. What has been the performance in the current half to date?

Managing Director Jim McDonald
We're now over three quarters of the way through the year and we're on track to maintain our solid performance. The business is consistent, though there is some seasonal effect which means the second half year is a little slower than the first.

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For the half year to 31 December 2002, the total distribution per unit was 10.0 cents, consisting of an unfranked income distribution of 6.0 cents per unit and a capital distribution of 4.0 cents per unit. What distribution do you expect in the current half, what future mix of income and capital distribution do you expect and when do you expect to pay some level of franked distributions?

Managing Director Jim McDonald
The Board considers the question of total distributions for the year during the final quarter. We distribute profits first, before we decide any final capital distribution: we intend to follow this procedure again. I do not expect the total distribution for the year to be much different to last year, but the profit component should be slightly higher, reflecting improved profit performance.

A recent announcement by the Assistant Treasurer, Senator Coonan, has potentially important tax and franking implications for the Trust. The announcement detailed that certain corporate unit trusts and public trading trusts, such as APA, will be permitted to head consolidated groups. We're currently getting advice as to how we will be impacted and how it will affect our future franking ability. We will advise our unitholders in due course.

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What progress have you made in contracting unutilised capacity in your existing pipelines?

Managing Director Jim McDonald
We've made good progress in contracting unutilised capacity for several of our existing pipelines. At the Goldfields Gas Transmission Pipeline (GGT), we're considering increasing compression again. Also, we installed the first compressor on the Carpentaria Gas Pipeline (CGP) in December. BHP Billiton is about to add generating capacity at Cannington, so we anticipate a further increase in throughput later this year. We've completed looping of the Roma to Brisbane Pipeline (RBP), and Coal Bed Methane (CBM) is now getting to market from the Surat Basin. We're anticipating that the RBP will have better than national average load increases.

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Currently around 40 percent of the Trust's revenue is from its Moomba to Sydney pipeline (MSP). Significant volumes for the MSP are secured until 2007 under the terms of the Gas Transportation Deed signed with AGL. What options can you pursue to contract unutilised capacity beyond 2007?

Managing Director Jim McDonald
The MSP is a big piece of our business. Late last year, AGL announced a portfolio of new gas contracts including taking gas from CBM fields in the Surat Basin into the south-eastern states. These contracts extend beyond 2007 until 2016. That is good for the Trust because that "new" CBM gas will be hauled through the MSP, together with gas from Moomba. However, AGL has also contracted gas from Gippsland for delivery into NSW and the ACT, supplementing the declining reserves at Moomba.

We believe there remains some uncontracted volumes at Moomba that we expect to haul to southern markets, but we do still need a large source of new gas supply through Moomba, and for that gas to be available in the latter half of the decade. PNG gas has been delayed as the proponents are, as yet, unable to aggregate sufficient foundation volumes to underwrite the project. As a result, we see CBM as a very welcome interim supply indeed, and hence our interest in encouraging the producers of CBM in Queensland.

This delay does create issues for us about how we maintain volumes in the MSP from Moomba whilst we await the arrival of northern gas.

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How do you view the potential impact on the MSP from the competing Eastern

Gas Pipeline (EGP), which transports gas from Longford to Sydney? Would the Trust be a buyer of the EGP if it was for sale?

Managing Director Jim McDonald
Well, we don't believe the EGP is for sale. However, as would be the case for any asset anywhere, if the price was right, we would of course consider it.

The EGP provides the Trust with strong competition for delivery of gas into the NSW and Canberra markets: part of the suite of contracts announced by AGL involves gas coming from Gippsland to those markets, and delivered via the EGP. It is important to remember that Victorian gas can be hauled to Sydney through the EGP, or through the Interconnect linking the MSP with Victoria, and we're working with Gasnet to ensure as much as possible is delivered this way. We will be competitive and will continue to service our customers as competition reform begins to deliver true gas on gas competition.

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Do you see the recent rationalisation of the gas transmission industry continuing and therefore opening up pipeline investment opportunities?

Managing Director Jim McDonald
Yes we do. We have little doubt that the American partners in EPIC wish to exit their investment and indeed, wish to exit Australia. The natural gas industry awaits the final outcome of the EPIC case and we believe that the final tariff determination in that case will precipitate the sale of EPIC's assets in Australia.

In addition, the intentions of CMS, another American company, and our partner in the Goldfields pipeline are important to us. We recently purchased TransAlta's stake in that pipeline, taking our interest to 48.5 percent. CMS's intentions might be made clearer after they dispose of their interest in Loy Yang Power. They own 39.7 percent of Goldfields, as well as the Parmelia pipeline in W.A., and are expected to soon exit Australia as well.

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Can you report any progress on proposed new pipelines in which the Trust might be involved, such as the PNG to Queensland pipeline or the proposed national pipeline grid?

Managing Director Jim McDonald
PNG to Queensland is still alive but it's certainly been delayed by AGL's decision to take CBM from the Surat Basin, and conventional gas from Gippsland. Exxon and their partners are still actively trying to bring together sufficient markets for the project to proceed but it now seems that it will be delayed. Having said that, it would appear that the producers at Moomba have no intention of expanding the capacity of the plant and, if that's the case, we expect to see the impact of an increasing shortfall of Moomba gas from about the middle of this decade.

As I said earlier, and you will hear me say again, we maintain a vital interest in securing new gas supplies through Moomba, as well as in seeing CBM developed.

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The extent to which the Trust can grow its business depends greatly on gaining a satisfactory outcome from negotiations with government about the regulatory model applied to gas transmission. For example, the Federal Minister is currently reviewing the National Competition Council's (NCC) recommendation that regulatory coverage of your MSP should remain despite the EGP not being covered. Can you report any progress on regulatory matters relevant to your pipelines?

Managing Director Jim McDonald
There are a couple of major unresolved regulatory issues which will affect the Trust. The first is the continued coverage of the MSP, and the Minister is currently reviewing that recommendation. However, we have made further submissions to the NCC and to the Minister since the NCC's final recommendation was made. We contend that the NCC's case contained errors of fact and law, and more importantly, has been considerably weakened by AGL's announcement of its diversified supply portfolio, and specifically, the purchase of a significant quantity of Gippsland gas. We expect the Minister will take time to make an informed decision, but we believe we have presented a compelling case that serious competition already exists between the MSP and the EGP. It may not be "perfect competition", whatever that may be, but it is clearly competition which deserves to be given a chance before regulation is imposed. And I say again, it is simply unacceptable that the EGP and our pipeline are treated differently whilst serving the same markets.

In regard to our other assets, the NCC also has a recommendation before Senator Ian Campbell, the Parliamentary Secretary to the Treasurer, that the arrangements that govern gas carriage in four Queensland pipelines are not "effective regimes". The NCC seems to be philosophically opposed to any arrangement where a Minister rather than an "independent regulator" is responsible for tariffs. Our Roma to Brisbane pipeline (RBP) and the Carpentaria Gas Pipeline (CGP) are affected by this decision.

It is easy for the NCC to have a selective memory and ignore the circumstances of Queensland gas supply during the mid 1990s. At that time, industry was rapidly expanding around Brisbane and Gladstone, yet the Surat gas reserves were in decline. I well remember the curves showing the imminent gas supply shortfall, and I also remember the initiative of the Queensland Government to ensure that three things happened. Firstly, that the south-west Queensland gas reserves were brought to market and specifically to Brisbane and Gladstone. Secondly, that Mount Isa was converted to natural gas power generation to provide sufficient volume to underwrite the development of those reserves and thirdly, that capacity was added to the RBP to ensure delivery to Brisbane.

These decisions involved the building of two greenfields pipelines at a cost of around $380 million, and the looping of the RBP at a cost of over $100 million, as well as the cost of development of the gas plant and gathering systems at Ballera. Adequate gas supply also provided the opportunity for the privatisation of the Government's own gas pipeline from Roma to Gladstone, which fetched about $200 million. Full commercial risk was accepted in the competitive bidding process that produced the CGP and the SWQ pipeline owned by EPIC. Also negotiated with government were the agreements which resulted in the looping of the Roma to Brisbane pipeline in anticipation of an expanding gas market. All this was done before the Code existed.

At the request of the Queensland Government, the arrangements which govern these Queensland pipelines were quite specifically derogated from the National Access Code in the Intergovernmental Agreement which saw the introduction of the Code.

By saying that these regimes are not effective, the NCC is really saying that the Queensland Government should have played no part, should not have made those agreements and should not have bid those pipelines. That's clearly nonsense. They would not have been built without the involvement, foresight, and vision of the Queensland Government.

We think the NCC has shown a rather cavalier attitude to be so provocative in matters concerning the relationship between gas transmission companies and State governments. It is more than reasonable for industry to expect that agreements made with sovereign governments are honoured. Such agreements were vital to the decisions to invest in Queensland.

A great irony is that the ACCC, the regulator that would presumably regulate these pipelines if the state agreements are torn up, is open to the recommendation in the report of the recent Energy Policy Committee that there could be a 15 year regulatory holiday for Greenfields pipelines. Two of the above pipelines would be Greenfields pipelines if they were built today and would presumably have been entitled to a 15 year regulatory holiday from ACCC.

Industry is very frustrated by this nonsense: it is distracting and tedious.

In W.A. we also have an Agreement with the W.A. Government which is impacted by the interpretation of the National Code by the WA regulator in the case of the GGT. We commenced litigation to protect our rights there, but that is on hold pending deliberations by the State Regulator following the Supreme Court decision in the EPIC case.

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What about progress in other areas of reform affecting the Trust such as the promised review of the National Gas Access Code governing regulation of gas transmission pipelines or the Australian energy market review?

Managing Director Jim McDonald
Minister McFarlane has recently confirmed that the promised review of the application of the National Gas Access Code will commence shortly. It's generally anticipated that the Productivity Commission will be given the task. I believe the Terms of Reference are currently before the Prime Minister for his signature, and we have been told it might take around 12 months to complete. The natural gas industry looks forward to a frank, open, and constructive debate. A vastly

improved regulatory regime is required to ensure investor confidence in infrastructure, and for natural gas to fulfil its promise to the nation.

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You've stated previously that the Trust will also consider investments in non-regulated industries such as power generation, upstream processing of coal bed methane and water transmission. Have there been any developments in these areas for the Trust?

Managing Director Jim McDonald
We are currently discussing the introduction of more CBM into the Roma to Brisbane Pipeline and included in those discussions is the possibility of APA investing in gas processing and drying, measurement and compression facilities that might previously have been thought of as in-field production systems. Gas treatment and storage facilities, such as those in the CMS Parmelia pipeline portfolio are also of interest to us.

We're discussing gas-fired power generation opportunities adjacent to our pipelines. We believe that prudent and modest investment in gas-fired power generation could be appropriate for the Trust.

Water pipelines would clearly fit with our business, should the opportunity present itself.

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Thank you Jim.

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