



Dear Unitholder,

Welcome to the latest edition of *In the Pipeline*.

### RESULTS AND DISTRIBUTION UPDATE

#### March Quarter 2003 Distribution

Notification of our 3<sup>rd</sup> quarter distribution was made to the Australia Stock Exchange on 30 May 2003. The distribution of 5.0 cents per unit is made up of an unfranked income component of 4.5 cents per unit and a capital component of 0.5 cents per unit. As we have previously advised, it is not expected that there will be further significant franking credits available for distribution until the financial year 2004. The ex-dividend date was 3 June, 2003.

The Annual Tax Statement for financial year ending 30 June 2003 will accompany your distribution statement.

**Results for the Year ending 30 June, 2003** will be released on Wednesday 3<sup>rd</sup> September, 2003. You will be able to read the announcement to the Stock Exchange as well as listen in and view the results presentation live via webcast on our website, [www.pipelinetrust.com.au](http://www.pipelinetrust.com.au). For those unfamiliar with this process there will be an announcement page posted onto the Investor Relations section of the website which will detail what you need to do.

#### June Quarter 2003 Distribution

For greater administrative efficiency we plan to include the June 2003 distribution statement or payment with the Annual Report (for those who have elected to receive one) on the 25 September, 2003.

#### Annual Report

We are always looking at new ways to improve our services to unit holders as well as saving costs and the environment. If you still wish to receive our Annual Report but are happy to read it online via our website we are offering a new email notification service. We will alert you by email when the Annual report is available.

Of course you can continue to receive the printed Annual Report.

An election request is included with this newsletter and we ask you to consider your options.

**INDUSTRY AND REGULATORY MATTERS UPDATE****Industry Consolidation**

As previously mentioned, there are a number of factors which are leading us to conclude that a rationalisation of the pipeline industry will take place over the next few years. Regulatory impacts and the emerging differences between what pipeline owners consider to be an appropriate return and what regulators perceive, is causing a major review of continuing overseas investment in Australian pipelines. Additionally, the continued search for new gas supplies and the slower than expected development of natural gas as an alternative to traditional fuels for power generation has impacted on the growth potential of a sustainable natural gas pipeline industry.

The financial media regularly contains rumours that major overseas investors in Australian pipelines are reviewing their positions. APA believes it is well placed to participate in any consolidation of the industry - for the right price. Our strategy is to grow the existing business through additional pipeline acquisitions while ensuring appropriate business risk diversity.

**Moomba to Sydney Pipeline**

A complication in the process to have the MSP uncovered from the National Gas Access Code has arisen. The Federal Minister for Industry, Tourism and Resources, the Hon Ian Macfarlane who was responsible for the decision to uncover the MSP, has taken extended leave as a consequence of an illness. We wish him a speedy and full recovery. During Mr Macfarlane's absence, the Hon Joe Hockey has been appointed as acting Minister. We trust this will not delay the resolution of this matter. We will keep you posted on developments.

**Pipeline Access Code Review**

The terms of reference for the review of the application of the Gas Pipeline Access Code have been completed and an announcement that the Productivity Commission will commence the review was released on Friday 13 June. We welcome the review and expect a frank and open dialogue. APA would like to see better regulation that provides the correct incentives for pipeline investors to maintain their assets, improve their services and expand the reach of natural gas to places that do not presently have it. The terms of reference for the review may be accessed online at <http://www.pc.gov.au/inquiry/gas/index.html>.

**EXPANSION OPPORTUNITIES****Acquisition of Minority Interests**

We acquired the TransAlta minority interest in the Goldfields Gas Pipeline in March 2003 with the result that we now own 48.5% of the pipeline. The move was in line with our long stated objective of acquiring the minority interests of shareholders in our existing pipelines.



## **Coal Bed Methane**

Several producers of Coal Bed Methane (CBM) are well advanced in their plans to bring CBM to market in Queensland.

We are in consultation with several of the producers in and around the Surat Basin and the leases adjacent to the Roma Brisbane and Peat Scotia pipelines in Queensland. APA intends to install gathering systems, compression metering, treatment systems and a connecting pipeline to our main Roma to Brisbane pipeline to enable CBM to get to market in Queensland.

## **CORPORATE SOCIAL RESPONSIBILITY**

### **Fruities' Fly to Canada**

Our continued support of the Flying Fruit Fly Circus enabled the successful conclusion of the *Stepping Stones in Circus Dust* program in Far North Queensland. The program included performance, workshop and training programs involving hundreds of young people in remote communities.

The internationally renowned "Fruities" have recently been on a four week tour to Canada as part of the Vancouver International Children's Festival. On return to their home base of Albury Wodonga they plan to start work on new productions that will celebrate the company's Silver Jubilee in 2004.

### **Royal Flying Doctor Service**

For a relatively small amount of money, APA has upgraded our membership to become a Custodian Member of the Royal Flying Doctor Service. The connection with this national icon goes back many years for some of our pipelines, the people who operate them and the communities through which they pass. Outback people rely on the Royal Flying Doctor Service for basic medical services as well as emergencies. There is a natural alignment between APA's business interests and an effective Flying Doctor service.



### BEHIND THE PIPELINES

Every pipeline needs a good marketing strategy.

In the case of the Moomba to Sydney Pipeline (MSP) and the Central West Pipeline, it's the strategic work of the East Australian Pipeline Ltd (EAPL) marketing team. Marketing Manager Brad Evans, Marketing, Financial Analyst Peter Sydney and Marketing Representative Razak Saim ensure our customers get the pipeline services they need.

If they are not marketing the existing capacity to industrial, wholesale and retail customers they are talking to potential new customers and exploring new ways to haul gas to and from new areas at the most efficient prices.

It's a role that has become more challenging with the arrival of competition from the Eastern Gas Pipeline and the implementation of Customer Choice for residential energy users in NSW.



**Peter Sydney, Brad Evans & Razak Saim**

Brad has eight years experience in the highly competitive natural gas trading, transmission and storage environment of his native Canada, and is used to a challenge. "Though the Australian industry is less mature than in North America, I am able to transfer my knowledge of how truly competitive markets function for the sale, transmission and storage of natural gas," says Brad.

Brad's also testing his new skills as a father, having recently celebrated with his wife Lori the birth of their first child Kaliana.

Peter, whose background is economics and finance, first joined EAPL in Canberra in 1997, before making the shift with his wife to Sydney three years ago. His responsibilities include contract negotiation and capital project analysis.

Where Peter thought Canberra winters were cold, Brad tells him they were positively balmy compared to the five month Canadian winters where the daily *highs* were regularly minus 30 degrees Celsius.

Razak is a secondee from our 10% owner, Petronas of Malaysia, who brings his strong technical background in pipeline operations to commercial contract negotiations. Razak received his engineering degree on scholarship at the University of Wollongong. He also met his wife at the University, and they had the first of three boys while he attended there.

**JK McDonald**  
**Managing Director**  
**Australian Pipeline Trust**