

CHAIRMAN ELECT'S REMARKS – MR LEN BLEASEL AM

Thank you Robert.

Ladies and gentlemen, it is a pleasure to be invited to speak to you today and an honour to be your next Chairman of APA Group. In particular I would like to thank outgoing Chairman, Mr George Bennett, for leaving me with a company in such a strong position. Thank you also to the Board and Management of APA for the warm welcome I have already received, and I look forward to working with you in the future.

Today I would like to make some observations on the recent history of the gas industry in Australia and some of the key changes that have occurred in the industry's development. I would also like to outline the APA strategy in the current environment.

I have always believed that natural gas has an important role to play in Australia's energy mix and I can confidently say, this industry has never been in a better position to contribute not only to this nation's future economic growth but also to improving Australia's standing in the global community by its commitment to long term emission reduction targets.

I have been involved in the energy industry for 43 years, 11 of which were spent as CEO and Managing Director of AGL. The gas industry has emerged from a decade of unprecedented change that has had a significant impact on the way gas industry participants operate and interact with each other. The economic reforms of the 1990's delivered deregulation and privatisation to large parts of the industry which was quickly followed by the implementation of new forms of economic regulation. In recent years development of the Australian gas market has accelerated with additional pipeline infrastructure, new sources of gas supply and the introduction of full retail contestability in most Australian states. We are also seeing the consolidation and separation of retail and network ownership.

When Australian Pipeline Trust was spun out of AGL in 2000, its position as one of the few publically owned Australian gas transmission companies was relatively unusual. The public to private push of the nineties, which saw many of Australia's energy assets end up under foreign ownership, was starting to unravel. However, in the last 3 years alone we have seen the likes of Epic Energy, Duke Energy, TXU and National Grid, to name but a few, sell their investments back to local investors. The market for such assets today is more competitive than ever with a lot of money chasing relatively few remaining assets. Cashed up institutional funds and private equity players have entered the scene, lured by the prospect of predictable cash flows generated from high quality assets with the capacity to leverage their returns by charging management and performance fees.

APA is an energy transmission company with its roots planted firmly in gas pipelines. While it has tripled in size and diversified its asset base across a variety of energy types across Australia since the year 2000, the core pipeline assets within APA are well known to me. APA is also a business managed and operated by pipeliners and energy transmission specialists with years of experience in the industry. I would not have agreed to join this Board if it were otherwise as I firmly believe that the responsibility attached to the custodianship of strategic assets fundamental to Australia's economic growth and security requires a vision that is beyond pure financial asset management.

Strategy

APA's vision is to continue to grow as Australia's leading energy transmission and distribution Business. Its purpose is to maximise value for securityholders in the short, medium and long-term.

A key component of APA's vision is the development of a gas transmission grid in eastern Australia that will offer a seamless delivery of gas throughout Queensland, New South Wales, the Australian Capital Territory, Victoria and South Australia. This will greatly assist the expansion of a competitive gas market in Australia, by providing access to multiple supply sources and enhancing producer on producer competition.

Underscoring the APA strategy is the financial goal of increasing distributions by at least CPI annually. For the 2007 financial year, APA has exceeded that target by providing an annual increase of 16.7% over the previous year.

APA's approach to future growth has three phases:

- growing the Business organically;
- investing in brownfields and greenfields projects; and
- by acquisition.

The first, organic growth, occurs through the expansion of existing assets, particularly, its core pipeline assets. By way of example, the Roma to Brisbane Pipeline and Goldfields Gas Transmission Pipeline have successfully increased throughput and developed innovative contracting arrangements to optimise the utilisation of both these pipelines. The Allgas acquisition offers similar opportunities for growth, although this will require capital expenditure to enable delivery to new areas for volume growth.

Second, brownfields projects, which include for example, the development of compressor stations, provide immediate returns by building upon an already established income stream. Greenfields opportunities provide sustained longer-term returns arising from the benefit of investment in the initial development and construction stages of the projects. The Bonaparte Gas Pipeline is an excellent example of a greenfields project which will provide strong, sustainable returns once construction is completed.

Finally, the acquisition of core and complementary assets completes the three phase approach ensuring that APA's philosophy of being a stable, strong and long-term investment for securityholders is achievable.

The pace of change in this industry is rapid and fluid and I want to assure you that the Board will continue to test Management's thinking and assumptions in the context of the opportunities and challenges that continue to present themselves.

I alluded earlier to the issue of global warming and the increasing focus of economies around the world on reducing carbon emissions. The gas industry in Australia has been arguing for many years that it is ideally placed to act as the fuel of transition from coal to alternative renewable energy sources such as wind, biomass, solar, thermal and geothermal hot rocks. APA is ready to play its part in ensuring that the increased penetration of natural gas is not only recognised as an important priority for the national energy market but becomes a reality.

In conclusion, I am looking forward to my role as Chairman of APA - a business that has already demonstrated its commitment to meeting the challenges of expanding the reach of natural gas to the farthest corners of this vast continent of ours. The future of natural gas as an increasingly important component of the national energy mix is assured and I am confident that APA, as Australia's leading transporter of natural gas, is well placed to take advantage of the opportunities for growth that will emerge over the next decade.

Thank you ladies and gentlemen. Now let me hand back to the Chairman.