



Dear Unitholder,

Welcome to another addition of *In the Pipeline*. In this newsletter I intend to reflect on the activities of the past 12 months, and update you on our thinking on some matters of importance to our business.

On one level it has been an extremely satisfying period, in which our business continued to grow, and we exceeded our forecast full year result. Improved revenue and profit were achieved despite a difficult regulatory environment, and the business continues to perform well in these troublesome times.

We held a successful Information Meeting in Sydney in October, which was attended by some two hundred Unitholders. The support shown for the work that is being done in the current environment was encouraging, and we look forward to seeing as many as possible of you at next year's meeting.

I hope you enjoy this latest edition of *In the Pipeline* and welcome your feedback.

Non-Revocation Decision Disappoints

In April of 2001, we applied to the National Competition Council (NCC) for revocation of National Gas Access Code regulation of the Moomba to Sydney Pipeline System (MSP), owned by East Australian Pipeline Limited, our wholly owned subsidiary. The basis of our application was that the competing Eastern Gas Pipeline, owned by Duke Energy, is no longer subject to regulation as it competes with the MSP, and fairness suggests there should be a level playing field. After some twenty months of consideration, the NCC has finally released its recommendation, rejecting our application.

We consider the recommendation for continued regulation to be unjust and arbitrary. It comes at a time when there is widespread political and industry agreement that the regulatory environment must be changed for the natural gas industry to progress as envisaged in the principles of competition reform.

The recommendation is with the Federal Minister for Industry, Tourism and Resources, Hon Ian Macfarlane, who must now make a decision.

The Minister is not bound by the NCC recommendation, and has advised us that he intends to carefully consider the matter before making his decision in the New Year.

APA remains hopeful that the Minister will recognise the NCC's recommendation to continue to regulate us, but not our competitor, as unjust, and one that sends mixed messages to the natural gas industry about the Government's intentions in competition reform.

Energy Review

Several very important reports have been tabled during the past few months, the most recent of which is the Draft Report of the Energy Reform Committee, chaired by Mr Warwick Parer. When this report is read and coupled with the Productivity Commission's Report on Part III A of the Trade Practices Act, and the Federal Government's response thereto, there is a clear signal that a national energy policy is high on the National agenda.

The Minister has recognised that there is a need for significant change in national energy management and regulation, and recent announcements foreshadow ambitious, wide ranging reforms.

The Prime Minister has announced the establishment of a Ministerial Council on Energy, to be chaired by him. Minister Macfarlane has proposed a new National Energy Corporation and Australian Energy Commission to effectively regulate and manage the delivery of both electricity and gas to the nation.

A meeting of Commonwealth and State Ministers in early December did not reach agreement on all the Minister has proposed. Importantly for the Trust, agreement was reached to draw terms of reference for the promised review of the Gas Access Code, which will take place in 2003. The issues raised in the review provide the opportunity for major regulatory problems to be addressed. It is unlikely to be a short term process, and I will endeavour to keep you informed of progress on this important matter, both through *In the Pipeline* and at our website – www.pipelinetrust.com.au.

The analysis and work associated with reforming the country's energy industry will be considerable but we remain confident that a better business environment for natural gas will eventuate.



Community Activities

We have recently entered into a three year partnership with the Flying Fruit Fly Circus. Based in Albury-Wodonga, the Circus is a uniquely Australian performing arts school, specialising in the development of children in circus art. They travel extensively delighting audiences throughout Australia, and have also performed extensively overseas.

In recent years the "Fruities" have extended their activities to include travelling to remote communities, presenting workshops, training programs and performances. In recent months a group visited the Gulf Country of North Queensland with a program named Circus Dust. This work also provides the opportunity for children of these communities to be offered scholarships to join the Fruit Flies, to further their formal education in Albury-Wodonga, as well as learn circus art. The vision of the Flying Fruit Fly Circus in empowering children from such communities, in particular aboriginal children, to share in and contribute to this unique and very Australian art form is a vision we share.

Our pipelines traverse vast tracts of outback Australia, and we deal with many remote communities and families, as we seek and maintain rights of access for our easements. The work of the wonderful Fruities has great synergy with our work.

In 2001, APA assisted the Australian Brandenburg Orchestra to travel to Darwin and Perth, for their first visit to those cities. We have a concentration of work in both cities. During the Darwin visit, APA, through NT Gas, initiated a community fund to purchase a Harpsichord for the NT University School of Music. The fund has been fully subscribed, and the instrument has been ordered. In the European tradition, Harpsichords are generally painted in scenes reflective of the town or district where the instrument resides. A competition has been arranged to select an artist who will have the honour of painting the Territory's first harpsichord.

The instrument will be featured in the Darwin Symphony Orchestra's work, and should provide entertainment and enjoyment to generations of music students at NT University.

Train Spotting

At the Information meeting in October we answered a number of queries regarding our operations in the outback, including the future of our investment associated with transporting gas to the railway sleeper factories in the Northern Territory. The factories in Tennant Creek and Katherine are manufacturing more than two million concrete sleepers for the 1420 kilometre stretch of standard gauge rail line from Darwin to Alice Springs, which is due for completion in 2004.

The factories are purpose built and the factory owners are hopeful that the railway line they are helping to build will open new markets for concrete products in the Northern Territory and Asia. It is possible that one of the sleeper factories will have a future beyond the railway line, which will be a bonus for the Northern Territory and APA.

Northern Gas Supply

The Financial newspapers currently contain significant information and speculation on the future of Timor Sea, PNG and coal bed methane as sources of gas for south-east Australia. We hope to be able to provide a reliable opinion on this most important question in our next quarterly newsletter.

On behalf of the Board and Staff of your Trust, I wish each of you a joyful and safe festive season, and a happy and prosperous New Year.

J K McDonald
Managing Director



**Merry Christmas and
Happy New Year.**

**Questions or feedback please email to:
feedback@pipelinetrust.com.au**