



Australian Pipeline Trust

Regulatory Risk and the Cost of Capital

A Pipeliner's Perspective

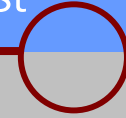
Mick McCormack
Chief Executive Officer
Australian Pipeline Trust

UBS Utilities Conference
Tuesday 15 November 2005

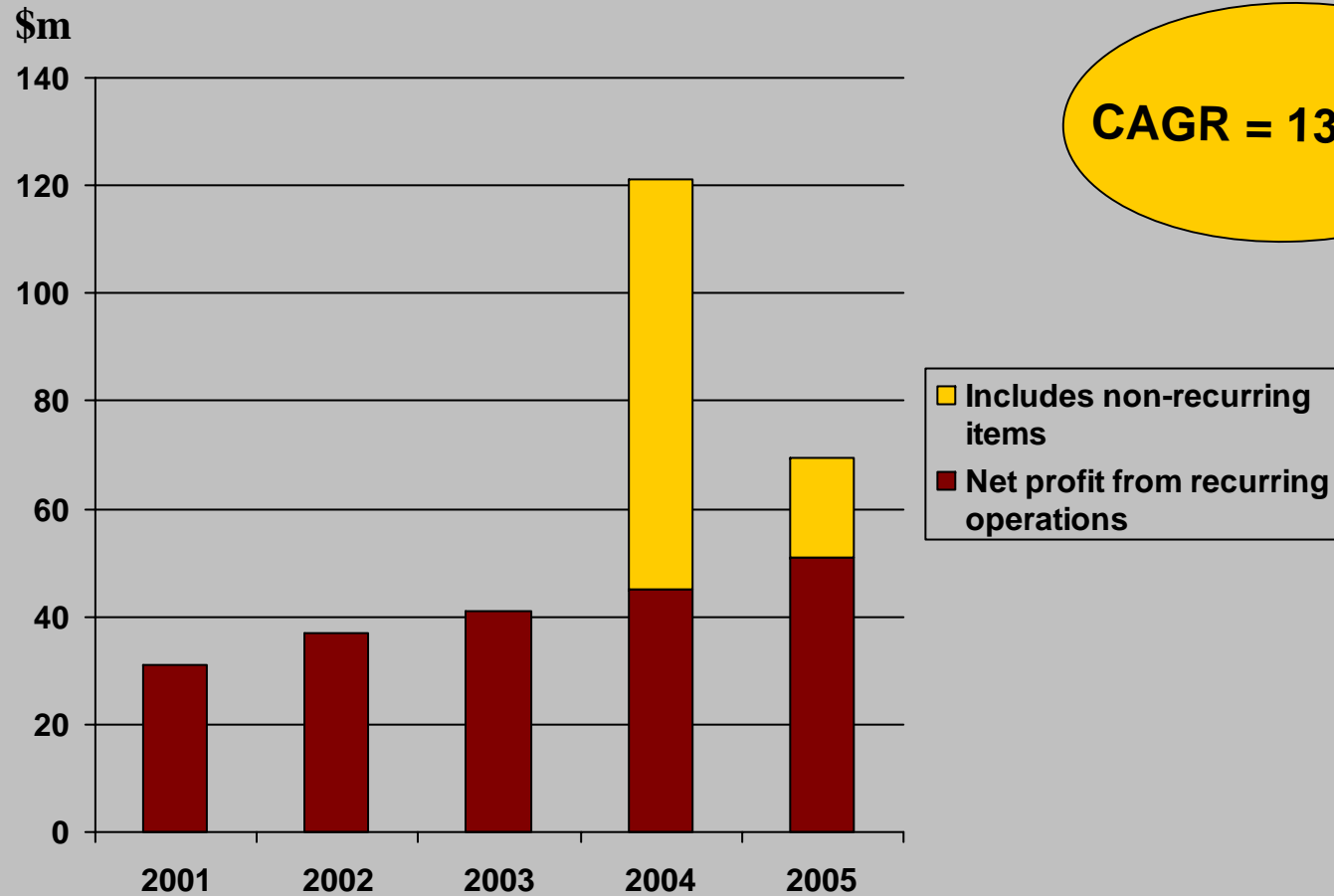




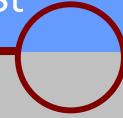
- **APA Financial Performance & Outlook**
- **Pipeline Industry Changes**
- **Impact of Regulation**
- **Conclusion**



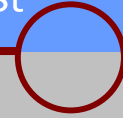
Continued Growth Trend



CAGR = 13.5% pa

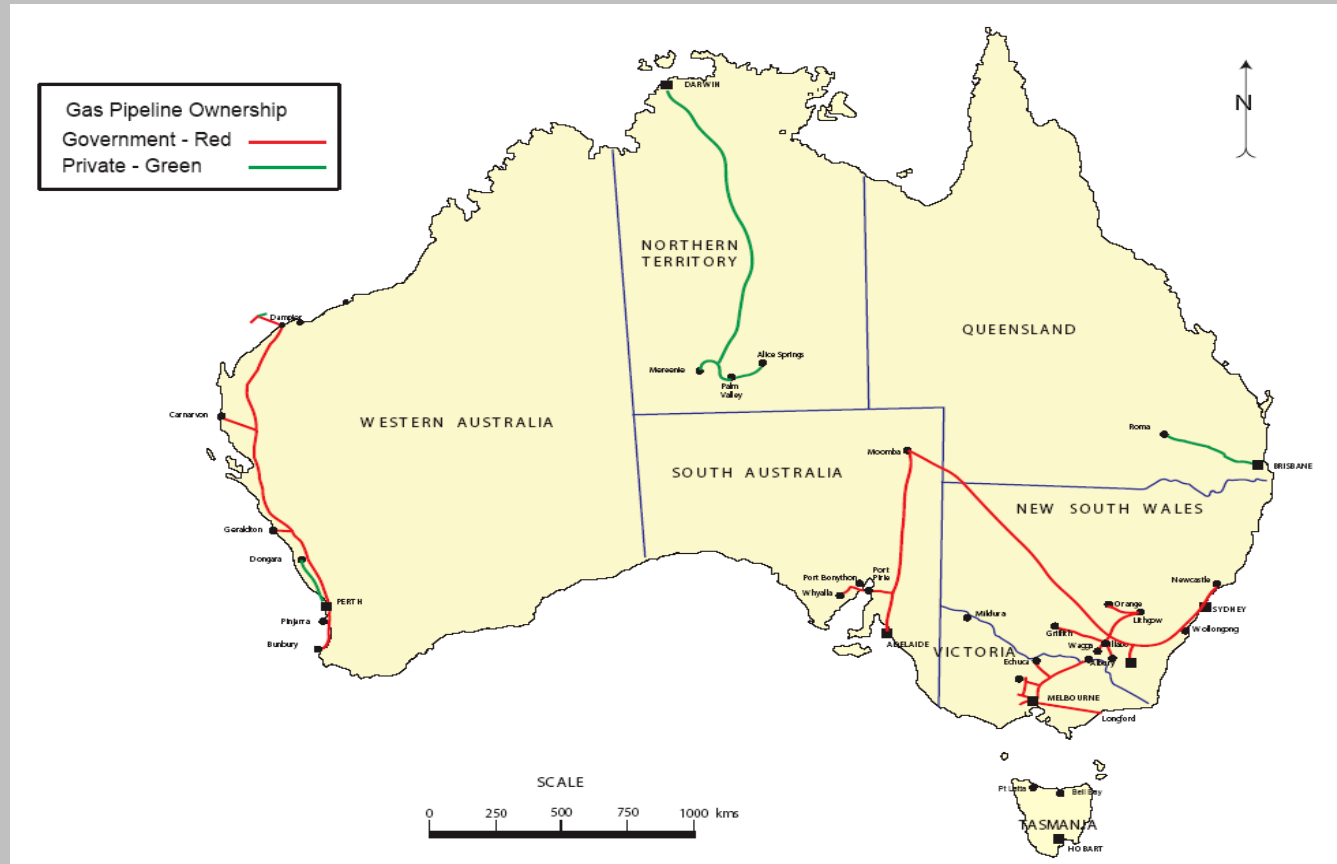


- **Acquisition of CMS holding in Goldfields Gas Transmission and Parmelia Gas Business**
- **Acquisition of Carpentaria Gas Pipeline minority interest**
- **Acquisition of 5.3% stapled units in GasNet**
- **Increased utilisation of core assets**
- **Managed stress corrosion cracking on the Moomba Sydney Pipeline**
- **Regulatory results - Moomba Sydney, Goldfields**
- **Distribution increased by 1 cent to 22.5 cpu, 40% franked**

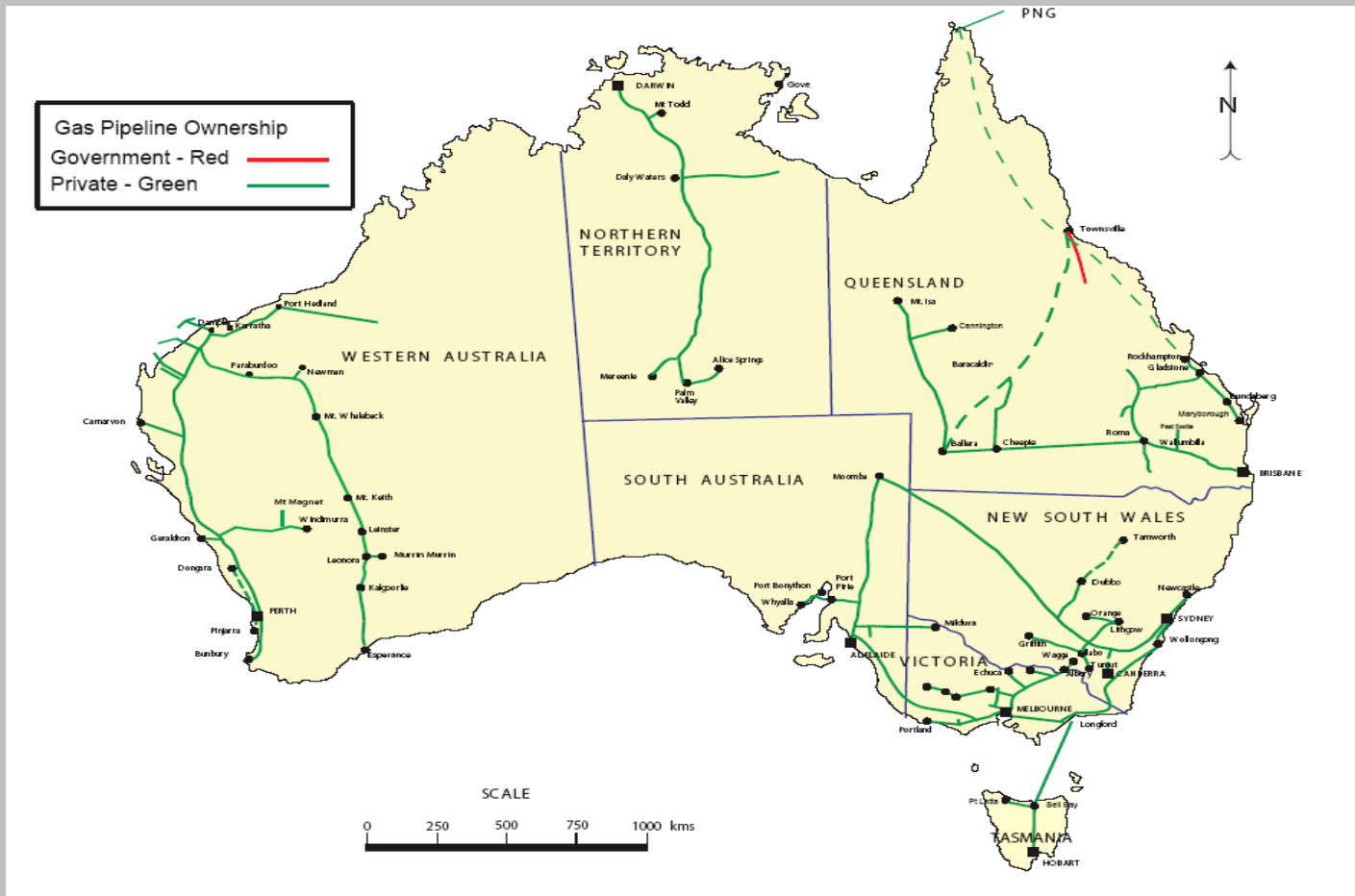


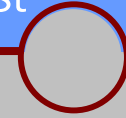
- **Increasing third party revenue on Moomba Sydney Pipeline**
- **Participation in PNG**
- **SCC management plan for Moomba Sydney Pipeline**
- **Queensland and Western Australian business opportunities will continue**
- **Expect to maintain current year operating NPAT**
- **Maintain cash distribution**

Australian Gas Pipelines in Early/Mid 1990's

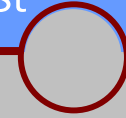


Australian Gas Pipelines Now - 2005

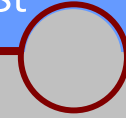




- **Regulation has undone underlying risk allocation**
- **Increasing risk for pipeliners if they invest, with much less comfort in their return**



- **Conservative response to risk of retrospective review**
- **Result has been to limit capacity in pipeline developments**
 - **Conservative spend to exactly match contractual requirements**
 - **Less efficient development - consumer loses**



- **Impact on cost of capital is unknown**
- **Impact on society is inefficient outcomes**
- **The key? – get the regulation right**
 - **The outcome will be beneficial for all stakeholders**
 - **Provide long term support of infrastructure**
 - **Regulate to accept levels of return from commercially negotiated agreements**



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