



G O L D F I E L D S  
G A S  
T R A N S M I S S I O N

GOLDFIELDS GAS TRANSMISSION PTY LTD

ACN 004 273 241  
ABN 87 004 273 241

Level 8  
Australia Place  
15-17 William Street  
PERTH WA 6000

Telephone +61 8 9422 4100  
Facsimile +61 8 9422 4101

Ref: DAK.FRH.NL-0032

6 March 2003

Dr. Ken Michael AM  
Western Australian Independent Gas Pipelines Access Regulator  
Office of Gas Access Regulation  
Level 6, Governor Stirling Tower  
197 St. George's Terrace  
PERTH WA 6000

Dear Dr. Michael

#### **Closure of Xstrata Mine at Windamurra**

I write to draw your attention to, and comment on, the recent closure of the Xstrata vanadium mine at Windamurra, east of Mount Magnet.

This unfortunate closure is yet another event which tangibly demonstrates the volatility of the segment of the state's mining industry upon which the Goldfields Gas Pipeline is dependent for its ongoing operation. In particular, it demonstrates that fluctuations in metals commodity prices are a major determinant of mine viability, and that the mere existence of ore bodies does not guarantee their commercial exploitation.

Many of the other natural gas transmission pipelines in Australia do not share this dependence on a small number of customers engaged in industries characterised by high risk.

The State Government was well aware of the particular circumstances applying to natural gas pipelines in Western Australia at the time the Gas Pipelines Access (WA) Bill was introduced into State Parliament.

As a consequence, that Bill provided for the establishment of a state based economic regulator in place of the Australian Competition and Consumer Commission.

In this context, the Hon. Colin Barnett (then Minister for Energy and Minister for State Development) stated in Parliament (Hansard 16 September 1998 pp. 1475 - 1476, p. 1479):

*Gas delivery into the mid-west is subeconomic, and that is why the Government is assisting Western Power in that provision. Does the member for Cockburn think that arrangement would pass through the Australian Competition and Consumer Commission and the National Competition Council? Could we have gained approval for the goldfields pipeline through the ACCC? No way. We gave rights and privileges to investors in the pipeline. That would not happen under the Australian Competition and Consumer Commission.*

and

*One recent example is the Victorian Government's decision to privatise its gas utility, which is now under threat because of an ACCC ruling. Imagine trying to get a goldfields gas pipeline under way; it would not happen.*

I request that you recognise and accept that you carry the responsibility to administer the National Third Party Access Code for Natural Gas Pipeline Systems within the context of the circumstances applying to the specific assets which you regulate, and not under any wider ambit.

Please do not hesitate to contact me if you wish to discuss these, or any other, issues further.

Yours sincerely



**David A King**  
**General Manager**