

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

INQUIRY INTO DOMESTIC GAS PRICES

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 11 OCTOBER 2010**

SESSION TWO

Members

Dr M.D. Nahan (Chairman)
Mr W.J. Johnston (Deputy Chairman)
Mr M.P. Murray
Mrs L.M. Harvey
Mr J.E. McGrath

Hearing commenced at 1.52 pm

MOODY, MR WILLIAM JOHN

General Manager, Marketing and Development, Wesfarmers Premier Coal, examined:

SWAN, MR ROBERT ARTHUR

Marketing Manager, Wesfarmers Premier Coal, examined:

The CHAIRMAN: I have an opening statement to put on the record. Thank you for your appearance here today. This committee hearing is a proceeding of Parliament and warrants the same respect that proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Before we commence, there are a few procedural questions I need to ask. Have you completed the “Details of Witness” form?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes at the bottom of the form?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read the information for witnesses briefing sheet regarding giving evidence before a parliamentary committee?

The Witnesses: Yes.

The CHAIRMAN: Do you have any questions about your appearance today?

The Witnesses: No.

The CHAIRMAN: The committee has received your submission. Thank you for your contribution. Do you wish to propose any amendments to your submission now?

Mr Moody: No.

The CHAIRMAN: Before we ask any questions, do you wish to make an opening statement or make additions to the submission?

Mr Moody: Thank you, Mr Chairman. We would like to make a brief opening statement. Rob and I are here today representing Wesfarmers Premier Coal and our coalmine at Collie. The Premier mine has been a supplier to Verve Energy and its predecessor, Western Power, for more than 30 years now. Since 1 July 2010 we now supply all of Verve’s coal supply requirements under a new long-term contract that was signed in 2005. This includes coal for the Muja, Collie and Kwinana power stations. We also supply coal to other parties in the Western Australian market, including the mineral sands industry—Iuka, Tiwest, Cable Sands—and a number of smaller customers. Coal from Premier Coal and Griffin Coal provides about 35 per cent of the fuel for electricity generation in Western Australia. Although smaller than gas—gas accounts for about 60 per cent of the fuel for electricity generation in Western Australia—Collie coal provides a competitive, reliable and secure source of fuel, particularly for the south west interconnected system. We only need to look back to the two incidents in 2008 to see how critical it is to have a robust coal sector. During the Varanus crisis, for instance, Collie coal was able to step up its production at short notice to ensure a reliable energy supply to households and businesses in the south west. It is clearly in the state’s interest to have a balanced energy portfolio between gas, renewables and coal. In particular, we believe that a level playing field for coal and gas is important, and we would be concerned with any market

intervention that results in gas prices that might be lower than a market determined rate. We do not resile from competition. Our concerns arise when a policy change, potentially such as a gas reservation policy, has the potential to distort the market. In this respect, we would be concerned if government policy led to artificially lower gas pricing.

Our interest in making a submission to this inquiry is, firstly, to outline the critical importance of coal and the coal industry to the state. We are not saying coal for coal's sake by any means, but we strongly believe that coal is vital to underpin the state's energy security. Secondly, we want to encourage members of the inquiry to consider the implications of any gas policy settings that may adversely impact on this vital industry. We look forward to answering your questions today. Thank you.

Mr M.P. MURRAY: Just before we start, I should say that in my capacity as a local member, I certainly run into these people from time to time. I make it very clear for *Hansard* that I talk to you on a casual and sometimes business basis, for the sake of this committee.

The CHAIRMAN: Point taken, recognised, and expected!

For the record, can you describe the position of coal, including the reserves, availability, structure and market? We hear in the press that Griffin Coal, which is another supplier, is having a bit of trouble in the market, at least in terms of the ownership. Can you give us an overview of the structure of the industry?

Mr Moody: Collie coal has been mined in Western Australia for over 100 years now. Wesfarmers has been part of the industry now for 20 years, Rob?

Mr Swan: Since 1989.

Mr Moody: That is correct. The Collie coal resource, as published by the Western Australian Office of Energy, is 2.4 billion tonnes in total resource. In terms of the measured resources of Collie coal—that is another level of geological definition—there is around 690 million tonnes in the measured resource category. That represents about 100 years of mining at the current rates of about seven million tonnes per year. We have large resources of coal. Wesfarmers Premier Coal's measured total resource is about 540 million tonnes. Correct me if I am wrong.

Mr Swan: You are correct.

Mr Moody: In our measured resource category, we have about 345 million tonnes. To take it down to another level of definition, our proven and probable reserves are 113 million tonnes. That is a substantial amount of coal to be mined at a rate of around 4 million tonnes per annum, which we are mining at present. The state has good reserves of coal. The coal itself is a sub-bituminous coal, which means it has a high moisture content. That means that the energy produced is lower because the coal has a chemically contained moisture component of around 25 per cent. It is particularly suitable for the consumption of nearby power stations. We see that it is used exactly in that way at Collie power station and Muja power station, both of which are within conveyer-belt distance of the Griffin and Premier mines, and also at Kwinana power station.

The CHAIRMAN: How do you get it to Kwinana?

Mr Moody: It is transported about 200 kilometres by rail.

The CHAIRMAN: Coal, particularly without the price of carbon—we will put that aside because it does not exist—must be a very competitive energy source now. This inquiry is really based on the issue of the adequacy, in terms of volume, and the rising price of gas and the concern that in a gas-rich state we will run out of gas for the domestic market. Your point is taken about flooding the market and the effect that would have on alternative and competing fuel sources. Coal must be very competitive with gas, even at today's prices, is it not, in terms of generating electricity?

Mr Moody: I guess —

The CHAIRMAN: Comparing like with like, a combined cycle baseload power station with one of your power stations, or a power station generated using Collie coal, must be very competitive.

Mr Moody: We certainly aim to be competitive, Mr Chairman. We want to see our business perform well and our customers to be prepared to take our product. Certainly from what we read in the press, gas prices have increased in recent times and coal prices have remained relatively stable. Our competitive position is quite solid, I would think.

[2.00 pm]

The CHAIRMAN: If gas prices were to rise, as some people say they already have, and put pressure on it as a fuel source, could the coal industry have the capacity to step up and take market share away or displace gas because of the rise in gas prices? Do you have the reserves and wherewithal to do that?

Mr Moody: Yes, there is a lead-time required in stepping up production, naturally. Premier Coal has a production capacity of 5 million tonnes; we are currently producing around 4 million tonnes, so there is a little room there to increase supply. If there were customers to take more coal, there would be the ability to step up production. What is interesting is that, with our capital sunk, things are very competitive, I believe, at the moment. But if we invest in expanding operations, as the committee has heard from others, no doubt the cost of building new plant and equipment has gone up enormously with the resources boom, it would affect future pricing to an extent. Also, as we move further into the mine, naturally you end up mining the deeper coal, the more expensive coal. It involves greater distances of transportation, so you would expect the unit cost to also increase to an extent.

Mr Swan: I think it is fair to say we see a growing requirement for baseload generation, and Collie coal is ideally suited to that. We would expect to be able to expand production to meet new baseload requirements.

The CHAIRMAN: Is there adequate capacity of baseload coal-fired generation in the South West now, to meet expected demands? There is not an imminent need to build more baseload capacity, is there, in the SWIS?

Mr Moody: I suppose the generators would be the people who could answer that question the best. Our understanding is that there is sufficient capacity at the moment and there is some unutilised capacity in coal-fired power stations at present, but with the growth in energy demand in this state, that could be soaked up in the medium term.

Mr Swan: Some of the coal-fired plant is getting on a bit in age, so maybe as that comes up for retirement, there could be a need for new plant as well. So those are the factors—demand, growth and age.

The CHAIRMAN: In your preamble you indicated a concern about policies—for instance, the reservation policy—that might lead to flooding the market with gas and therefore lowering the price of gas and undermining your relative value. Do you think the current policies of reservation and other issues are a risk of doing what you are concerned about?

Mr Swan: Could I just ask for clarification? When you say the current policy —

The CHAIRMAN: There is a reservation policy out there for 15 per cent on certain project bases, flexible as I understand it. Are you concerned about what you understand to be the current state of reservation policy?

Mr Moody: I suppose we signed a contract with Verve Energy in 2005 for 25 years for coal supply on the basis of an undistorted market and a level playing field.

The CHAIRMAN: What year did you sign that?

Mr Moody: In 2005. If the circumstances change and there is some intervention in the market in one way or another through policy, we feel we have a justifiable concern, which we are expressing. We do not, as I said earlier, have any issue at all with competing on a level playing field with gas or any other form of energy; it is an open and free market, and that is natural. We are not arguing that gas should not be freely available; it is just the pricing mechanism that could distort the market that concerns us, and if the domestic gas reservation policy was to lead to large volumes of gas being obliged to enter the market, not necessarily related to the demand, we would expect it to have an impact on price and the competitive position of coal. At present, the domestic gas policy seems to be reasonably flexible, and we have not seen too much evidence of exactly how it will be applied. I guess that is what this inquiry is all about, in many ways.

The CHAIRMAN: Yes. I am just asking because it is important when you have a policy action that impacts on not only the intended industry, the gas industry, but also competing industries, so it is important to the committee to provide you with a vehicle to express your views.

Mr Moody: Yes.

The CHAIRMAN: Do you compete with gas in just the electricity industry, or do you compete in feedstock or anything else?

Mr Swan: Coal is supplied to Worsley Alumina, and although it makes long-term decisions, it uses coal.

The CHAIRMAN: What does it do with the coal?

Mr Swan: It produces steam with the coal; it also produces steam with gas, so in that instance you have gas and coal in direct competition.

The CHAIRMAN: And Alcoa is all gas?

Mr Swan: Alcoa is all gas; Cockburn Cement has, as far as we understand, options to swing between gas and coal. In the 1980s and 1990s, I think it switched all the way from coal to gas, and it is probably now moving back more towards coal, so that is another example, the other main market being the mineral sands mining that was mentioned in the opening statement. Coal is used as part of the process.

The CHAIRMAN: It is not huge volumes though.

Mr Swan: Not in the overall context, no. Significant, but not huge.

The CHAIRMAN: Yes. Do you export any coal?

Mr Moody: We have looked at exporting coal. We monitor that market regularly. At this stage, with our new contract with Verve Energy, our concentration has been fulfilling the requirements there, but we do continue to monitor the export market. I guess we have a view that Collie coal is more ideally suited to the domestic market than the export market. In the export market, we are competing with very low-cost producers in Indonesia, with similar quality coal, who are closer to all major customers, so it makes it a pretty tough market to compete in over the course of the pricing cycle.

Mr M.P. MURRAY: Going back to the carbon tax, that is something that this will impact, especially in WA, across the board. I know some of the actions that have been taken by the coal industry and Wesfarmers about looking at that future, maybe, could-be tax. How have you positioned yourselves into the future? We know that the arguments are about the emissions from coal versus gas. I am wondering how you are going to position yourself.

Mr Moody: Certainly, a carbon tax or an emissions trading system is a major challenge facing the coal industry, and the Western Australian coal industry is no exception. There are a number of ways of dealing with the carbon issue, and a range of measures are required to deal with climate change. Amongst those, of course, are energy efficiency, transport efficiency, renewable energy,

reforestation and carbon capture and storage. It is not any one area that is going to address the climate change challenge. Each part of the equation, each initiative, needs to be part of the solution. In the case of carbon capture and storage, there is a really good story around Collie coal, which gives us a pretty positive outlook for the future, we believe. In terms of carbon capture, Collie coal was tested in Germany in recent times and shown to be amongst the most suitable coals in Australia for coal gasification. Gasification is an essential part of the process where you separate carbon dioxide gas from the clean burning hydrogen gas. That is the carbon capture path of the equation. In terms of carbon storage, a very prospective area has been identified near Collie for geosequestration of carbon dioxide. This has been investigated over the past couple of years by a working group known as the Collie Hub Group, involving private industry and also support from the Department of Mines and Petroleum, and there is cause to be optimistic that there is a prospective area for carbon storage. So there is a good chance that over time—this thing needs a lot more work done to it—we could see a carbon capture and storage solution in Western Australia, which would go to reinforce the future of coal in this state as a low-emissions fuel.

[2.15 pm]

Mr M.P. MURRAY: I might just follow on from that. At a recent meeting we were both at with Verve Energy it was stated that coal would remain competitive—as high as \$75 a tonne for carbon. Would you follow that view? It sounded very, very high to me, and I am just wondering whether you follow that view.

Mr Moody: The generator is a better place to make that calculation, Mr Murray. It is a difficult one for us to comment on. However, Collie coal is quite competitive, particularly going into existing recently efficient power stations.

Mr Swan: Yes; you often get a range of answers to that question. Obviously, it depends on gas pricing and the efficiency of the coal use and so on. You will certainly hear numbers in that ballpark when you go to conferences and so on. I have heard that sort of number before, but it can be a wide range.

The CHAIRMAN: Has your firm looked at developing coal supplies outside the Collie area; for instance, up in the north, in the Pilbara? There is a huge growth in baseload demand in the Pilbara. All that is now being serviced by gas. It is logical, if you want, if you have, let us say, a gas gouge, that maybe someone could go up and build a coal-fired power station in the Pilbara to compete.

Mr Moody: Yes.

The CHAIRMAN: Displaced gas—has your firm looked at that at all?

Mr Moody: Some companies have looked at building coal-fired power stations in the Pilbara, as an exercise.

The CHAIRMAN: Yes.

Mr Moody: And, to some extent, the gas comes south so the coal could go north as well.

The CHAIRMAN: Yes, it could come from different places.

Mr Moody: At this stage, I do not think that—you know, it has not gone ahead. As you say, there are other coal resources in the state—in the Kimberley and in the Midwest area, which are under examination, although not being imminently developed by the owners of those deposits.

The CHAIRMAN: Yes, there is one up in Eneabba—I thought.

Mr Moody: That is right.

The CHAIRMAN: Yes. It has been there—known—for a long, long time.

Mr Moody: Yes. And I am sure that the time will come for those deposits.

The CHAIRMAN: Okay.

Mr Swan: And I think the economics of what you are talking about will need to be reassessed at some stage.

The CHAIRMAN: Yes.

Mr Swan: Even building a coal-fired power station in the south with a DC link to the north is something that —

The CHAIRMAN: Is that possible? I mean, a DC link. Do you have many losses on DC links?

Mr Swan: I think you are getting out of my area of expertise. The advantage of a DC link is that you minimise the losses, but there is obviously a capital cost and —

The CHAIRMAN: Yes.

Mr Swan: —whether those economics stack up now or in the future—they could well do.

The CHAIRMAN: Yes.

Mr Swan: It is something that was looked at many years ago.

The CHAIRMAN: Yes; because the forecast for baseload demand in the north if these projects go ahead—some of them are already going ahead—is 2000 megawatts.

Mr Swan: Yes.

The CHAIRMAN: It is very large. That is Horizon's official forecast. And that does not necessarily take in all the desal and it does not include the Midwest. If things go to plan, there will be huge growth in demand for electricity in this state. The Collie coalfield appears geographically to be disadvantaged because of its southern nature. The developments are largely going up north.

Mr Swan: Yes; we can see that our location is an advantage at the moment; we are located well to supply the south west integrated system, Worsley and others.

Mr M.P. MURRAY: Getting back to the reservation policy that has been in place in some form—certainly not in a pure form as such—since the Carpenter government: has that had any direct input into the investment decisions in the coal industry?

Mr Moody: Not at this point in time. Our investments have been of an ongoing operational nature, in terms of plant and equipment and trucks, and we have not had to build a new mine. As such, we are developing new deposits in the same area. So at this point in time, partly because the reservation policy has been, in terms of its application, a little unclear, it has not had any impact on any investment decisions.

The CHAIRMAN: In 2005 or 2006 you signed a contract with Verve: was the reservation policy enunciated at that time? I think it came out in 2007–08, or 2006–07.

Mr M.P. MURRAY: No, I do not think that it was.

The CHAIRMAN: When you signed the contract with Verve —

Mr Moody: We signed it on 17 August 2005 and we started supplying on 1 April 2006.

The CHAIRMAN: There was no reservation policy enunciated; it had not been —

Mr Moody: Yes; we had not contemplated it—no—and it was not.

The CHAIRMAN: Yes.

Mr Swan: And at the same time as that contract was signed with Verve, the power procurement process was completed and the NewGen gas-fired power station was built. Wesfarmers was in that process with a coal option, but that went to gas and Premier Coal won the contract for Verve's requirements.

The CHAIRMAN: Okay. So the 2005 contract preceded at least the enunciation of the reservation policy. After it is announced would that lead to a renegotiation or would it have any impact on your contract process? I suppose it depends on how your contract is formed.

Mr Moody: Yes.

The CHAIRMAN: I have no idea of course. Is the pricing of coal tied to the pricing of gas? I assume under your take-or-pay contract Verve agrees to take so much volume. Is the price set relative to the gas price or is it —

Mr Moody: The nature of the contract is an all-requirements contract; it is not take-or-pay, as such.

The CHAIRMAN: Okay.

Mr Moody: So if gas were to be effectively subsidised—I am not sure if that is the right word—by a reservation policy, that could affect demand under our contract and the volumes would fall, which would be of concern.

The CHAIRMAN: Okay. Could it affect the price also?

Mr Moody: The pricing for domestic contracts tend to be very long-term based; demonstrated a little bit by —

The CHAIRMAN: But it is not tied to the gas price? Sometimes when you have a price arrangement—for example, LNG is typically tied to the oil price.

Mr Swan: Yes, I have heard that with gas contracts, but we generally have an arm's length-type formula that —

The CHAIRMAN: Is the coal tied to, let us say, other alternative liquid fuels—gas or oil?

Mr Moody: I am not sure that it is appropriate that we get into the nature of the coal contract.

The CHAIRMAN: The reason why is this: the domestic gas price will probably be related somehow to LNG prices. Okay?

Mr Moody: Sure.

The CHAIRMAN: Okay; LNG is tied to oil. If oil goes up \$140 a barrel again, you are going to see a decline in the LNG price unless those weightings change. If you are not, you are going to see a potentially large wedge in price differential between Collie coal and LNG, and therefore domestic gas. Generally in our inquiry we have found that the link to oil is a major factor in the consideration of the future of domgas prices. Collie coal is not necessarily linked to gas or oil in its future price determinations—is that right, or would you rather not say? Is that what you are saying?

Mr Moody: Yes; the matter of coal pricing is very, very commercially sensitive, mainly because there are just two companies and a handful of customers that we have described. Pricing and the mechanism of pricing is for us very, very sensitive and that is possibly heightened by the very large long-term contracts.

The CHAIRMAN: Yes.

Mr Moody: So the price that applies and the formulas that might apply, apply for a very long time, and also, the fact that you have the Griffin administration process under way at the moment. There are some areas that we prefer not to get into, if possible.

The CHAIRMAN: I do not want to get into the split between them, but maybe we can do this in camera. If the committee wants to look at your industry and, for example, people tell the committee that oil prices are going to go above \$100, and clearly gas is tied right now to the oil price to some degree—it varies from contract to contract, but that is the general pricing policy—and if coal is not, you are going to see a wedge driven between the domestic gas prices and the coal. And that is important for this committee to understand, if that is a possibility. If you wish, we can, after we go through the other questions, go in camera. I am not asking for the particulars. Any information

taken in camera will not be used and the committee will not disclose it in the report. It will just be for our understanding of how this is structured. I know that you have other users out there or other producers such as Griffin and that you are not speaking to them, but I think it is important to know if in fact the two are related in the pricing mechanism. As you know, the North West Shelf used to be related in part to coal prices; I do not think it is now, but I do not know. However, that was relevant to the inter-pricing of those—coal and gas.

Mr Moody: Yes. It may be interesting to look at the historical price of coal. I am not sure if you have this data or have seen this data before, but its source is the Department of Mines and Petroleum. Do you have that document?

The CHAIRMAN: We just have one question on that and maybe you can come back to us on this. That data stops at 2007–08.

Mr Moody: We have updated it.

Mr Swan: We have updated it to 2009–10.

The CHAIRMAN: It is updated. That is what we wanted; great.

Mr Moody: To some extent, that answers your question in that in the last couple of years gas prices have increased but you can see that coal prices have remained very stable.

The CHAIRMAN: So the red line is the price of gas per gigajoule.

Mr Moody: It is the price of coal per gigajoule.

Mr Swan: The price of coal is on the right-hand axis, and around \$2.50 a gigajoule is the Collie coal price.

The CHAIRMAN: Yeah; there has been very little change over a decade.

Mr Moody: It has been remarkably stable, actually, and —

The CHAIRMAN: Okay. During this period oil prices, crude prices, shot up \$125 —

Mr Moody: Yes, and if prices were connected, you might have seen—so that graph might help.

The CHAIRMAN: Of course, according to the records, average gas prices have not increased very much because it is driven by the North West Shelf, which is a longer term contract. So you see, gas prices in the state have not changed that much up until new marginal contracts, recently. You would think that you would see a degree of stability in gas prices to average gas prices.

Mr M.P. MURRAY: Just a change of tack, to some degree. The committee has been to Queensland and New South Wales and had a look around at the coal seam gas in Queensland. What do you see for the future, if any, of coal seam gas in Western Australia—what is the future as your company sees it?

[2.30 pm]

Mr Moody: It is an interesting question. Collie coal has always been proudly methane free, which has been a good thing environmentally. We do not emit methane gas when we open up a coal seam, so that is a really positive thing, methane being greenhouse gas, from an environmental point of view. But it means that seams, as a rule, do not contain much methane, and you will probably know that from the old days down at Collie, Mick.

Mr M.P. MURRAY: We used to smoke underground.

Mr Moody: Yes, so they are not gassy seams. We do not have the potential for coal seam methane.

Mr M.P. MURRAY: Do you see any other groups that may be looking at that into the future?

Mr Moody: There is talk of underground coal gasification as a technology, where you combust coal and produce energy in situ underground. Again, Collie coal is not ideally suited to that.

Mr Swan: It is partly related to the water that is underground as well.

Mr M.P. MURRAY: I am probably looking at it a bit differently, but further out with some of those other deposits. I know the water is down at Esperance, but some of those others may be developing or moving forward on that. Does the company have any plans on leases? I know you have got to be careful and do not want to play your hand in many ways, but I am just wondering—probably in a broad sense would be far better—because of the new technology we are asking, because it could change the face of the coal industry.

Mr Swan: The Perdaman project, of course, is looking at gasification.

Mr M.P. MURRAY: It is in situ, but not the same; this is the leasing out.

The CHAIRMAN: Are you one of the sellers to the Perdaman project?

Mr Swan: No.

Mr Moody: In terms of technology, we are always looking for the next technology improvement. It is really important in our industry in order to try to improve our competitiveness or maintain our competitiveness to improve technology to have safe and reliable operations. We have reviewed things like underground coal gasification. Unfortunately, we do not have the methane for coal seam methane production. We are always reviewing new mining equipment as to its applicability in the Collie coal context, because it is quite a competitive business. Over the years we continually need to be keeping our costs down, especially with the pressure increasing costs with the resources boom.

Mr M.P. MURRAY: What I am asking is more than just the Collie basin, so for the state.

Mr Swan: What I have heard mentioned, only from what I have read in the press, is Eneabba gas. That is one development. In the Eneabba area they certainly, as I understand it, looked at underground gasification, but I am not sure where that project sits at the moment.

The CHAIRMAN: I would like to put to you again, in a closed-door in camera hearing, a series of questions relating to your contract, not the details of it but whether it is linked in a general or otherwise way with gas or oil. For the reasons I said, I wanted to get a feel for if your contract price is related to future movements in gas. You have stated that there would be a potential quantity impact, because of the nature of your contract, if Verve started to use more gas, and they could move from gas to coal. I understand the quantity side. What I would like to do is to have an in camera discussion on the price side. I am doing this just, as I said, to try to get a grasp for the interrelatedness of the coal and gas, both on the demand side and price side.

Mr Moody: If that was required, would it be possible to do that on another day? We would just like to consult.

The CHAIRMAN: Of course; I understand that.

Mr M.P. MURRAY: Mr Chair, possibly on that, to make things a little easier, and also easier on me as well as the company, I could disqualify myself from that.

The CHAIRMAN: Yes, if that is what you wish. I do not want the details of a formula or anything like that; I just want to know if there is an interrelationship on the price side of coal for changes in gas directly or crude oil, because most LNG is tied, as we understand, to crude oil, so the pricing of LNG is tied to crude and the extent to which it varies from contract to contract.

Mr Swan: So just to clarify, it is the escalation formula, not “the price is X”.

The CHAIRMAN: That is right.

Mr Moody: Sure.

The CHAIRMAN: Yes, I think it is the escalation costs. I think they used to be but that was a long time ago and a different generation.

Mr Moody: That is something, if possible, we could consult internally. It sounds like a pretty simple question really, but it is something that is quite delicate, and we should probably consult with our —

The CHAIRMAN: It is in camera and, therefore, strictly confidential.

Mr Moody: Sure; okay.

The CHAIRMAN: You could do it in written form, too. We could send your question and you could send back an answer, and then we could treat that in camera also. That is saving a physical trip.

Mr Swan: Yes, that would work.

Mr Moody: Yes, that would be fine, too.

The CHAIRMAN: Okay. Are there any other issues? Then I will read the closing statement. Thanks for your evidence today. A transcript of this hearing will be forwarded to you for the correction of minor errors. Please make these corrections and return the transcript within 10 working days of the date of the covering letter. If the transcript is not returned within this period, it will be assumed to be okay and we will just go ahead with it. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on a particular point, please include it in a supplementary submission for our consideration, except for that in camera material, and we will treat this as a supplementary submission. Thank you very much.

The Witnesses: Thank you.

Hearing concluded at 2.37 pm