



Via Facsimile: (02) 6277 5719

11th Sept 2008

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam,

Ref: Varanus Island Gas Explosion

As the Committee has called for submissions into the above matter, I advise as follows:

- The Lighthouse Beach Resort is a 70 unit facility with accommodation, restaurant/bar, function rooms and recreational facilities located in Bunbury, WA
- The Resort does not have commercial laundry facilities and consequently hires all table and bedroom linen used within the premises. We hire these items from Prime Laundry (based in Perth)
- The explosion on Varanus Island disrupted the supply of gas to our Linen Provider, Prime Laundry
- Prime's immediate response to the crisis was to advise us (and presumably all its clients) that there may be a reduction in service in the days ahead, and they would advise as the situation changed
- Prime was able to continue supplying linen to us for some days after the explosion, but had advised us to reduce the usage of linen in the restaurant as well as the bedrooms so that it relieved some of the pressure on Prime
- After a few days Prime further advised us that they were unable to supply linen due to their gas provider restricting supplies to them.
- Consequently, we made alternative arrangements with another linen service in Busselton, who agreed to process our linen
- The alternative supplier's prices were higher than Prime Laundry's prices.

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- In addition, due to Prime's inability to supply us with linen for some time, we made the decision to cease using table linen in our restaurant until such time as Prime was back to normal
- Further, we also commenced washing and drying some of the bedroom linen (sheets, towels, etc) in our small domestic washers and dryers located within the Guest Laundry on our premises.
- Prime was then able to secure a reasonably steady supply of gas but at a much higher price than normal. Consequently, they advised us that the higher price would be passed on to their customers (one of whom was us) as a surcharge.
- The initial surcharge was 60% of the linen charge but this has since been reduced.
- Prime has returned to normal (insofar as the provision of linen is concerned).

We had heard rumours that some accommodation providers in the State were turning away customers as they did not have any clean linen to service the rooms.

Additionally, I am of the opinion that the State Government of the time only stepped in to assist the hotels and Prime Laundry due to the upcoming ATE conference in Perth. The State Govt. no doubt knew that the delegates to ATE had the ability to create a PR nightmare for the State, and to highlight to the world the dismal failure of the State Govt's handling of the crisis.

Further, the fact that the Independent Market Operator stepped in as a facilitator to allow the trading of gas on the open market may be seen as the right thing to do but again, in my opinion, the IMO was simply a silent partner in a price-gouging situation.

Yes I am fully aware of supply and demand but those are factors which work best in a free market. The situation created by the gas explosion and regulated by the IMO was not a free market.

A more equitable system would have been for all parties affected by the explosion to have their gas allocation reduced by 30%. This is the number that has been bandied about as being the reduction in WA's gas supply due to the explosion.

I know that the matter is currently before various Committees and a report is to be presented in due course (assuming the new Energy Minister is more forthcoming than the last one).

As the last State Government was only interested in its Perth Metro electorates, country areas were generally ignored in terms of infrastructure, etc. While our business was not directly affected in terms of reduced gas supplies, we had a marked effect on our costs due to this event.

The direct financial consequences to us have been:

- Increased energy and water costs due to having to process our linen in small, less efficient domestic washers & dryers
- Increased labour costs as a consequence of the above
- Higher linen charges due to using a linen service other than our normal one.
- Higher linen costs due to the gas surcharge imposed by Prime Laundry (as a consequence of them being forced to purchase gas on the open market at almost 5 times the normal price)

I am also lead to believe that due to some companies temporarily ceasing their operations due to a lack of gas, this reduced travel to Bunbury and had a negative impact on our accommodation and restaurant turnover. Unfortunately, I only have anecdotal evidence to support this.

The Senate Committee's website also requests responses to other statements, and these are shown below (note, this is only in terms of our industry & my experience):

- i. the adequacy of the crisis management response,

Other than the Govt. agreeing to pressure the gas supplier to release a limited quantity of gas to Prime Laundry, the Govt did not appear to do much at all in response to the crisis.

Further, it was only after the Australian Hotels Association advised the Govt of the importance of the ATE conference that the Govt appeared to take any steps to improve supply to Prime Laundry (albeit only for a short term).

- ii. the adequacy of reliance on one source supplies of gas for domestic markets,

This is a matter to be discussed between the major suppliers of gas, such as Alinta & Origin, and their suppliers in turn.

Obviously this crisis highlighted the drawback of using single source suppliers, but the economic reality may not warrant multi-sources either.

- iii. the provision of reliable and affordable supplies of alternative energy,

Again, this is matter for a responsible and mature Govt (unlike the last State Govt)

- iv. the feasibility of developing emergency storage facilities of gas in depleted reservoirs or other repositories,

A cost-benefit analysis should be undertaken to determine the feasibility of this item.

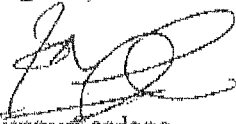
- v. the justification for any refusals to release relevant facts and documents publicly.

The last State Govt was notorious for refusing to release any information which it felt was too politically sensitive.

The previous Energy Minister, Fran Logan, is on record as stating that he didn't believe the public needed to know the contents of the Report into the explosion.

The public is mature enough to make their own decisions based on the information provided, but Labor's policy has always been to not provide information at least until their spin doctors have had an opportunity to ensure the Govt is adequately prepared to handle the backlash. Or, as will hopefully happen in this case, not release the Report until they have left office.

Regards,



Sunny Sardana
GM