



Wednesday, September 10, 2008

Senate Economics Committee

Submissions for Senate Inquiry in gas crisis

Bunbury Steam Laundry a subsidiary of Prime Laundry and Dry Cleaning wishes to put forward a submission for the issues faced during the Varanus plant gas explosion.

Prime Laundry and Drycleaning is the largest independent, privately owned, laundry and linen provider in the textile rental business specialising in the hospitality industry in Perth and the South West of Western Australia. We supply and clean accommodation linen for hotels and table linen for its associated food and beverage outlets. We also provide a drycleaning and laundry service to hotels for guest & staff garments, as well as uniforms and manchester.

The crisis started June 3rd but it was not until June 5th at 10pm that Prime was notified of the force majeure. At that time, we had immediate restrictions, and forced to reduce our gas usage to zero. During this time, Prime was already assisting another laundry with its cleaning because it had been notified of gas cuts on the actual day of the explosion (June 3). Because of this, it delayed our output because Prime's gas was cut.

When the allocation process started, the communication between gas supplier and company was very limited, we were not informed within a reasonable time of the continued reduction, therefore causing staffing issues and additional costs to the business. This did improve over time, but timing was still erratic, making it impossible to roster staff, advise customers and run a business effectively on limited gas. However for some unexplainable reason, Prime was able to send some of its dirty linen to its competitors because these competitors had INCREASED gas usage during the crisis, even though Prime's plant is far more efficient than others and could have done the work of theirs and its own at a much more efficient rate of gas usage, due to expenditure on modern equipments and efficiency.

The question we find hard getting an intelligent answer for is "If it was a force majeure then why was not everyone in our industry affected?" Many laundry businesses, less than half our size in usage, were able to continue running as normal without any gas reductions. No logical answer was ever given to us on this issue. Despite offering and being able to continue running and supply our customers at a 47% reduction in gas, we were still cut and often shut for days on end, without any gas allocations. Yet others faced no reduction and were able to cherry pick at our customer base. Prime is one of the most efficient gas and water users in the Australian Laundry Industry, yet volume was shifting to smaller inefficient operators.

This reduction in gas reduced our operating capacity by 40% and we had to reduce our staff numbers (150) considerably, and on some days only had 30 people as all others were forced to take leave until work built up.

We just managed to get through the worse period with the support and persistence from the Tourism Commission and the AHA (Australian Hotels Association). They were able to assist in securing gas for the short term because of the possible threat to close hotels during the major tourism conference ATE (Australian Tourism Expo)

There was obviously gas around because the "Bulletin Board" which I considered the (BLACK MARKET) was set up and Prime was able to secure gas to guarantee supply to our customers but that came at a cost of up to 5 times greater than our contracted prices. Why was that not controlled and gas distributed equally?

Furthermore, the government at the time, was continually telling the public we had a CRISIS, yet they sought a commercial solution to the problem. It is a business role to seek commercial solutions' and the government's role to seek social solution. In my view, Alinta was put in a position by the government's inaction that it had to make choices the government should have been making. Many countries have to deal with energy rationing, quick surf of the Curtin Net and you will find academic papers of effective power rationing. Rule number 1, rotate and roster energy with advanced warning on the time table of Power On & Power Off. This avoids the hording and indecision. The loss of confidence by our customer base was the greatest cost to our business.

The government did not always assist and at one stage stated that the worse was over then we were shut for 5 days straight after that comment, customers believed what the government had said which then created issues for us.

The crisis caused the business to suffer financial losses of over \$50,000 per week in sales, cost the gas up by as much as 5X. The Bulletin Board system was a take & pay system where we had to pay for gas upfront and whatever was not used was returned to market. The limitations of what was available also forced us to purchase a larger quantity of gas (min amounts) then we required therefore paying for gas and not using it all. The craziness of it all was that all unused gas went back to market and resold buy our gas supplier / transporter and no credit issued to us. We averaged 200-400 GJ unused each week.

My concern now is that if there is to be another explosion forcing gas rations to businesses, what implementations will be put into force to prevent another commercial nightmare? I am abhorred at the unfairness at which the gas rationing was distributed and the price Prime and other companies had to buy it on the "black-market". This crisis cost us dearly, next time we may not be so lucky and neither will the hospitality industry in Western Australia.

If required one of us would be happy to attend the inquire and explain some of the points or add some experience to the discussions

Sincerely

Robert Dube
GENERAL MANGER

And

Raymond Gianoli
DIRECTOR