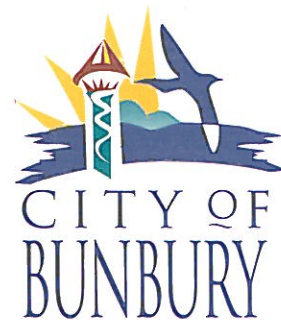


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17th September 2008

Committee Secretary
Senate Economics Committee
Australian Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

*From the Office
of the Mayor*

Dear Sir

**RE SUBMISSION INTO MATTERS RELATING TO THE GAS
EXPLOSION AT VARANUS ISLAND & ITS CONSEQUENCES**

Please accept this letter as a submission in relation to the above.

1. Bunbury is at the end of the Dampier to Bunbury gas pipeline.
2. The explosion and its consequences have identified two needs:-
 - (i) Maintenance of the supply source and pipeline infrastructure needs to be supervised by an independent regulator that is independent of Ministerial direction and ought to report to Parliament rather than the Minister. The regulator needs to be resourced to regularly inspect the infrastructure and to carry out its own risk analysis.
 - (ii) There needs to be a LPG receiving, storage and distribution centre in Perth (or preferably the South West) that can compete with the natural gas pipeline for customers, and provide its own distribution system to reduce reliance on the pipeline.
3. The pipeline needs to be duplicated and/or its capacity increased. The increasing development of the South West, and the State Government's promise to extend the pipeline to Albany, are being compromised by the lack of capacity in the Perth to Bunbury section of the pipeline.
4. From the meetings I attended with industry, two elements became obvious.

Because Alinta is a private enterprise, and Western Power, Verve and Synergy are corporatised and to some extent competitors, it was extremely difficult to get an overall picture of who was able to supply what, and how they were allocating and prioritising that supply.

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Alinta in particular were completely independent of Government so there was no transparency or accountability for what they were doing.

What is apparent is that they substantially increased the cost of what they were supplying, but whether they were price gouging, or their customers were independently bidding up the price could not be identified.

5. In addition there appeared to be extreme reluctance on the part of the various Chambers and other industry bodies, to allow "the Government" to take on the role of an allocator, for what appeared to be a philosophical belief that the market should remain free.
6. Whatever the cause, the allocations by Synergy and Alinta were being notified each day after hours on the day before supply which was a hopeless situation in terms of notifying staff, and the firing up requirements, and costs.
7. I do not know if the position of the Chambers would have been different if there was an independent regulator who could demand the necessary information from the suppliers, and do a formal allocation based on weeks rather than a day.

I would otherwise support the submission made by the Bunbury Wellington Economic Alliance, of which the City is a member.

Yours sincerely



David Smith
MAYOR OF THE CITY OF BUNBURY