From: Dobinsons Spring & Suspension [admin@dobinsonsprings.com]
Sent: Friday, 4 January 2013 12:15 PM
To: General Electricity Address
Cc: 'SANDERS Daniel (NQ)'; 'Keppel Electorate Office'

Importance: High

QUEENSLAND COMPETITION AUTHORITY

TO WHOM IT MAY CONCERN

Dobinsons Spring & Suspension has previously placed submissions on Friday, 19 October 2012, with a request of asking for Tariff 37 not being removed or changed. Please see below previous submission.

PREVIOUS SUBMISSION SUBMITTED 19/19/12

We received a letter in the mail dated 28th September 2012 (refer attached) stating TARIFF 37 is going to be phased out at the end of the 2011-2012 financial year. In this letter it suggested we contact the Business Service Representative. We did this and was informed that the next best TARIFF for us would be 22. This TARIFF is based on 'time of use' and it will increase our electricity bill by $16,000 - $20,000 per month. This will take our month bill to over $36,000. An increase of approximately 100% in one hit.

I then approached our local State Member of parliament The Honourable Bruce Young and he made contact with Ergon Energy on our behalf. In reply to his contact, Ergon Energy has sent us an email (see attached) informing us that it is possible to get an extension on this phase out of TARIFF 37 until 30th June 2012. A 20% increase sounds excessive to me when inflation is only running around 3%.

Dobinsons Spring & Suspension is located in Rockhampton. A regional city based some 640km from its capital city and only 35km from one of Queensland largest power stations. Our company manufactures coil and leaf springs for the automotive industry not only for the Australian market but also supplying quality products to the rest of the world. Our export program has been in operation since 1985 and currently reaches to over 40 countries. Due to this export market Dobinsons Spring & Suspension has had to invest heavily in more efficient equipment and processes in order to remain globally competitive.

7 of our key manufacturing pieces of equipment are electric fired furnaces. These were chosen as they were the most efficient and environmentally safe furnaces at the time when compared to gas or oil fired furnaces. With these and other pieces of equipment used, we have until now, been able to remain competitive locally and globally.

Over the past 6 years electricity increases have totalled approximately 96% for TARIFF 37 and 80% for TARIFF 20 (refer attached). Now as you would expect, electricity is a large input cost for our business as we heat and forge spring steel in our manufacturing process. We have had to hold off any price increases over the last 5 years in order to remain competitive in Europe, USA, Russia etc... and as such these increases in electricity costs have cut into our profit margin in a huge way. Our export customers will not be able to afford quality Australian products if we are to pass on these increases. The Australian Dollar is also not helping.

If TARIFF 37 is to be taken away from us it will leave us with only a few options:

1. *Jobs will have to be lost*
2. *The company will have to cease operation*
3. *As we manufacture over 2,000 part numbers regularly it is impossible to import these products from China where operating costs are at a minimum. We could import the fast moving numbers and manufacture the slower moving*

numbers but then my purchasing power on raw products (steel etc...) will be lost and in turn those prices will increase also.

4. *Generate our own electricity by means of a 20 foot container style generator. However, initial investigation this is not a very viable option either.*

So really I see no alternative to staying in business with the already 96% increase over the last 6 years and now an approximate 100% increase on top of the 96% next year. How can the electricity company justify these sorts of price increases. Their main input cost is coal and that has dropped in price by almost 50% over the last year alone. With our factory in Rockhampton being in the middle of the Queensland Mining Industry, we are constantly hearing from our customers of the thousands of jobs being lost due to the drop in coal prices. The electricity is produced for around $0.04 (4 cents) per KWh. With a 100% mark-up it would be a good profit margin for any business but to increase the margin by what Ergon Energy is doing is not justifiable when considering the volume produced.

In summary I can't see any alternatives for our business situation and if TARIFF 37 is taken away, all I can see is an Australian family business that has been operating since 1953 and with its 3rd generation just beginning becoming obsolete and with no future for it or its employees.

Please grant us an extension to 30th June 2016 to enable us to find a way to keep the business going and growing throughout this transitional period. We are all Queenslanders so let's all work together and make this state great once again.

SUBMISSION DATED 04/01/13

Since our previous submission I have attended a meeting held by the Q.C.A. in Mackay which was valuable in obtaining further knowledge on the changes to tariffs and we have been very proactive in sourcing all other alternatives. I have made much research during the past two months looking at all possibilities to alternative options to our electricity usage. However until now I have not been able to find any other solution that will compete with Tariff 37.

I have also learned gas is increasing 350% in 2016 and oil is too expensive. Our electric furnaces have 25 years of life remaining in them. The cost to build gas or oil fired furnaces is prohibitive. Solar electricity is not economical. We would require 6,600 square metres of solar panels, The cost is prohibitive and these are not reliable, as well as the sun does not reach Rockhampton until 7.00am on the 22 June, and our factory starts work at 7.30am and the furnaces would not have enough electricity to run in winter. Rockhampton is situated behind the Berserker mountains.

To replace our 7 electric furnaces in either gas or oil fired would vary in cost between $500,000 to $1,000,000 each furnace.

The next competitive tariff is Tariff 46 which has a demand charge of $27.40. We use on any Monday morning approximately 800 kw, that equates to $22,000 demand charge then our electricity bill on top of that would bring our electricity bill to a total of approximately $40,000 per month. Our usual monthly electricity bill ranges from $16,000 to $23,000 a month so as you can see our electricity will increase approximately 100%, that is on top of a 100% increase since 2006 (6 years), making a total of 200% in 7 years, that is obscene.

As Dobinsons Spring & Suspension exports to 40 countries I will become uncompetitive if I increase my prices any further. We have to compete with China, Asia, South America, India, etc, who all have the competitive edge over us in Australia. They all have cheap wages and energy costs. To compete with these countries we run Lean Manufacturing System and have equipped our plant with the most efficient machinery and electric furnaces so that we are competitive. Now with the 100% increase over the past 6 years, and another 100% increase in energy costs we will then not be competitive on the global market. As you name suggests "Queensland Competition Authority", I cannot see any evidence of the QCA keeping energy costs globally competitive. If any other business could increase their costs by 100% in 6 years and then 100% in one go, they would be shut down. I can't see why the first 6 year increase of 100% should not have already been more than sufficient to cover all business development and upgrading already within the line, poles, etc. In only November 2012 I increased our prices by 4%, the first time since 2007 and my customers all screamed about that. I need the export business to make the domestic market viable by the means of "Economies of scale".

I really need a lot more time to see which source of energy if any will be viable to take this business into the future. Dobinsons Spring & Suspension has been making springs for 60 years, my brother and myself being the second generation, and now with our 5 children working in the business being the third generation it would be a big loss to this city if Dobinsons Spring & Suspension was not viable enough to keep this business competitive all because of the electricity pricing has caused us to become uncompetitive. Hopefully I can find a solution to the problem before 2016, only time will tell.

Please do not change the Tariff 37 as there are only 160 customers supplied by Ergon on this Tariff 37. I don't think we would make much of a change to Ergon if we were left alone. I don't have any other alternative to change to so that I stay globally competitive with our products manufactured in our Rockhampton factory.

I request that Tariff 37 "not" be removed or made obsolete and the price of electricity not change as we have structured our business plan around Tariff 37 and our business plan over the next 25 years is based on Tariff 37.

Regards,
Glen Dobinson

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