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From: Dobinsons Spring & Suspension [admin@dobinsonsprings.com]
Sent: Friday, 19 October 2012 3:14 PM
To: General Electricity Address
Subject: ELECTRICITY TARIFFS
Attachments: Follow up from meeting; Ergon letter 28 09 12.jpg; Regulated Retail Electricity Prices

QUEENSLAND COMPETITION AUTHORITY

To Whom It Concerns

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.

Looking forward to your favourable reply.

Regards,
Glen Dobinson

Dobinsons Spring & Suspension
58 Hollingsworth Street
North Rockhampton QLD Australia 4701

Phone: (07) 4927 7444
Fax: (07) 4922 3082

Website: www.dobinsonsprings.com