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Mr Dean Wickenton
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Essential Services Commission
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Dear Dean

Comments re. Proposal by Barwon Water for price adjustment

The Australian Industry Group welcomes the opportunity to provide feedback on Barwon Water's proposal for an adjustment of its water price to cover costs of the Melbourne to Geelong water pipeline. In developing this submission Ai Group has consulted with member companies located in the Geelong region.

Consideration of the Impact of Proposed Price Adjustment on Business

We understand that Barwon Water seeks an additional 4% price adjustment, on top of the Commission's previous determination to increase water prices in its service area, to pay for costs associated with the recent connection of Geelong to the Melbourne metropolitan supply network by a reticulation pipeline.

It is essential that in its consideration of the request for a price adjustment, the Commission considers both the extent and the timing of the increase and the context of significant increases in utility and input costs which are adversely impacting on manufacturing, including:

- o Doubling in water costs from 2007
- o 80% increase in trade waste charges from 2007

Small-to-medium manufacturing businesses (with water purchases of between \$5,000 and \$10,000 per annum) consulted by Ai Group have expressed concerns that the proposed 4% price increase is on top of already increased water prices. For those businesses with trade waste agreements, it also means an increase in the charge for discharges to sewer.

Larger water users (with water purchases over \$35,000 per annum) consulted by Ai Group also emphasised the significant impact that the proposed increase would have on their operations given the impact on trade waste charges for effluent. In addition, larger businesses stressed that the proposed price increase comes at a time when manufacturing is under severe pressure due to the impact of a high \$A and high energy costs which will

continue to increase significantly due to the expansion of the VEET scheme, impact of network charges and introduction of a price on carbon.

Recommendation

Ai Group requests that the Commission's analysis of the proposal for increases factor in the current outlook of rising costs and subdued business outlook and assess options for more graduated pass through of costs over an extended period of time to alleviate the burden on industry.

If you require more information please contact me at robert.lorenzon@aigroup.asn.au or at 03 9867 0240.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Lorenzon', with a stylized flourish at the end.

ROBERT LORENZON
Member Support Executive Industry Sectors, and
Business representative, ESC Customer Consultative Committee