



HARDWICK'S MEAT WORKS PTY.LTD

A.B.N. 48 001 844 734

CONTRACT BUTCHERS

KNIGHT COURT, KYNETON

BOX 237, KYNETON, VIC, 3444

Phone (03) 5422 0400 Fax (03) 5422 0444



SUBMISSION

COLBAN WATER – DRAFT WATER PLAN 3

Hardwick's Meat Works Pty Ltd wish to lodge the following submission in relation to the Coliban Water (CW) Draft Water Plan 3. The proposed CW charges will mean in the region of a 100% increase of our water and wastewater charges from the present levels.

We do acknowledge that we are continuing ongoing discussions with CW in regard to a transitional arrangement and some resetting processes with regard to the proposed availability charge, and those discussions are resolving some of our immediate concerns. However, we continue to disagree with the proposed pricing “philosophy”, and how such an approach can impact future costs, irrespective of any suitable transition arrangement.

CW is proposing to use a “postage stamp” pricing approach in the new Water Plan period which is substantially different to the present location based pricing. In our view, this use of a “postage stamp” pricing approach may be appropriate for groupings of residential customers with similar requirements across the region, but as far as Major Trade Waste customers in regional locations are concerned, their respective reasons for locating in different regions, and the significantly differing service requirements they have, does not suit this philosophy of charging.

We also suggest that this approach places CW's Business Model under significant risk as there is no recognition of the importance of Major Customers in “underpinning” the basic revenues required for the commercial sustainability of significant CW assets.

For example, should our business cease operations, relocate to another location, or undertake full waste treatment on our site, CW would be left with stranded assets and minimal revenues from Kyneton. We suggest that to ensure the best result for the community as a whole, any pricing philosophy should reflect both actual costs at the specific location, and also be competitive in relation to what an alternative service would cost. (eg: Under the proposed pricing from CW, Hardwick's are now investigating all other options including full onsite treatment).

Our main issues are summarised as follows:

1. Common commercial practice is that major users of products or services are provided with the products or services at a reduced unit rate relative to their importance as customers to the supplier, and in recognition of the reduced unit costs of providing major quantities. CW's draft Water Plan 3 does not propose any difference in unit pricing between the different users.
2. The CW proposed “Availability” charge for Trade Waste Services has been advised to us as *“The MTW availability charge recovers the costs associated with providing and maintaining access to the Coliban Water network. An individual customer's availability charge should seek to recover the cost incurred relative to their cost contribution to the entire integrated sewer network”*. CW has advised that this is calculated over the total CW region. The separate CW waste systems (Echuca, Bendigo, etc) are not “integrated” and have significantly different cost structures and treatment standards as well as substantial differences in “cost contribution” due to customer locations. Therefore it appears that what

is proposed is that Hardwick's pay an unfair amount ("share") in comparison to some other customers who require a long network, are located in areas hard to service, or require substantially more expensive treatment processes to treat their waste. These sorts of issues are taken into account by all major businesses when making decisions about initial location and for expansion plans. Hardwick's were originally encouraged to locate in Kyneton by CW's predecessor organisation in the area, and the local authority. The locating of the plant in an industrial area close to major highways and very close to infrastructure including appropriate waste treatment facilities were major cost factors in this decision. We note that some Regional Victorian Water Authorities are continuing to charge on a location specific basis under the proposed Water Plan 3. We contend that any "Availability" charge should be user specific and relate only to the sewer infrastructure which directly transfers waste from our plant to the CW waste facility. We note that the pumping system is owned and operated by us and the rising main is a relatively short and low cost piece of CW infrastructure.

3. CW's draft proposal is for charges to be uniform over its area irrespective of the specific costs of providing and operating infrastructure in specific areas. For example, CW are proposing to charge for salt loads and other "quality" components in Kyneton even though the Kyneton treatment process does not remove salt or treat for some quality components. We do not consider that CW should charge for services which are not provided or which do not have cost impacts associated with the specific service. We note that some other Victorian Water Corporations charge in relation to levels of treatment and it is also in place in the UK for example. We have historically been charged for BOD/COD load only, which reflects the treatment process used at Kyneton.

4. We also believe that the "postage stamp" approach to pricing for Major Customers proposed by CW has the future potential for significant adverse impacts in future Water Plan's. For example, should a major customer with a waste stream which is difficult to treat locate somewhere in the CW area, all CW Major Customers could have a significant cost increase imposed due to treatment upgrade requirements but may have no input into such a decision.

We also note that the ESC *"Trade Waste Customer Service Code – June 2012"* requires that:

- Water Businesses must Classify Trade Waste Customers (Clause 2.1) in order to *"establish ..the type of Agreement applicable to that customer, reflecting the level of complexity of receiving and managing the trade waste stream; and"*
- Clause 2.2 requires that the classification take into account *"the customer location relative to the treatment plant"*

We interpret this to mean that CW's "across the region" approach to an Availability charge does not comply with the Code, as any "classification" infers that fees and charges are included in this consideration.

We look forward to your consideration of this submission.

Regards



Mark Hardwick