



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 ON WATER PRICE REVIEW 2013

REGIONAL URBAN WATER BUSINESSES – DRAFT DECISION

TRADE WASTE

In the submission we made on 25 January 2013 in relation to the Coliban Water (CW) "Water Plan 3", the main issues were 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.

Taking each of the above dot points in order, we have reviewed the relevance of the ESC Draft decision and comment as follows:

1. The issue of pricing adjustments in relation to the size and importance of individual major customers has not been specifically addressed in the ESC draft. However we note that in Clause 14.4.2, under the heading "Coliban Water", paragraph 3, Coliban Water reportedly advised the ESC in additional information that *"It also stated it will endeavour to keep major trade waste customers on site specific contracts rather than having them pay the scheduled charges"*. We understand that this information

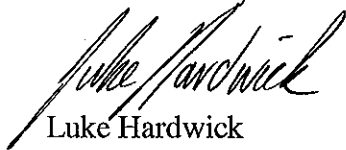
was provided to the ESC as a particular reference to issues both ourselves and our associated submitter, Macedon Ranges Shire Council (MRSC), had raised. Our consultants discussed this with Coliban Water staff at a meeting on 15th April 2013. They were advised that the ESC had misunderstood the CW intent and this position only applied to the extent that an initial transition to scheduled charges would be offered. We further understand that CW will be submitting a clarification to ESC regarding this. We therefore request that the ESC require site specific contracts to be applied specifically in relation to ourselves (and MRSC) which better reflect the sunk costs associated with the Kyneton wastewater system as discussed in our original submission and covered generally under all dot points.

2. CW has offered to include a provision to revise the "Availability Charge" should major changes be made to wastewater flows. This provides some potential benefits for us in that waste minimisation actions will be recognised and some savings made. However, there appears to have been an attempt by the ESC in Clause 14.4.2, under the heading "Coliban Water", paragraph 4, to address our concerns. The ESC draft in part notes "*The Commission thus requires Coliban Water, upon request by a trade waste customer on a negotiated contract, to demonstrate the cost for the customer large users under the proposed schedule prices would be no greater than the standalone cost for the service*". CW and ourselves consider this to be a very unclear statement. Irrespective of that, we understand that CW has no intent to request clarification from the ESC. We therefore request that how such a "standalone cost" should be calculated and what parameters would apply should be defined by the ESC. The issues raised, in particular in dot point 2 of our original submission in regard to site specific costs and location/asset use should be included in such a definition.
3. This dot point is addressed in Clause 14.4.2, under the heading "Coliban Water", paragraph 5. Covering when charging for total dissolved solids is applicable. CW advised our consultants at the meeting on 15th April 2013 that they do not agree with this and may be making a further submission to the ESC. We are satisfied with the present draft decision as no removal or reduction of salt loads occurs at Kyneton.
4. The draft ESC decision does not appear to specifically address our concerns in regard to "postage stamp" pricing as noted in dot point 4 of our original submission. However, this may be addressed to some extent by some further clarification and specific requirements as noted above, in particular more definition on the requirement for site specific contracts, and an appropriate clarification of comparison of standalone costs which incorporate site and asset specific requirements.

Obviously these issues are of major concern to us as we are facing a progressive "tripling" of present wastewater charges. Our Coliban Water charges have already increased by 273% since 2008. We understood from the CW Draft Water Plan previously provided to us that there was an intent for "an overall price increase of approximately 14% in 2013-2014 and 2% each year thereafter" to Trade Waste charges which would have been difficult for us to absorb. We had no indication that we, as a Major Customer critical to the economic basis of Kyneton, would in fact, be arbitrarily subjected to tripling of Trade Waste charges until we received a presentation from CW staff on 24th August 2012.

We would also appreciate the opportunity to meet with ESC staff to discuss our situation and the impacts on our business prior to finalisation of the ESC decision. We look forward to your reply.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Luke Hardwick". The signature is written in a cursive style with a large, sweeping initial 'L'.

Luke Hardwick

General Manager