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# Introduction & Summary

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- In-principle support for augmentation of water supply for current and future needs and recognise need for capital + incentives for construction
- Cash flow + credit are concerns for business – in context of rising costs and reduced demand
- Preferable for expenditure and price increases to be smoothed over 5-years  
[Align the pricing with delivery of benefits to customers]
- Equitable allocation of costs should prevail

# ESC water price review for metropolitan Melbourne 2008/09 – 12/13

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## Summary of industry feedback



# Industry includes



- Food processing
- Power stations
- Paper + packaging
- Printing
- Chemicals
- Plastic
- Autos and transport
- Beverages
- Steel
- Recycling
- Metal manufacture
- Cold storage
- Industrial laundries



# Other Non-res water use in metro area



Hospitals + medical care

Education

Sport centres

Entertainment

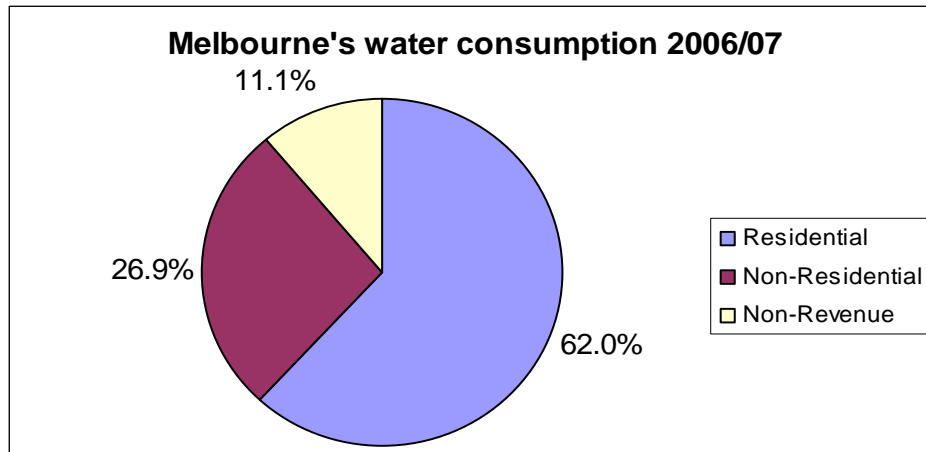
Zoo and Aquarium

Retail + hospitality

Commercial offices + services

Parks and gardens

# Melbourne's Water



<b>2006/07</b>	<b>% Demand for water</b>
Residential	62.0%
Non-Residential	26.9%
Non-Revenue	11.1%

# Victoria's Water

## State-wide consumption

### Water consumption by customer class 2005/06

Customer Segment	(ML)	%
Irrigation	3,043,010	76.2%
Domestic & Stock	176,130	4.4%
Melbourne (Residential)	306,290	7.7%
<b>Melbourne (Non- Residential)</b>	131,660	3.3%
Regional (Residential)	142,540	3.6%
<b>Regional (Non-Residential)</b>	75,320	1.9%
<b>Latrobe Valley major uses</b>	120,460	3.0%
	<b>3,995,410</b>	<b>100.0%</b>

*Source: State water report 2005/06*

*Note: 2005/06 is the most recent state-wide consolidated data available*

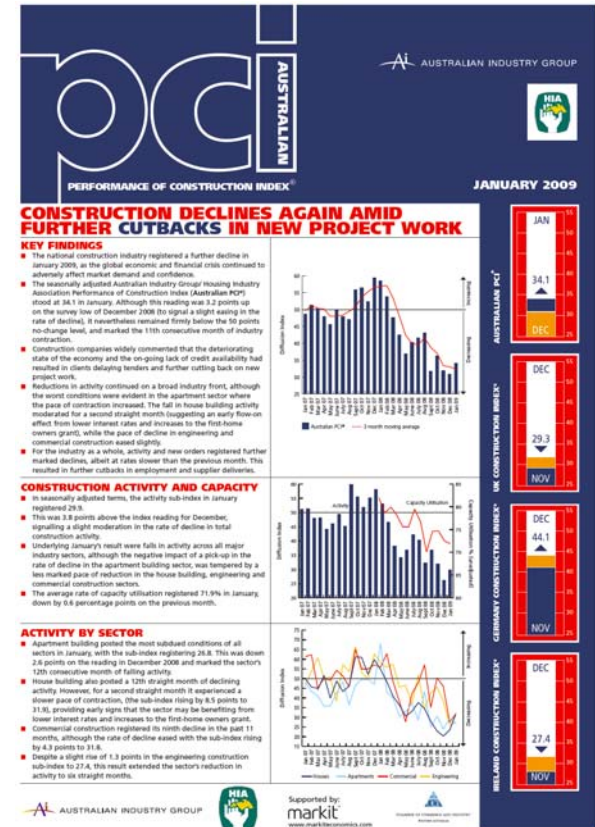
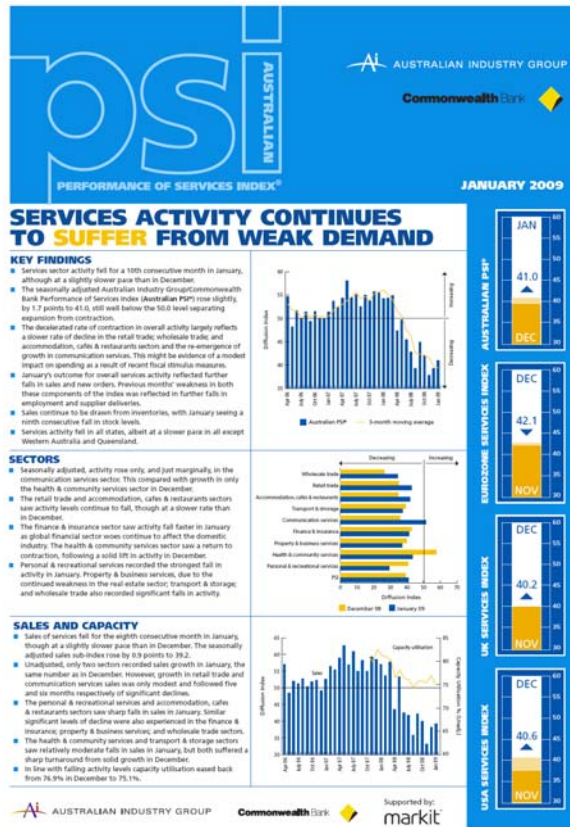
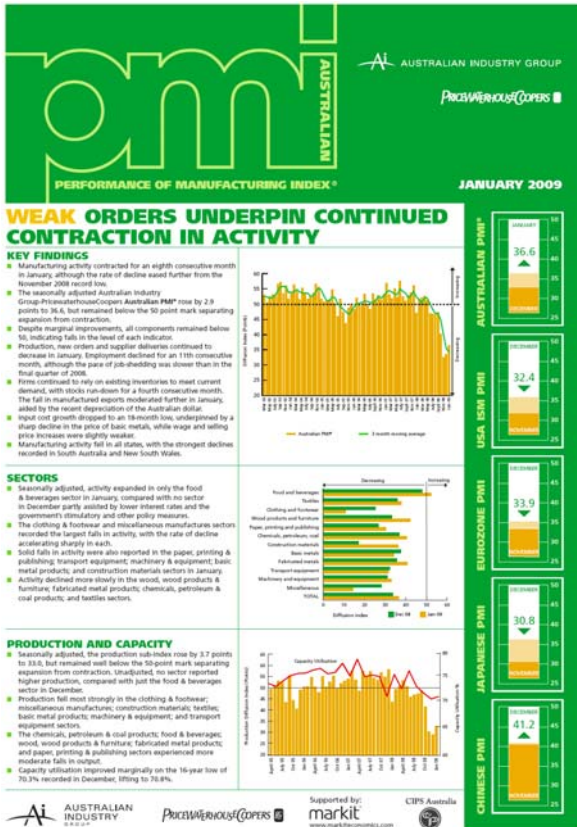
# Business Conditions

- The global financial crisis has hit world economic growth hard
- In Australia this has led to significant falls in consumer and business confidence
- The Australian unemployment rate is likely to move above 6 per cent by the end of 2009

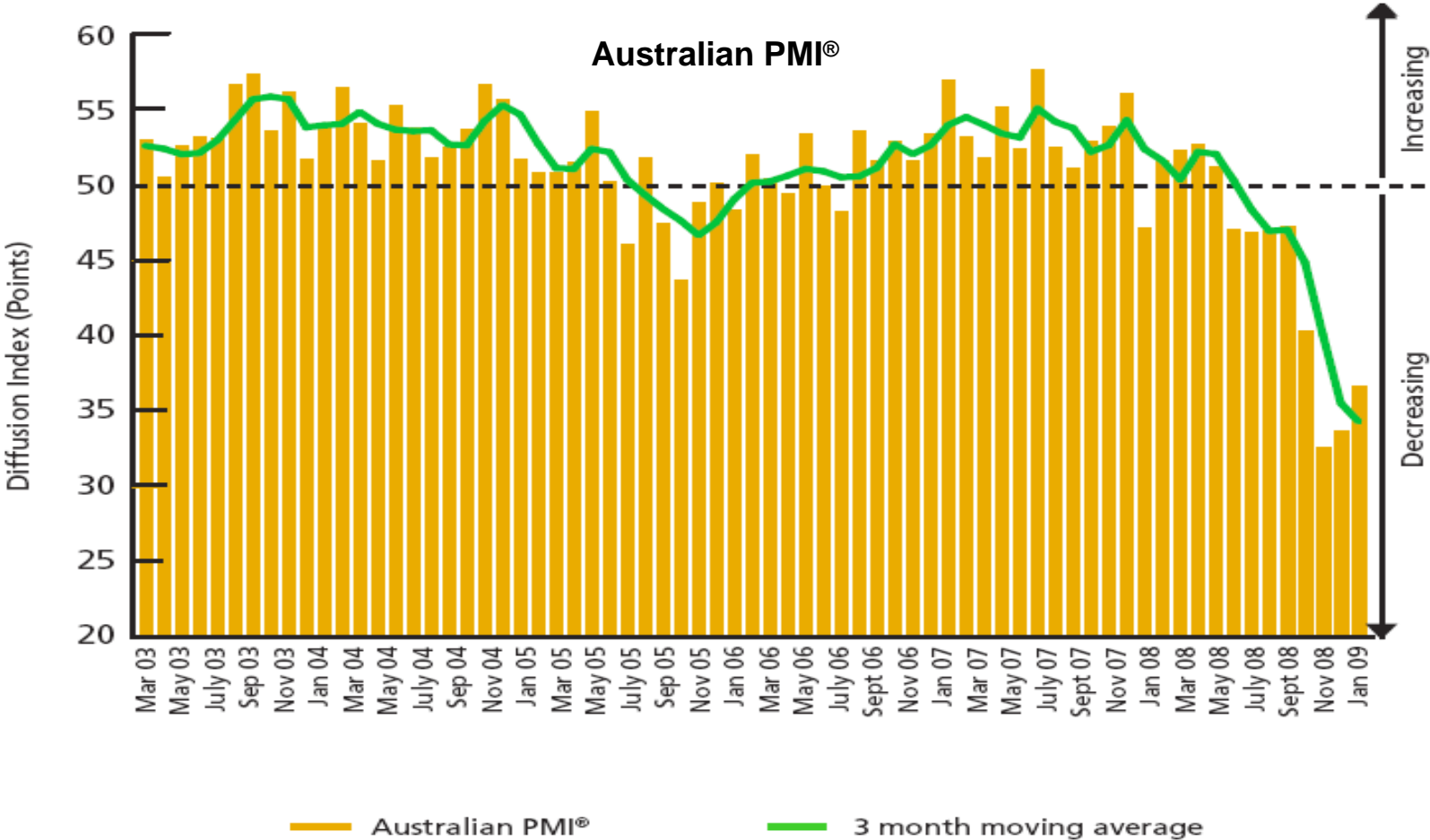


# Ai Group's January 2009 performance indexes

see [www.aigroup.com.au](http://www.aigroup.com.au)

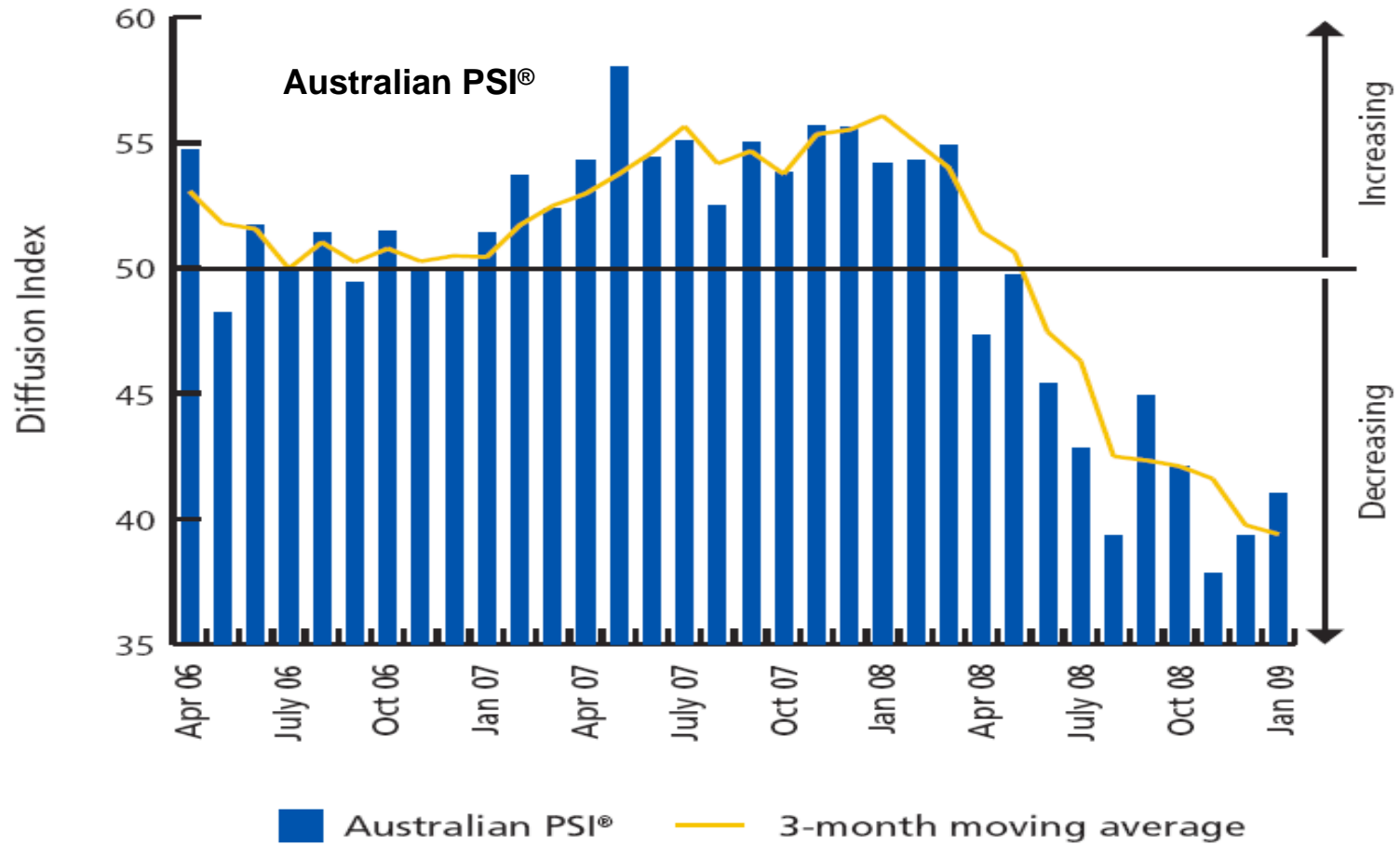


# The impact of the global financial crisis on manufacturing has intensified...

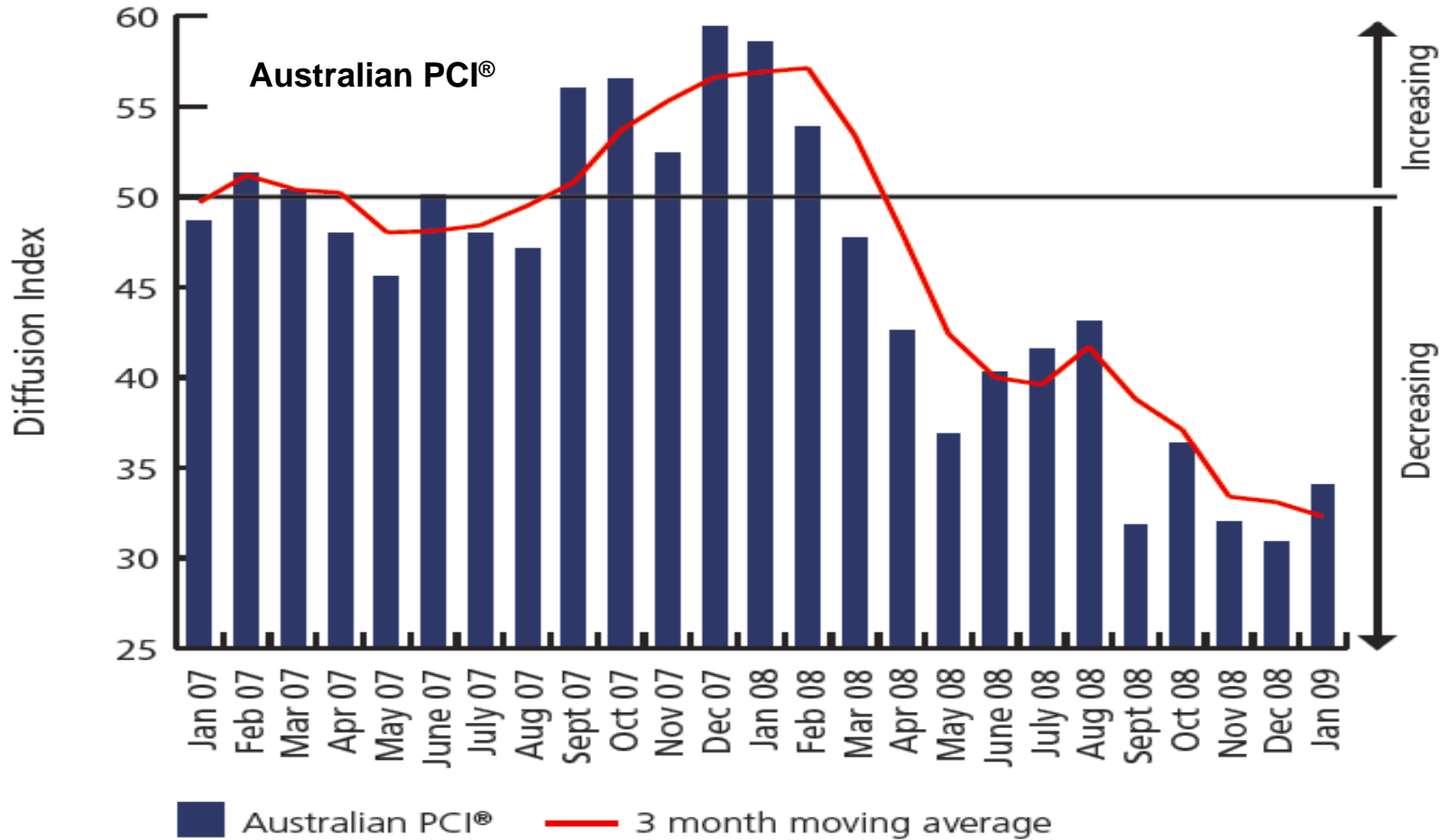




As it has for the **services** sector...



# And the construction sector...



# Pg 41- Proposed water Price Path

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- Govt expects prices will no more than double in 5-year period from 2008/09
  - Proposals **are consistent** with expectation
  - But ....Each path has higher than average increases in 2009/10
  - Highest increases apply in toughest times for customers
- Q – Could increases be smoothed out over regulatory period? Or, matched to when benefits are evident?

# Pg 42 – Retain existing tariffs for **water** pricing? **YES**

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- All customers incur the same percentage increase on their water bill, and have the same incentive to reduce their water demand.
- Note ... Some previous price plans would have resulted in disproportionate increases for large non-residential customers (180% over 5 years, ie twice the govt position of doubling of prices)
- **Mid-Period Restructuring Pg 42 ?**  
Consultation and transparency of changes for business needed

## Pg 42 – trade waste

Retain existing pricing tariffs? YES

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- Currently the price is based around the nominal cost of treatment of each chargeable contaminant. Flat annual increase rate allows revenue stream for augmentation and treatment.
- But ... must resolve the Trade Waste Review and framework for management – Q who's responsible for setting of acceptance parameters?

# Pg 48 – Increase the salt price over the regulatory period? **NO**

- **No**

This proposal will impose an unfair price increment on large industrial sites without **any** reduction in salt (TDS) load.

Salt-reduction is only feasible to a point then it becomes a penalty for salt production at a site zoned for receiving high salt effluent.

In many processes, salt arrives in tap water and it becomes more concentrated (eg cooling towers) – if salt can be removed on-site, where can the brine go? (Only to sewer!)

- An increase in TDS charge will hurt businesses but **not improve sewer quality**

# Pg 48 – Increase the salt price over the regulatory period **NO**



- Industry contributes < 50% of TDS in sewer, with balance is from domestic source and infiltration. Unfair to charge more to industry only !
- **Principle** - Responsibility for desalination of the water should be with the beneficiary – Eg the cost of the Wonthaggi Desal Plant is spread across the entire customer base.

Using treated effluent as a water source should be viewed the same way.

# Pg 47 – MW proposal to vary 2 major trade waste usage charges

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- Replace the usage charge on ***total*** nitrogen with total ***kjeldahl*** nitrogen ?

A reasonable and practical way to prevent double counting of a parameter.

# Pg 52 – Should metro retailers introduce a salt charge for signal to reduce **NO**

- **No**

**A salt charge already applies – no treatment used – charge already hurts !!**

Salt-producing sites should have resource efficiency strategies, note they often already have regulatory instruments like EREPs and waterMAPs and licences.

## Pg 52 – Recycled Water Prices – impacts of the full service cost?

- Principle – the **beneficiary** should contribute the cost
- The beneficiary from use of recycled water is the entire potable water customer base (as more potable water will be available to them)
- User of recycled water takes on additional risks



# Questions

- Can the capital works be completed within the time frames? What happens to prices if works are not done in that time?
- What is the likelihood of tariff variations being introduced? In what circumstances? What conditions for consultation with impacted customers?
- Can price increases be smoothed out over period? And matched with delivery of benefits to customers?



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