6. ADDITIONAL CHARGES UNDER THE TRADE WASTE BYLAW

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The purpose of this report is to seek Council approval to gradually introduce an unexpected additional charge to industry under the Trade Waste Bylaw 2000 resulting from changed provisions in the new Local Government Act 2002

BACKGROUND

The Trade Waste Bylaw was reviewed over the two-year period leading up to the adoption by the Council of the new bylaw in July 2000. A number of changes were made to the bylaw to more accurately reflect the concept of "user pays", and a charging structure put in place to strongly encourage industry to reduce both the total volumes of water used and discharged to the sewer and the amount of contaminants discharged into the system. Since then a further review of the bylaw and associated policy has been necessary to address changes in the Council Funding Policy, namely Rates on infrastructural assets and the change from "LRARA" depreciation to straight line depreciation. These changes significantly affected the charges to industry under the bylaw. The key message from industry representatives during the discussions about these changes was the need for industry to have a clear picture of future charges so that sound business decisions could be made particularly with respect to investment in wastewater reduction processes. Unfortunately the new Local Government Act has removed the provision to industry of the "domestic equivalent allowance" from the Bylaw. Staff were unaware that this change in the Act was likely and had not factored it into the recent February 2003 review of the bylaw charging. The domestic equivalent is an allowance for the contaminants of biochemical oxygen demand and suspended solids up to a level that is expected from domestic derived wastewater. Removal of this allowance will have significant cost implications for some industries currently discharging to the Treatment Plant. All industries likely to be impacted by this change have been advised of the changes and discussions held with industry representatives.

IMPACT ON INDUSTRY COSTS

With the changes to the charges brought about by the Council funding policy changes, industries discharging to the sewer system have accepted that trade waste costs will increase by around 7% to 10% between the 2003/04 year and the 2004/05 year, and that further increases above the rate of inflation have been forecast in following years. The sudden removal of the "domestic equivalent", if implemented, would add up to an additional 20% in the coming 2004/05 year to some industry's trade waste costs. Discussions with industry representatives clearly indicates that this level of additional increase is untenable. Industry representatives agree entirely that industry must meet its full share of costs which the Trade Waste Bylaw sets out to ensure. On the other hand, however, industry does need a clear and consistent indication of likely price increases. Recent attempts to provide clear and consistent indication of likely future price increases have been thwarted by the removal of the "domestic equivalent "allowance.

SUGGESTED SOLUTION

As stated above, Industry accepts that they must meet their share of costs but seeks to reduce the immediate impact of the removal of the domestic equivalent. A suggested solution is to 'phase in' the removal of this unexpected additional cost over a three-year period beginning next year, 2004/05. Industry representatives have indicated an acceptance of this proposal although would clearly have preferred a longer phase-in period.

IMPACT ON COUNCIL BUDGET

Trends in trade waste revenue are monitored and fluctuate with business levels of activity and production. Industry had been provided with the predicted 10 year trade waste costs based on the Council's estimated volumes and operational costs taking into account known likely future changes in costs from the long term operating predictions. The current budget shows revenue of $3,000,000 from trade waste charges for 2004/05. This figure does not include the additional revenue expected from the total removal of the domestic equivalent.

With a three-year phase-in, the additional revenue is expected to be as follows:

	2004/05	**2005/06**	**2006/07**
Additional revenue ($)	50,000	100,000	150,000

It is recommended that this extra revenue is added to the 10-year budget.

SUMMARY

Changes to the Council Funding Policy, and the removal of 'domestic equivalent' allowance from the Trade Waste Bylaw by the Local Government Act 2002 has meant that there will be significant impact on industry costs if removal of the 'domestic equivalent' allowance was undertaken in one step. A three year phase-in period for the removal of this allowance is proposed.

Staff Recommendation: The removal of the domestic equivalent allowance be phased in over a three year period and the anticipated extra revenue be added to the Council's 10-year budget.

Chairman's Recommendation:

1. That the Council note the removal of the domestic equivalent allowance as a consequence of the Local Government Act 2002.

2. That representatives of the Canterbury Manufacturers Association be invited to discuss this matter with a subcommittee consisting of the Chairman, and Councillors Williams, C Evans, M Evans (who comprised the Trade Waste Changes Subcommittee that considered the review of the Trade Waste Charges in 2002/03).

3. That the proposed process be for a two year phase in of the increased changes at a rate of $100,000 per annum (subject to a legal opinion on the levy being obtained from the General Manager, Regulation and Democracy Services).

4. That the Subcommittee report back to the May 2004 meeting of the Sustainable Transport and Utilities Committee.