21. ADDITIONAL CHARGES UNDER THE TRADE WASTE BYLAW

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The purpose of this report is to gain the Council's approval to gradually introduce an additional charge to industry under the Trade Waste Bylaw 2000 resulting from changed provisions in the new Local Government Act 2002 and follow up on the report to this Committee last month.

BACKGROUND

Last month the Committee was advised that 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 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. Note here that 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.

The Committee recommended in April 2004 that:

"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 Charges 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 in the May 2004 meeting of the Sustainable Transport and Utilities Committee."

RESULTS OF DISCUSSION WITH INDUSTRY REPRESENTATIVES

Industry representatives were grateful for the offer to meet with the Trade Waste Subcommittee, however, given the short time frames decided it would be more useful to provide a written submission on the issue. This attached as Appendix A.

RESULT OF LEGAL OPINION.

In the time available a written opinion has not been completed, however, David Rolls has advised verbally that there is no restriction on the Council under the Local Government Act 2002 to phasing out the domestic equivalent allowance. The Council can choose whether to phase the allowance out or not, and over what period any phase-out might take place.

SUMMARY OF CANTERBURY MANUFACTURERS SUBMISSION

The submission clearly puts the case for pricing to industry to be advised well in advance and then adhered to. If the removal of the allowance is to proceed this will be the third unexpected change in the last three years, to the long term predicted trade waste charges that are advised to industry each year. This latest proposed increase in charges effects 40 industries with the largest effect on overseas owned companies employing large numbers of unskilled workers. The Canterbury Manufacturers Association requests in the first instance that the removal of this allowance not proceed. If this allowance is to be removed the Association is seeking a six year phase in of the new charges in line with the current charging policy for the Trade Waste Bylaw.

TYPICAL FINANCIAL IMPACT ON INDUSTRY

The larger trade waste dischargers had on average a 12% increase in charges in the current 2003/04 financial year, and will have to meet a further 12% increase in the coming 2004/05 year, plus a 10% increase in the following year resulting from previous changes already agreed and in place. The removal of this domestic equivalent allowance will affect approximately 40 dischargers and will add on average a further increase of approximately 8%, and up to a worst case of an additional 20% ($40,000) to one discharger.

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. At current volumes and loads immediate removal of the allowance could result in additional revenue of up to $200,000 in the 2004/05 year. With a two-year phase-in, the additional revenue (in each year) is expected to be as follows:

	2004/05	**2005/06**
Additional revenue ($)	100,000	80,000

A longer phase-in period does give industry the ability to respond by reducing their flows and loads in response to the additional cost incentive.

SUMMARY

Changes to the Council Funding Policy, rates on infrastructure assets, and changes in depreciation have significantly increased trade waste charges in the last two years. The removal of 'domestic equivalent' allowance from the Trade Waste Bylaw by the Local Government Act 2002 has meant that there will be a further significant impact on industry costs if removal of the 'domestic equivalent' allowance is done in one step. Staff previously (April 2004 report) recommended a three-year phase-in period for the removal of this allowance and the Committee proposed a two-year phase-in period. The submission from the Canterbury Manufacturers Association strongly requests that these sudden changes in costs to industry be avoided. Industry has requested that the allowance remain in place, or if it is to be withdrawn, that the phase-in period be six years. In recognition of industry's need to adequately plan and budget, a compromise position would be to defer the removal of this allowance until July 2005 and then phase it in over the two years.

Staff Recommendation: The removal of the domestic equivalent allowance be phased in over a two-year period and begin from 1 July 2005.

Chairman's Recommendation: That the above recommendation be adopted.