

18 August 2006

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SUBMISSION FROM THE
CANTERBURY MANUFACTURERS' ASSOCIATION

ON THE

Draft Trade Waste Bylaw 2006

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The Canterbury Manufacturers' Association is pleased to have this opportunity to provide feedback from our members.

BACKGROUND

The Canterbury Manufacturers' Association represents manufacturers predominantly in Canterbury and Westland, with members from the rest of the South Island and Auckland. The numbers of staff employed by our members represent approximately 40% of those employed by the manufacturing sector in the Canterbury region. Locally the manufacturing sector is a significant contributor to the economy, representing about 15% of employment.

Elaborately transformed manufactures comprise over 30% of New Zealand tradeable exports; sector sales total over \$30 billion and total national employment numbers around 170,000. New Zealand manufacturers face the ever-increasing onslaught of the cost of local regulation and global competition from low cost countries without any significant support and protection. The Canterbury region has a disproportionately high number of high value elaborately transformed manufacturers who have significant export sales when compared with all the other regions of New Zealand.

The historical reliance that New Zealand has placed in the primary sector and basic manufactured goods has seen the position that New Zealand has in the rankings of the Organisation of Economic Co-operation and Development fall from 5th in 1950 to 21st in 2004, placed between Spain and Greece - well into the lower middle bracket of global income per capita. New Zealand has grown more slowly than other countries due to the dependence on the primary sector. The manufactured goods sector of the internationally traded economy has grown much faster.

Without economic development, based on elaborate transformation commanding high prices from global customers, we will increasingly see issues such as 'health problems' correctly characterised as 'wealth problems'. Recent headlines on the 'management' of the waiting lists are bringing this issue to the attention of the general public. The Canterbury Manufacturers' Association is of the view that provided we have a balanced and practical approach to environmental regulation and cost allocation, we can enjoy an improving environment and a growing economy.

Perhaps more than any other form of enterprise, the elaborate transformation of materials involves new and sometimes difficult to quantify environmental issues. In this sector the poor application of good regulation, or poor regulation and inequitable cost allocation, has the capacity to wipe away any comparative advantage, threatening jobs, businesses and economic growth as businesses do not develop or relocate to take the advantages offered by other centres or jurisdictions.

Competition from low cost countries, based on price, is accelerating the pace of change for manufacturers in New Zealand. New Zealand manufacturers compete with every manufacturer on the planet; costs in many countries are far lower than in New Zealand. In New Zealand the increasing costs and regulation seem to have no end. Costs rising at any level seem endless and are resulting in job losses and business relocations. Generally cost increases cost jobs, impacts specific to trade waste are jobs at the low skill, entry level part of the job market, cost increases in the trade waste element have a disproportionate impact on these entry level jobs.

The past advantages of operating in Christchurch in areas associated with water and trade waste are being eroded.

The Canterbury Manufacturers' Association does wish to be heard on this submission.

KEY MATTERS IN THE PROPOSED CHANGES AS NOTED BY OUR MEMBERS

We believe that the past approach by the Christchurch City Council that effluent is better treated in large efficient plant, to a view that effluent should be treated locally, will push up the costs of trade emitters for example Bowron, Gelita, fish processors and the like. As a result we lose the opportunity to obtain scale efficiencies and obtain outcomes such as power generation from emitted methane. The change in approach gives away a Christchurch comparative advantage.

- Proposed change from BOD to COD
- Introduction of COD limits
- Changes to test methods
- More changes to the Peak to Off Peak ratios
- The change to a three year from a six year moving average

- The introduction of a one year calculation on organic and solids content

BOD and COD

The model bylaw points out that costs are driven by BOD. COD can be seen as a proxy for BOD but it is not a representative of BOD and is highly dependent on the particular waste stream concerned. The overall average fixed ratio between COD and BOD given does not accurately represent the ratio of COD to BOD in individual waste streams. The use of faster, cheaper proxy testing methods mean little if the proxy is not representative of the variable that drives the costs. Our members will be commenting in detail on their specific issues in this regard in their individual submissions.

Our members report significant variations in BOD/COD ratios around different averages in their particular waste discharges. Bowron, for example, quote an average of 2.8 with a range of between 1.9 and 3.3. Others report even wider variations.

It is the view of the CMA members that any change towards using COD as a proxy for BOD requires substantial work and at this point it cannot be used to fairly assess BOD based charges. Before any change is made it must be demonstrated that the proxy chosen accurately represents what is intended to be measured.

Suspended Solids

Changes in the test method are not as benign as might be argued. Yes, the method gives a higher solid content but it all gets compensated for in the calculation is the view presented by the Christchurch City Council. Again, our members report higher levels of solids (to be expected with finer filter paper) but also much greater variation in the results.

It is the view of the CMA members that both test methods be used in tandem to show a genuine correlation over time in specific waste streams before changing the basis for charging. There seems no compelling reason to change as Auckland City continues to use the current method.

Peak to Off Peak Discharge Ratios

The Christchurch City Council and the CMA Trade Waste Group agreed that it was mutually beneficial to shift the times of discharge. The reduction in discharge costs in the 'off peak' times was the justification for the investment in buffer storage facilities to support timed discharges. Since the installation of buffer storage the benefit of off peak discharges has been eroded and the proposal is now to virtually eliminate this benefit by the 2009/10 year. Many say the Christchurch City Council cannot be trusted to maintain agreements, and certainly do not support any investment decision dependent on commitments from them.

It should be remembered that a significant number of the larger trade waste discharges come from foreign owned companies. When past commitments are changed the validity of current and future commitments come into question, particularly when they are referenced in capital applications to offshore decision makers, thus undermining investment.

It is the view of the CMA members that the peak to off peak ratios remains in place. If changes are to be introduced then introduce them only as new consents are issued. If buffer storage is in place then reduce the peak to off peak ratios from current level to those proposed over a period of six years to provide time to reduce water volumes on those new consents. The proposed changes do not provide certainty to industry.

Change to the Six Year Rolling Average

This change is particularly disappointing, again the six year average was negotiated between the Christchurch City Council and the CMA Trade Waste Group to give certainty and avoid significant year on year cost changes. Predictability and managed cost changes are important in long term decision making and underpins the credibility of local conditions and local management.

The shorter three year period proposed for flow will increase uncertainty by increasing the year on year variations due to changes, wet years and dry years, in ground water seepage into the sewer system.

This will be exacerbated by the move from a six year average to a last year actual on chargeable solids. Predictability and removal of volatility is particularly important to industrial investment decisions, these changes are a significant step backwards in this regard.

It is the view of the CMA members that the six year average for flow and chargeable solid should not be changed as they provide the necessary certainty to support long term investment decisions and smooth cost changes. The proposed changes do not provide certainty to industry.

Selection of Specific Discharge Limits

The limits suggested in the draft proposal seem to be selected from the lowest available in the guidelines, we do not believe this is necessary. Some reference to what is practical and reasonable for Trade Waste discharge would be better balanced. Those firms responsible for the significant discharges will be making specific submissions in this area. It should be noted that lower numbers are not necessarily better; waste streams may have combined effects, or have of themselves beneficial impacts on the sewer and effluent plant operations. Limits should be carefully and specifically set to take into account such issues, globally set and blindly applied limits are not desirable from any perspective.

It is the view of the CMA members that great care need to be applied when limits are chosen and discharge permits negotiated, lower is not always better or more desirable.

Final Comments

The members of the CMA look for predictability and balance from the Christchurch City Council. There is too much unnecessary emphasis on listing the lowest limit possible, lower limits do not mean less effluent. Minimum levels will remove the past comparative advantage from some industrial operations in the city. Changes to past agreements of multi-year averages, agreements drawn in good faith for good reasons, give cause for significant concern. Anticipated cost changes flowing from the proposal will reduce the competitiveness of local operations and threaten jobs. Recent job losses in this sector indicate just how close some firms are to moving away, every change in the draft proposal is negative for jobs in the city.

The Christchurch City Council should acknowledge in the bylaw that business effluent streams are better treated in aggregate at larger centralised treatment plants. To support this there should be no limit specified on either BOD or COD. Otherwise the bylaw should make it clear that the limit given in the bylaw are not intended to limit any allowed BOD or COD in a conditional discharge.

Lower limits do not mean less waste, efforts to reduce volumes tend to concentrate the “strength” of waste streams. The option is clear aggregate effluent streams, and deal with that stream in a low cost efficient way, or force waste dischargers to deal with the effluent at source. We are of the view that the aggregate option is better for large industrial discharges and smaller distributed sources arising from hotels and restaurants.

The history of the discussion on trade waste between the Christchurch City Council and those who discharge industrial trade waste have been disappointing. Agreements made do not last. Costs are increasing aggressively over a very short time frame. The elimination of domestic offsets, reduction of peak to off peak ratios, the selection of lower limits, changes in test methods and choice of BOD proxy all threaten the future of a number of operations and jobs in the city.

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