

We are a Commission Wool Scouring and Carbonising operation situated in Geelong with Barwon Water as our retailer for water and sewerage.

Due to the nature of our process we are a large user water which results in equally large quantities of wastewater. We installed a worlds best practice waste water treatment (Sirolan CF) plant in 2002 to reduce BOD, COD and SS and hence reduce our trade waste quality charges. The company is considering further secondary treatment costing \$500,000 in order to minimise our quality charges.

We have applied for funding for this project under the Smart Water Fund, however, because we situated in regional Victoria the amount available for any individual project is only 20% of that available for metropolitan projects.

Further treatment by evaporation to recycle and reduce water consumption requires a huge capital investment in the order of \$4-5 million. The company is unable to make this investment and will be forced to pay Barwon Waters increased charges. These charges are a serious threat to the viability of the company's operation on a site which has been processing wool since 1920. At risk apart from 45 equivalent full time jobs in Geelong is the wool processing capacity in Victoria.

The two other wool processors in Victoria (Laverton and Hamilton) will be facing similar price increases.

We are shocked at the initial price increase for water in 2008/09 of 44% (\$ 0.95 to \$1.37 adjusted for CPI) when compared to Melbourne's which has been capped by the Government at 14.8%. Under the proposed Barwon Water tariff increases, Quality charges will increase by 39% over 5 years; Trade Waste volume charges will increase by 66%, and mains water charges will increase by 115%. This is on top of the previous 3 year ESC review that accounted for increases of over 100% in Trade Waste Quality charges.

We are a commission wool processor servicing predominantly processed wool exporters in an extremely competitive field with very little opportunity to pass on large cost increases to our clients. There has also been less than 12 months warning of these price rises making it very difficult to plan ahead.

The direct impact of these increases is a 14% increase in the production cost of a kilogram of clean wool in the first year, rising to a 24% increase by year five. The company's ability to pass on increases of this magnitude is extremely difficult.

We use water from the Barwon river under licence which accounts for approximately 50% of our total water usage, however this not a guaranteed supply and at times the quality of the water means we have to revert to mains water.

The following spreadsheet outlines the increase in costs associated with the proposed tariff increases for water and sewerage. It also assumes we are using solely mains water.

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## Impact of proposed tariff increases by Barwon Water on E.P.Robinsons Pty Ltd

### CURRENT

Allowing for 3% CPI

Annual [KL]	195840	2007/08		2008/09		2009/10		2010/11		2011/12		2012/13	
		(mg/l)	\$/kg	Cost /Annum	\$/kg	Cost /Annum	\$/kg	Cost /Annum	\$/kg	Cost /Annum	\$/kg	Cost /Annum	\$/kg
COD	6080	\$ 0.18	\$ 208,731	\$ 0.20	\$ 233,021	\$ 0.21	\$ 245,286	\$ 0.23	\$ 269,814	\$ 0.25	\$ 294,343	\$ 0.27	\$ 318,871
SS	2200	\$ 0.12	\$ 50,366	\$ 0.13	\$ 57,691	\$ 0.14	\$ 62,128	\$ 0.15	\$ 66,566	\$ 0.16	\$ 71,004	\$ 0.18	\$ 75,441
TKN	200	\$ 0.47	\$ 18,323	\$ 0.48	\$ 18,961	\$ 0.49	\$ 19,365	\$ 0.50	\$ 19,768	\$ 0.52	\$ 20,172	\$ 0.52	\$ 20,172
S	480	\$ 0.76	\$ 71,461	\$ 0.66	\$ 61,967	\$ 0.68	\$ 63,903	\$ 0.70	\$ 65,840	\$ 0.72	\$ 67,776	\$ 0.75	\$ 70,681
<b>Total Quality</b>			<b>\$ 348,881</b>		<b>\$ 371,640</b>		<b>\$ 390,682</b>		<b>\$ 421,988</b>		<b>\$ 453,294</b>		<b>\$ 485,165</b>
		\$/kl		\$/kl		\$/kl		\$/kl		\$/kl		\$/kl	
<b>Trade Waste Volume kl</b>	195840	1.14	<b>\$ 223,258</b>	1.21	<b>\$ 236,007</b>	1.35	<b>\$ 264,384</b>	1.50	<b>\$ 293,760</b>	1.69	<b>\$ 330,970</b>	1.90	<b>\$ 372,096</b>
<b>Water Volume Mains</b>	195840	0.95	<b>\$ 186,048</b>	1.37	<b>\$ 268,281</b>	1.51	<b>\$ 296,521</b>	1.68	<b>\$ 328,796</b>	1.85	<b>\$ 363,087</b>	2.05	<b>\$ 401,413</b>
% increase				44.20%		10.53%		10.88%		10.43%		10.56%	
<b>Total</b>			<b>\$ 758,187</b>		<b>\$ 875,928</b>		<b>\$ 951,587</b>		<b>\$ 1,044,544</b>		<b>\$ 1,147,351</b>		<b>\$ 1,258,675</b>
Increase				\$ 117,741		\$ 75,659		\$ 92,957		\$ 102,807		\$ 111,323	

cents/kg Scoured wool % of total Scoured production cost 2007			5.81		6.71		7.29		8.00		8.79		9.64
			14.52%		16.77%		18.22%		20.00%		21.97%		24.10%