

## HANSARD 26 MAY 2011

### SOUTHERN METROPOLITAN REGIONAL COUNCIL WASTE PROCESSING FACILITY

#### *Grievance*

**DR M.D. NAHAN (Riverton)** [9.50 am]: My grievance is to the Minister for Local Government and it relates to the Southern Metropolitan Regional Council's waste processing facility. As the minister knows, this facility has been the bane of the local community since it was developed some seven years ago, mainly because of odour pollution, and it continues to be so.

The Department of Environment and Conservation is investigating at least two major odour incidents that have occurred so far this year that may breach the SMRC's operating licence. The DEC has also had an environmental protection notice on the SMRC facility since 2008, which remains in place today.

The SMRC has been very heavy-handed with members of the local community when they have complained or tried to address the issue of odours. That is not what I want to address today. I understand that that matter lies primarily with the Department of Environment and Conservation.

I would like to address three concerns today: first, the overall governance of the SMRC, and its failures that I think relate to regional councils generally; second, the risk that the SMRC is going to laden the local ratepayers and potentially the state with a large stranded asset and heavy debt; and, third, I would like to urge the state government to take a more active role in developing an overall waste management strategy for the metropolitan and Peel area.

As members would know, the regional councils are owned by the local councils. In this case the SMRC was effectively started up by the cities/towns of Canning, Melville, Fremantle and East Fremantle, with the participation of Rockingham, Cockburn and Kwinana to some extent. They underwrite its investments. City councillors sit on the board and are chairmen of the regional council, and therefore the ratepayers and the cities are liable for the decisions and the assets and liabilities of the regional councils.

It is clear that there is some gap in the decision making; that is, even though city councillors sit on the regional council's board, they act as individuals, not representatives of the city councils. Therefore, they have a limited ability to act on behalf of the city council in procuring information and enforcing action by the regional councils. The regional councils float somewhere between the state, city councils and other areas of governance in the limited ability of individual city councils to enforce accountability of these regional councils. The only way they can really enforce it is to leave, and that is part of the problem.

I think regional councils are in no-man's-land. Even though some regional councils that I have looked at manage very well, the SMRC has not; indeed, it has been captured by its management.

A major problem is that when this plant first started seven years ago, it received a \$55 million loan through the WA Treasury Corporation to build the plant. It used most of that up to build the plant. Since then it has incurred ongoing, growing losses.

Over the last five years of operating, it has incurred \$16 million worth of losses. Despite operating for five years and having depreciating assets, its outstanding loan remains at \$53 million. More importantly, it has pushed its losses onto the ratepayers of the councils, while the waste charges per tonne have risen from \$36 a tonne to \$150 a tonne, an increase of over 300 per cent in over five years. As a result of this, a number of the councils are leaving.

The City of Canning left this year, effectively from 1 July; the City of Rockingham, which puts its recycled waste through its facilities, has indicated it will leave in 12 months' time; and the City of Melville is looking at its whole relationship with the SMRC with the view of potentially leaving.

That means that the regional council has lost 30 per cent of its throughput and asset base and could lose up to 60 per cent in a year's time. It makes it unviable.

A few years ago the SMRC built a materials recycling plant. It was operating effectively. However, two years ago it burnt down. It sent its waste recycling to other places and that waste has been very effectively recycled by other private sector ventures.

It recently received an insurance payment for the burnt plant and it plans to rebuild the materials recycling plant. Rather than pay down its heavy levels of debt, it will rebuild the plant, when the plant is not needed.

More importantly, the SMRC has gone to the city councils and indicated to them that it plans to charge \$80 a tonne for processing recyclables, when the rate in the marketplace is \$30 a tonne. In other words, it will gouge the city councils to the tune of \$50 a tonne and rip off the ratepayers.

It is clear to me that this plant has failed to operate to expected standards, has incurred large amounts of debt and has failed technology. It will end up with a large stranded asset, loading on to the ratepayers over \$50 million of debt, which is guaranteed by the state. This is a disaster.

I ask the minister if he could consider sending in an administrator to the plant to straighten it out. Clearly, the technology does not work and some day the SMRC or its owners, the city councils, will have to make a decision on some alternative to the composting plant in the facility.

I have no confidence that it will make a rational decision as to the choice of technology or, more importantly, the location of it. I also ask the minister to perhaps consider, though it may not be in his area, putting forward a proposal for the state to adopt a more guiding hand towards waste management in the metropolitan area. It needs an overarching strategy. The councils, regional or otherwise, cannot do it themselves, and I think it is a mess.

**MR G.M. CASTRILLI (Bunbury — Minister for Local Government)** [9.57 am]: I thank the member for Riverton for his grievance. He has raised a few issues that I will attempt to answer.

Several members interjected.

**Mr G.M. CASTRILLI:** I am trying to answer the member's grievance. The Southern Metropolitan Regional Council was established on 10 November 1991. As the member pointed out, there were seven original members: the cities of Canning, Cockburn, Fremantle, Melville and Rockingham and the towns of East Fremantle and Kwinana.

The region covered by the SMRC originally encompassed 654 square kilometres in the south metropolitan area, with a combined population of 380 000 people, who generated about 200 000 tonnes of household waste per year. The SMRC has an operational role in the planning and coordination of the removal, processing, treatment and disposal of waste for the benefit of communities within that overall boundary.

In 1998 the SMRC adopted a regional waste management strategy that led to the development and implementation of a regional waste collection system and a regional resource recovery centre designed to recover about 85 per cent of all household waste.

That recovery centre is supposed to be the largest waste processing facility in Australia. I am not sure whether that is right but that is what I am led to believe. It is owned and operated by the SMRC, whilst the land on which it is located is leased from the City of Canning. The SMRC employs about 90 personnel, 25 of whom are administrative and 65 are operational.

As the member said, residents from the City of Canning have expressed ongoing concerns about the odour issues.

They are claiming detrimental effects to their health, allegedly caused as a consequence of the operations of the Regional Resource Recovery Centre. In July 2009, the Department of Health reported, in its summary report, its findings on the potential health problems, and the risks that were posed to that residential area by that recovery centre.

That report focused primarily on the health effects and the management of odour. The Department of Health found that emissions from the compost plant were not a direct threat to people's health. However, the Department of Environment and Conservation is the responsible regulator of that facility, and it monitors that facility for compliance. That includes odour.

In February 2009, the City of Canning announced its intention to withdraw as a member of the South Metropolitan Regional Council and as a partner in that recovery facility. Under the terms of the agreement, the City of Canning had to give one full financial year's notice of its intention to withdraw, and it withdrew on 1 July 2010.

The City of Rockingham has recently announced its intention to also withdraw from the recovery facility. However, the City of Rockingham is not a joint venture partner in that recovery facility. The member for Riverton mentioned the City of Melville. I am not sure where the City of Melville is at with this matter, and I will wait with great interest to see what it will be doing.

The member for Riverton mentioned his concern about the lack of governance and the lack of business plans. The member will be pleased to know that I am about to sign off on legislation that will require every local government, including regional councils, to prepare 10-year forward capital and operational plans as a minimum. Those plans will result in a single document, based on community engagement. In the case of the South Metropolitan Regional Council, that long-term strategic plan will link assets with financial management.

I turn now to the member's concerns about the profitability of that council. Very few local governments and regional councils fund their depreciation expenses. Local governments are required to deduct depreciation from the calculation that is used to determine the deficiencies in their operating costs that are to be made up from rates.

However, I am aware that some councils cash back their depreciation into a reserve account. That is a very wise thing to do, and I would advocate that, because that can then form part of their asset replacement program in the future. As members would know, as part of the capacity-building initiatives that I have implemented in local government, both asset management and financial management will play an important role in the thinking of local governments and regional councils, because, as the member would very well understand, that will make them think about whole-of-life costings.

This is very important, and this is where a lot of local governments and regional councils get into difficulty, because it is easy to build something; it is the ongoing maintenance and management that causes problems.

Although the SMRC has reported operating deficits for each of the past five years, these are after depreciation losses. If those losses are adjusted for depreciation, an operating surplus has actually been achieved for each of the four years since 2006–07.

With regard to governance, all regional local governments are responsible to their member councils, and ultimately to their communities, for what goes on in their operations. This includes the South Metropolitan Regional Council. As I have said time and again, waste management is far too important to be left to local councils. I have said publicly that an overall strategy needs to be put in place to deal with this matter and address the deficiencies.