

**STANDING COMMITTEE ON  
ENVIRONMENT AND PUBLIC AFFAIRS**

**INQUIRY INTO MUNICIPAL WASTE MANAGEMENT IN WESTERN  
AUSTRALIA**

**TRANSCRIPT OF EVIDENCE TAKEN  
AT PERTH  
THURSDAY, 26 MARCH 2009**

**SESSION THREE**

**Members**

**Hon Sheila Mills (Chair)  
Hon Bruce Donaldson (Deputy Chairman)  
Hon Kate Doust  
Hon Paul Llewellyn  
Hon Wendy Duncan**

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**Hearing commenced at 11.19 am**

**McALL, MR STUART**

**Chief Executive Officer, Southern Metropolitan Regional Council,  
sworn and examined:**

**THOMPSON, COUNCILLOR DOUGLAS**

**Chairman, Forum of Regional Councils,  
sworn and examined:**

**The CHAIR:** On behalf of the committee, I would like to welcome you to the meeting. Before we begin, I must ask you to take either the oath or the affirmation.

[Witnesses took the oath and affirmation.]

**The CHAIR:** You will have signed a document entitled "Information for Witnesses". Have you read and understood the document?

**The Witnesses:** Yes.

**The CHAIR:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record and please be aware of the microphones and talk into them. Ensure that you do not cover them with papers or make noises near them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege.

Thank you for your written submission. Are there any particular points in your written submission that you would like to highlight or expand upon at this hearing?

**Councillor Thompson:** Madam Chair, I will provide a slight background to FORC, as it is a reasonably new organisation. The Forum of Regional Councils has been in operation for nearly two years. It has come about because of the challenges facing regional councils in the introduction of alternative waste technology. One regional council has obviously implemented a solution, but other regional councils are in the process of implementing solutions for alternative waste technology. It was felt that there was a commonality of interest between the six regional councils, which was instrumental in us forming FORC. The Forum of Regional Councils, for the record, services the waste management interests of nearly a million and a half people in WA. It has a collective operational budget of about \$200 million, and it provides an essential service to just about every single ratepayer in Western Australia. It was for these reasons that there was some frustration amongst regional councils at what was perceived as the lack of strategic direction from the state government and its authorities, in terms of advice and assistance in the uptake of alternative waste technologies, even though this was mandated by the state government's policies. The Forum of Regional Councils was formed to provide a concerted voice for the needs of waste management in Western Australia. If I can make one other point, Madam Chair, WALGA is the voice of local government in Western Australia, but regional councils have no voice in WALGA; until very recently they could not be members. Therefore, although we endorse the submission from the

Municipal Waste Advisory Council—indeed, I sit on that council myself—the submission that we have put in, although similar, takes on board the strategic interests of the regional councils rather than local government as a whole.

**The CHAIR:** Are there any points in your submission that you would like to expand upon?

[11.25 am]

**Councillor Thompson:** There are three. Forgive me if I simplify them; at the end of the day, I am just a part-time local government councillor. To simplify, I can say that FORC comes down to three things: service, separate and support. The three most important points that FORC would like to make is that we believe that for too long, waste management has been seen in the old terms: roads, rates and rubbish—simply picking up rubbish.

In the last 10 to 15 years it has moved beyond that. It really is an essential service. As we move away from landfill as our major way of getting rid of waste, and as waste is increasingly seen to be a resource that is recoverable and has a value, the strategic nature of its interest and the effect that it can have on localities and the general public, in terms of not adequately planning for its provision, we believe collectively can be catastrophic. If I can give an example, Madam Chair: maybe 18 months ago there was a cyanide spill at the Rockingham landfill. One of the member councils sends its residual waste to the Rockingham landfill. That landfill was closed for four days. During that time, there were, quite literally, officers running around panic-stricken looking for places to dump the waste because they could not—when Rockingham closed, a significant landfill in the metro area went out of operation and you literally had truckloads of rubbish running around the suburbs looking for a home. That has really focused the attention of FORC on the implications of any significant part of the waste management infrastructure being put out of operation for any length of time. If I could point out: the strategic nature of that is that there is no strategic view of what happens to the waste if such an eventuality occurs again. There is no-one with a strategic overview—not the state government, not the DEC—about what happens to the waste. If I take it one step further, Madam Chair: in terms of planning for example—is Amarillo the new suburb that is to be built?

**The CHAIR:** Proposed.

**Councillor Thompson:** Proposed.

**Hon KATE DOUST:** We proposed it but we do not know if, whether, it will go ahead.

**Hon PAUL LLEWELLYN:** Heaven forbid!

**Councillor Thompson:** But, a classic example—while I am sure that schools and sewerage and water treatment and base service provisions et cetera have been taken into account, no —

**Hon PAUL LLEWELLYN:** So they are all hard-wired in.

**Councillor Thompson:** Pardon?

**Hon PAUL LLEWELLYN:** Those services are all hard-wired in—yes.

**Councillor Thompson:** — consideration has been given to reserving areas for waste—alternative waste—technology. Indeed, that is one of the significant areas where planning falls down in this state; that is nothing or no consideration is given to the future waste management needs of the state. But waste management is an essential service.

**Hon KATE DOUST:** Is that something for which legislation perhaps needs to be amended, so that for new developments part of the onus is on the developer to include that as part of the planning?

**Councillor Thompson:** It is included to some extent, currently, at the local planning level; but it is not considered at an area planning level and it certainly needs to be done so. A very simple example at the local planning level is that if you want to recycle, if you are committed to recycling, I would suggest that when you buy a place you do not buy a place in a multistorey building because of the

difficulties of source separation. In my own city of Fremantle, we have a number of areas where we do not provide recycling capacity at all because it has not been planned for and —

**The CHAIR:** Just to interrupt you: we actually found this when we went to Cairns and other resort areas where they have got motels, hotels and short-stay apartments. It was the same thing; there was no planning for the recycling.

**Councillor Thompson:** That is right, Madam Chair; if you are a committed recycler, you know you have no capacity to do so unless you do it on an individual basis.

I guess the issue of the lack of preparation and overview of the needs of the waste management industry for the next 20 or 30 years—I do not think that is even getting consideration at the planning level.

[11.30 am]

**Hon KATE DOUST:** Is the big picture policy direction, perhaps, something that the Waste Authority can look at, to provide assistance to organisations such as yours, and the councils?

**Councillor Thompson:** For the Forum of Regional Councils, that would be an essential prerequisite for the Waste Authority. Currently, that is lacking. There were high hopes when the Waste Authority was brought into being that that would be its function. From a regional council point of view, I think that so far those hopes have not been met.

**Hon KATE DOUST:** Is that simply because the authority has not been resourced to enable it to have the capacity to do the type of work that organisations such as yours had hoped it would do?

**Councillor Thompson:** If you are asking me as a local government councillor —

**Hon KATE DOUST:** I am asking you in whichever capacity you are happy to respond.

**Councillor Thompson:** I would respond at a political level. I believe that that has occurred. I believe that the resources given to the Waste Authority are inadequate to enable it to carry out its functions. To FORC, that certainly needs to be addressed.

I will go down my little list. We believe that it does come back to the Waste Authority. We believe in the separation of powers. There needs to be a strategic function in waste. Somebody needs to be looking at the strategic picture. DEC does a marvellous job in terms of what it is set up to do, which is regulation, but FORC feels that it is placed in an invidious position, in which it is the regulator but also is able to structure the rules that are to be followed. In any organisation, if you are going to set up rules, you think about how you are going to enforce them first, then you write the rules to suit your regulations. We believe that there should be separation of the powers. The Waste Authority should set the strategic directions and the criteria that alternative waste management technologies should ideally meet, and provide both assistance and advice. This is one of the reasons why FORC has, in a sense, set itself up, because you had six regional councils, all operating basically on the basis of the advice of their own singular officers. While that advice is very good and there is a lot of knowledge there, that knowledge now is being pooled in FORC, and I guess the results are what you see before you today. We would want to see that separation as necessary. Along with that, we would want to ensure that, again, waste management itself is seen as an industry. It is no longer just a service; it is an industry that requires substantial forward planning and investment from local government. The very reason behind regional local government organisations is that there are very few individual local governments that have the capacity or the finances to set themselves up for alternative waste technology.

**The CHAIR:** A question we also asked DEC is: do you feel that local governments bear a disproportionate burden as far as waste management is concerned?

**Councillor Thompson:** I think one of the members of the committee made reference to local government doing the heavy lifting. That is exactly the description I would use.

**Hon PAUL LLEWELLYN:** Referring to the roles you see for DEC and a strategic agency that would effectively develop an industry plan as well as a waste management strategy, can you just tease that out a bit more in terms of the distinctions you see between the role of the Department of Environment and Conservation and the Waste Authority?

**Councillor Thompson:** The role of the Waste Authority, from FORC's point of view, should be one of setting strategic directions, investigating alternative technologies and then setting parameters by which those technologies are deemed to be acceptable, and then setting whole sets of criteria that regional councils, when they look at introducing alternative waste technologies, should meet. It is almost like quality control. It would then be up to the regional councils, in their selection of technologies, to take on board that advice and strategic direction. I noted earlier in the Department of Environment and Conservation's presentation—I had to shake my head—that one of the questions was in relation to the advice and options DEC gives about how another organisation that I represent might solve problems. My view is that advice and strategic direction was never given; it was always "That's not our job, it's yours".

**Hon KATE DOUST:** That does not make it easy for those organisations, does it?

**Councillor Thompson:** No, it does not. I recognise the separation of powers there, and the good job that DEC does, but there was just a gap; a vacuum. It has not been taken up by the state government or DEC. In a sense, FORC is trying to fill the vacuum. DEC has a very important role that FORC accepts; that is, that it should be about regulation and ensuring that the conditions set up by the Waste Authority are adhered to. It should not be setting those conditions itself, and currently that is what is happening.

**Hon PAUL LLEWELLYN:** I will pursue this point a little more. FORC is obviously set up as a collaboration of regional councils. Collectively, who funds FORC and what sort of resources do you have to do this work?

**Councillor Thompson:** FORC is funded by contributions from the member regional councils, and it is actually —

**Hon PAUL LLEWELLYN:** I think we should call it "force".

**Councillor Thompson:** I would point out that it took us a long time to arrive at the title, as you would well know!

It is funded by the member councils. I will ask the CEO to provide further information.

**Mr McAll:** Currently, I believe, we each chip in on a population pro rata basis, and we spend in the order of \$60 000 to \$70 000 a year. We employ an executive officer to assist. The organisation is comprised of the CEOs and the chairmen of the regional councils. Our expenditure is modest, but we are there to find solutions to problems that are particular to regional councils, and waste management is one of those. There are also the legal issues.

**Hon PAUL LLEWELLYN:** So, de facto, you are trying to fill the role of providing waste management advice, strategic services and industry development that you believe should be out there. Is that why you have come into existence?

**Councillor Thompson:** That is correct. From a local government point of view, I make the point that I believe that the expertise and the knowledge and experience resides collectively in the FORC CEOs and, particularly, the staff. We have that expertise. The amount of expertise we have in waste management is certainly not present in any other organisation in Western Australia, including state government departments.

**The CHAIR:** Have the member councils found it difficult to achieve consensus on waste management issues? Are regional councils, in your view, the most efficient mechanism for initiating resource recovery centres and other major waste management infrastructure projects?

[11.40 am]

**Councillor Thompson:** FORC has found that on the major issues it is in complete agreement. It is not necessarily in agreement about individual waste technologies, because technologies change over time and the needs and expectations of regions differ. In country councils, for example, it is a completely different ball game—Geraldton Greenough Regional Council is an example—in terms of what you look at. Sorry, Madam Chair, but I forgot the second part of your question.

**The CHAIR:** In your view, are regional councils the most efficient mechanism for initiating resource recovery centres and other major waste management infrastructure projects?

**Councillor Thompson:** The answer to that is yes and no. In terms of cost efficiency, it is probably not the most effective. FORC would generally agree that the most efficient way of organising waste management would be at a state level and for the state government to take on that responsibility. Having said that, the regional councils would agree that they are probably in the best position to service the needs of their community, particularly in relation to behaviour, because waste management is as much about behaviour as it is about technology. It is about changing the way people view waste—that is, as a resource and not as something they need to get rid of. Local communities, in particular the regional organisations, are in the best position to engage their residents. I think they can engage their residents in a much better way than the state government can. That is no reflection on the state government. If you are looking for cost efficiencies and strategic direction, then obviously waste management is an essential service. Essential services should really be provided by the state.

**Hon KATE DOUST:** You referred to Greenough Council. You said that it has its own issues. What sorts of issues do the country regional councils have that are different to the metropolitan ones? What different circumstances do they have to deal with?

**Councillor Thompson:** The two obvious ones are lack of population, and distance from markets in terms of recyclables, and also just simply the shared cost of setting up an alternative waste technology plant. The SMRC is an example. We spent \$55 million on setting up our plant at Canning Vale. I think our latest revaluation of it showed it was worth between \$110 million and \$112 million. Country councils simply do not have that capacity.

**Hon PAUL LLEWELLYN:** You are trying to fill a void, but you are effectively a consumer group of advanced waste technologies. You have set yourself up so you can get the best possible deals that you can get. In your submission you say that you are looking for the government to put in place extended producer liability, and, on a completely new level, to apply commercial and industrial and construction and demolition waste practices equivalent in scrutiny to the municipal waste stream. Those are two very big policy drivers. Effectively, are you acting as a lobby group for these kinds of policies, and how well are you going?

**Councillor Thompson:** Yes, we are acting as a lobby group for those policies. The focus for so long has been on municipal waste, yet construction and demolition waste and commercial and industrial waste comprises, from memory, about 55 per cent of the waste stream. If your objective was to reduce waste to landfill, you would provide an even greater oversight of construction and demolition waste and greater incentives for that to be diverted than is currently done. If DEC provided the same degree of scrutiny to construction and demolition waste that it gives to municipal waste, those figures would not be the same.

**Hon PAUL LLEWELLYN:** You are acting as an advocacy group for policy as well. I wanted it to be on the record that one of your recommendations is to give equal weight to commercial and industrial and construction and demolition products. You have also called for product liability and extended producer responsibility. You are actually saying, “Give us more regulatory structures to put a value on our waste streams.”

**Councillor Thompson:** Yes, we are. We are also asking that the state government takes a leading role in waste minimisation. From a local government point of view, the perception is that the state

government does a lot of the talking but does not do very much in terms of backing it up through legislation. Extended producer responsibility is one classic way in which you could cut the amount of C and D waste going to landfill in a very short space of time.

**Hon PAUL LLEWELLYN:** When you say C and D, do you mean construction and demolition?

**Councillor Thompson:** Yes.

**The CHAIR:** Waste management and waste is not an issue that resonates out there with the general public, so in that respect it is on the lower list of priorities of governments. Let us face it, it is not a sexy subject. I do not think people actually realise the extent of waste that is produced.

**Hon PAUL LLEWELLYN:** That is because they are doing their job too well. I think they should leave the rubbish on the kerb.

**The CHAIR:** Yes! The average person thinks of waste in terms of the two bins they put out every week or every fortnight. They do not think of a wider definition of waste, such as construction and demolition waste. We had a submission from the Kwinana Industries Council. It has a huge amount of waste, but it says there is no regulatory mechanism for allowing the reuse of that waste in Western Australia. It is huge. Do you think there should be some educative role to let people know that this is a serious issue? It is a serious issue now, particularly given the fact that we cannot get rid of the recyclables because the price has dropped through what has been happening around the world. There should be some educative program out there that lets people know that this is a serious issue, and it should be given some sort of priority to educate people that waste is just not what they put into their bins.

**Councillor Thompson:** I agree entirely.

**The CHAIR:** Do you think it is something that the state government should be looking at?

**Councillor Thompson:** I think it should. The easiest way to bring it to the general public's attention is not to pick it up for a week.

**The CHAIR:** Do not tell me about that, because Armadale Council did not pick up my yellow bin yesterday!

**Councillor Thompson:** Waste management in local government terms is one of those services that people are most satisfied with. In our last City of Fremantle survey, when we asked people what they are most satisfied with, waste management services came up 96 per cent.

**Hon PAUL LLEWELLYN:** If it disappears out the door and you never have to smell it again, you are doing your job too well. I am not being flippant about it. It sounds flippant, but you are managing a stream. If an engine goes down, you are in trouble. Obviously not having an emergency waste plan or emergency strategy for when something like that happens and one of your facilities goes down—not having some more sophisticated industry strategy—is a void that is unreasonable for us to expect local governments and regional councils to necessarily deal with by themselves. This is the heavy lifting argument.

What other recommendations do you have? I notice that you have an excellent set of recommendations. We need some guidance on focusing down on those recommendations. If you were to pick three or two, what should be done next?

**Hon KATE DOUST:** Perhaps, Paul, one of the issues that we should look at is whether there should be any changes to legislation that might assist in this area. You have obviously had discussions or thoughts about that.

**Councillor Thompson:** Certainly. In terms of the legislation, our CEO would be better placed to answer that question. If I can speak here for a moment as chairman of the SMRC—but it applies to all regional councils—when waste management plants strike problems, as the legislation is

currently set up, it does not encourage organisations to be proactive in trying to source the solution to those problems.

I say that because my understanding is—the CEO can correct me if I have it wrong—that if you do exhaustive tests and you do find things wrong, those reports, even though they are internal to the organisation, can then be used by DEC if it wishes to prosecute you, and you have no recourse but to give up those reports. So it actually does not assist organisations. If you think you have a problem, you are probably better off trying to deal with it ad hoc rather than trying to look at it in any comprehensive manner, because of the difficulties that you face should you be issued with an EPN. If I can ask my CEO to add to that, Madam Chair.

[11.50 am]

**Mr McAll:** One of the issues that we face at the operational level is: we have a problem; how do we solve it; and what are we going to find when we have solved it? We have brought in a consultant to do that. Is that going to demonstrate that we actually have a problem, which DEC can, under section 90 of the EP act, take from us and then use it to prosecute us? This is an extremely difficult position that we are placed in, because we, the SMRC, and all the other FORC members, are working for the community, and we want to find a solution. However, we cannot put the community in jeopardy of prosecution by creating some work that will possibly lead to a prosecution. It is an issue that is very difficult, and we would certainly like to see that reviewed. It is something that is used in New South Wales. They do have an ability, under their environmental protection act, to undertake research and not have it held against them in legal proceedings.

**The CHAIR:** So you are in a catch-22 situation?

**Mr McAll:** It is extraordinarily difficult.

**Hon KATE DOUST:** You almost need something where you are demonstrating that you are actually doing the work to remedy the problem before any action can be looked at. You are actually seeking to resolve it without having to worry about being prosecuted.

**Mr McAll:** Correct. We have asked that that be reviewed. Whilst at an officer level within DEC they believe it is a good idea to be reviewed, from the legal department I understand it was rejected.

**The CHAIR:** On what grounds? Did they tell you?

**Mr McAll:** They did not tell me, no.

**The CHAIR:** Legal professional privilege.

**Mr McAll:** If I may, one other piece of legislation within that is the ability to appeal the conditions of an environmental protection notice. Whilst we do have that ability to appeal, the decision that may come back from the minister will not occur for perhaps 10 weeks after we are supposed to have completed the work, and well past the appeal date; and, if we were successful in that appeal, we would have put in significant expenditure to meet the requirements of the EPN when we do not believe it was possibly correct. That is a significant burden. We have no option but to undertake the expenditure required under the environmental protection notice, but we do not have the opportunity to have that rationally discussed or reviewed until some time later. We must make the expenditure. That is a big impost on the community—on the councils.

**The CHAIR:** Mr McAll, you said that in New South Wales it was not a problem —

**Hon KATE DOUST:** That was the first part, demonstrating a solution.

**Mr McAll:** You can get protection by notifying the New South Wales DEC, I believe, that you are intending to do research to solve the problem. If you provide that notification and they agree, then you will get a shield from prosecution for that work that you produce.

**The CHAIR:** That is not an argument that has resonated here?



**Mr McAll:** No.

**The CHAIR:** Because of legal advice?

**Mr McAll:** I believe so. I cannot speak for the department, but when I put the request to the department, that was knocked back. That was probably about 18 months ago.

**Hon PAUL LLEWELLYN:** It is hard to resolve all those regulatory things. It seems to me that our discussion about regulatory failure there is actually underpinned by the bigger problem of not having the kind of support that is necessary for you to run these things well in the first place. Can I take your attention to the landfill levy currently hypothecated to the Waste Authority, I think, and spent in DEC. You also need to look at the gate fees, because those are the two price signals that happen. What is your view about the level of the landfill levy compared to other states, and how do municipalities cover that with gate fees? I just need to get that relationship, because these are the push factors for people moving to advanced technology.

**Councillor Thompson:** In terms of landfill levy, again from a council point of view involved in waste management, it is completely inadequate. I say that with a double-edged sword because —

**Hon PAUL LLEWELLYN:** Yes, because it impacts you.

**Councillor Thompson:** Yes, it impacts local government. From a purely waste management point of view, it is completely inadequate. My understanding is that in New South Wales—I listened to the response from DEC—it is currently at, or was to be at by now, \$53.

**Hon PAUL LLEWELLYN:** It is going up to \$70 over a period of time.

**Councillor Thompson:** Yes. Certainly our figure in the high forties is a lot less than that. To be honest—it would not be popular in local government for me to say so—I think the landfill levy should be much higher. Currently the difficulty for alternative waste technology is that at the end of the day it is cheaper to go and stick it in the ground than it is to process it and try to keep it out of landfill.

**Hon PAUL LLEWELLYN:** That is primarily because the levy is extremely low?

**Councillor Thompson:** That is right. Again, the CEO can correct me on prices, but I think it would cost us about \$65 to \$70 to simply take our stuff back to landfill, whereas currently it costs us about \$130 to process it. That enables us to keep 70 per cent of our—sorry, I am talking here as the SMRC for the moment, but the same thing applies to all of the other regional councils as well when they have an alternative waste technology. At current prices, it would be easier for us to just stick it into landfill. If I was making a purely business decision and not thinking about the environmental and the community benefits of what we do, I would say stick it in a hole until such time as the prices increase enough to make it viable for me to go back to AWT

**Hon PAUL LLEWELLYN:** So you do not get the landfill levy; the government gets that, or the waste management board gets that. In New South Wales, the money is not hypothecated to the board; it goes into consolidated revenue. However, you have got to cover your costs through the gate charges. I want to get that distinction that there are two things operating here—there is your gate charge to cover the \$130 a cubic metre, and then there is this other barrier, which is the landfill levy.

**Councillor Thompson:** Because my knowledge of the SMRC is reasonable, the way that we currently operate is a combination of gate fee and sale of recyclables. The sale of recyclables effectively holds down our gate fee for our waste composition facility. So in that sense, the SMRC is subject to the fluctuations in the market. Indeed, the drop in market prices is almost 60 per cent for recyclables, although there is some evidence, I believe, that that is actually bottoming out, which means that we will have to raise the price of the gate fee to our member councils by—I think Fremantle is facing an increase of about \$40 a tonne. That equation is gate fee plus whatever

subsidies you can get from carbon credits and from selling recyclables, plus the effect of the levy that would enable us to—again, the CEO is better with the figures that I am, Madam Chair.

**Mr McAll:** We net out the cost. We do not make a profit. Whatever is left over is the gate fee. Up until recently, our gate fee—I am talking about the SMRC now—for recycling was \$36 a tonne. From that, we were putting away money in reserves and so forth. But we were creating a reserve for the current commodity price collapse. Unfortunately that happened before we could put the reserves away. That \$36 is now \$82—the impact. In real terms the impact for us is normally we would generate \$8 million from the sale of those products. We will now, at the current commodity prices, generate \$3.5 million. That differential has to be made up from the community.

Another opportunity that will assist the community is the creation of the landfill levy that is in place for those dips in the market. If, for example, the levy was assisting us until the commodity prices come back to where they were, we could ride it out. It would be a very useful thing for the levy to be used on.

[12 noon]

**Councillor Thompson:** From FORC's point of view the experience at SMRC about what is required for a long-term investment is a salutary lesson to the other regional councils. Considering the amount of money regional councils will have to spend, they need to have some degree of certainty. The only way to get that certainty is by increasing the landfill levy. That will give the underpinning capacity to support alternative waste technology. FORC is looking for both legislative and business environment certainty. I am in the middle of doing the Australian Institute of Company Directors course and I have suddenly realised that, essentially, regional councils are configured to be a joint venture with a local government overview. Essentially, its shareholders are our regional members—local councils—and we have to operate in their best interests within the framework of local government.

**Hon KATE DOUST:** Ultimately your shareholders are your ratepayers.

**Councillor Thompson:** At a regional council level, unfortunately the shareholders are the local councils. You are right, honourable member, at the end of the day it is the ratepayers.

**Hon PAUL LLEWELLYN:** That is not a bad description of a joint venture. You join in partnerships with industry and councils to deliver a service to the community.

**Councillor Thompson:** One other thing is, and this applies to all regional councils, once the regional council has a product it is producing it is working in a quasi-competitive environment with private industry.

**Hon WENDY DUNCAN:** I come back to the comments about management of waste in regional areas and the issues of lack of population, transport distance et cetera. Do you have any recommendations that the committee can consider about how to manage waste in regional areas and what issues it needs to address?

**Councillor Thompson:** FORC has given consideration to the issue of how best to try to encourage recycling and waste recovery in country areas. The only way to do it effectively is with a degree of subsidy. The distance from markets means that the sheer cost of transporting any resources that are recovered to where they can be shipped often outweighs the expense. There was a picture in the press of piles of bottles in Balingup waiting removal. By the time the bottles are transferred here—they cannot be recycled anyway—it is not worth it. One issue is how to subsidise country councils.

There is an argument, and FORC recognises it, that maybe at the end of the day, given the amount of land in country areas, it is not a viable option in terms of economics.

**The CHAIR:** I can see a royalties for regions local government fund here.

**Hon PAUL LLEWELLYN:** One of your recommendations refers to the need for extended product liability. If you have a principle of if you carry the rubbish in, you should be able to carry it out. It is

the same concept of going into a national park. People do not throw their rubbish into a national park; if you carry it in, you carry it out. We are not front-end loading the value of these things. Therefore, the extended product liability and CDL arrangements would put a value on those products so that they can be carried out of the community. There must also be other technology platforms that can be appropriated to small-scale regional populations. We do not want to say that there needs to be massive cross-subsidy from urban to rural. It must be at the front end of the value stream of the rubbish that is created.

**Councillor Thompson:** I have had extensive discussions with the shire president of Broome about this, because he is very interested in it. We are looking at sending Stuart there to look at the problems that country shires have to deal with. I know that Stuart has given consideration to what they have to look at. I will ask him to comment.

**Mr McAll:** I was going to talk about the CDL and how the current issue that we have with the commodity price collapse is eliminated in terms of the financial component. If the SMRC had CDL set at the same level as, for example, South Australia, instead of making \$8 million a year the money that would flow back would be in the order of \$12 million to \$14 million. That would then create the issue of where does that product go. We would redeem the deposit. We would give financial certainty because the deposit rate coming back is already preset. We would have to deal with the disposal of the product. The quality of the materials recovery facility that we use greatly improves the opportunity to move the product. That is critical to the efficiency and quality of the product that comes out at the back end. Today many materials recovery facilities are not able to move, for example, paper because it has too many contaminants in it and there are strict quality control issues. A whole pile of issues are required there, but CDL would certainly go a long way to solving some of our current issues.

**Hon PAUL LLEWELLYN:** People will invest in the back end of it if there was a value there.

**Mr McAll:** I will add to that that the SMRC invested in this particular facility well before any requirements were imposed. We spoke to our community and it said, "This is what we want." We used the then Regional Resource Recovery scheme through which we were getting something in the order of \$12 per tonne for product. We just finished building our facility and were about to get all of that significant chunk of money and the scheme was pulled away. All of a sudden instead of us receiving \$1.2 million, it was taken from us.

**Hon PAUL LLEWELLYN:** Was it a state-based scheme?

**Mr McAll:** Yes. It was a very good scheme because it stimulated the RRRC to create. However, from a business model point of view the uncertainty of the RRRS makes it of little value when developing a business model.

**Hon PAUL LLEWELLYN:** That was funded through consolidated revenue. That was money that you were handing out; it was a scheme that relied on the government to keep —

**Mr McAll:** No it was from the landfill levy. Local government received 50 per cent of the landfill levy to fund that.

Another issue is the lost carbon credits. We spent a lot of time getting carbon credits and spend a lot of money selling them and under the federal governments CPRS scheme we will now lose those. They will not be recognisable. It is another significant cost that the community will have to bear.

**Councillor Thompson:** It comes back to the issue that all regional councils are grappling with; that is, certainty. The SMRC is a case study for other regional councils in their move towards AWT, because with the issues of certainty of funding and the certainty of income that we have faced, they are able now to learn from that. At the end of the day, that learning means a cost impost on the ratepayers. Whatever we do, at the end of the day, the individual ratepayer pays for it.

**Hon KATE DOUST:** I appreciate that you are not here on behalf of the SMRC and I hope that at a later date you will be invited back to speak to us in that capacity because it would be appropriate. Given that you have raised the SMRC on a number of occasions today, I will raise a couple of matters that have come up recently, which we will also address when you appear again before this committee. Firstly, I understand that on 19 February the City of Canning passed a resolution to withdraw from the SMRC and there were a range of follow-on matters out of that primary resolution. I understand that they had a month in which to progress their discussions with the SMRC. Where is that at in respect of the SMRC's relationship with the Canning council? I understand that not only do they propose to withdraw, but they are the landowners. What impact will the Canning council's proposal to withdraw as a member council have on the SMRC?

[12.10 pm]

**Councillor Thompson:** The impact for the SMRC is that a member is withdrawing. That member is part of the participants' agreement. My understanding—obviously we are looking at the legal implications at the moment—is that as set out under the process in the participants' agreement, the requisite amount of notice has been given and that will proceed. The matter is now between the member councils; it is not a matter for negotiation between SMRC and the Canning council, because SMRC is effectively the vehicle. I believe the answer to your question is that the SMRC is currently taking legal advice, and that advice will be given to the member council CEOs so they can take up the matter with Canning.

I am disappointed that this has happened with Canning. I understand why it has happened. It has lost a very experienced mayor, Mick Lekias; a very experienced CEO, a very experienced engineer, and some senior staff. In my view it is not a good decision for Canning, and it is certainly a decision that SMRC regrets. However, the withdrawal is now a matter between member councils and Canning.

I am sorry, honourable member, I am not sure whether I answered your question.

**Hon KATE DOUST:** My other concern is where you stand on this matter, since Canning is the landowner on which the SMRC is sited.

**Councillor Thompson:** We have a lease with the council that runs for 50 years. From an SMRC point of view, whether Canning is a member or not makes no difference to that lease; the lease is a contractual obligation.

**Hon PAUL LLEWELLYN:** That is very good information.

**Hon KATE DOUST:** Yes, That is useful. It is probably a matter we will talk to you about in some detail when you come back.

The other issue I want to raise with you is something which came to my attention prior to Christmas and which is something that we are all aware of. I understand that a video was made by members of the SMRC and posted on YouTube for all of us to see. I wonder what science was behind that and what response you have had from the community, because I know that dealing with the community has been a very tough issue for you to manage. There are still ongoing complaints, and I would have thought that video was oil on the fire.

**Councillor Thompson:** Madam Chair, the video, in fact, was taken by me with my camera.

**Hon KATE DOUST:** So I understand.

**Councillor Thompson:** And I have the beauty of not appearing in it, whereas my fellow regional councillors and some of the officers do.

**Hon KATE DOUST:** We have seen their starring roles.

**Councillor Thompson:** Have you? I took the video because I had been out to the SMRC in response to email complaints maybe 20 or 30 times. When I first started getting those email

complaints, I used to say, “Thank you very much”, and I would rush out and get the CEO and we would go out, and we would smell nothing. I would then send an email back saying that I had been out there. I used to get responses saying that I was not telling the truth and that it was a cover-up. Then I started writing reports when I went out there, and when I organised tours for the council members I took my camera to show that. If we had picked up smells, I would have—I would not have done anything with—I was using it as, kind of, evidence. I thought then I would put it on YouTube so that other members who were on there could see what it was. I put it up for a limited amount of time, and I told all the regional councillors, including members from Canning et cetera. I must admit I was surprised, given all the millions of videos on YouTube —

**Hon KATE DOUST:** Obviously the constituency in that part of the world are keen watchers of YouTube and were happy to forward it on to a number of us. I would have thought, given the problems you have had in your communications with people living in that area, that that video could be used in future as a good example of what not to do in terms of promoting good community relations.

**Councillor Thompson:** I think you are right.

**Hon KATE DOUST:** I tell you what: the emails that I received from people—with that video attached—indicate they were highly offended that people had stood outside their houses and pointed them out as being primary complainants. Having listened to the narrative of that video, you do not get a prize for that one. I think the SMRC has to have a good think about how it communicates effectively with its constituency in that area in trying to resolve some of these matters. I just want to put on the record, Doug, that I do not think that video helped at all.

**Councillor Thompson:** I have apologised for that. It was a misjudgement on my part, and I quite accept that. However, let me say that I have reviewed that video and I still believe that it is an accurate account of what occurred. While I apologise to people who were offended, and I regret the furore that it has created, I believe that it shows councillors carrying out their due diligence. Of the two people mentioned, one was a Canning councillor. Yes, point taken. I accept that it was a mistake and probably did not help.

**Hon KATE DOUST:** No, not at all.

**The CHAIR:** Thank you, gentlemen, for coming this morning. Honourable Kate Doust mentioned a little earlier that the committee will be inviting you back in your capacity as members of the SMRC, and the committee clerk will tee that up with you.

**Hearing concluded at 12.18 pm**