

**STANDING COMMITTEE ON  
ENVIRONMENT AND PUBLIC AFFAIRS**

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

**TRANSCRIPT OF EVIDENCE TAKEN  
AT PERTH  
WEDNESDAY, 8 APRIL 2009**

**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 10.40 am****McALL, MR STUART****Chief Executive Officer, Southern Metropolitan Regional Council,  
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.

[Witness took the oath.]

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

**Mr McAll:** Yes, I have.

**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. Please be aware of the microphones and try to talk into them, ensure that you do not cover them with papers or make a noise 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 material published or disclosed is not subject to parliamentary privilege.

Mr McAll, would you like to make a brief opening statement?

**Mr McAll:** Only to reinforce the points that were made in the SMRC submission to the committee that waste management and the recycling sector be recognised as an essential service. We believe that this has significant strategic benefit for the entire state. Waste management planning and policy development should be the responsibility of an independent office providing support to the waste authority. Strategic planning for waste management should be the portfolio of a minister responsible for industry, planning and state development. This is critical because we believe that there is a tension between regulation and strategic development. That needs to be taken at a political level rather than at an officer level. The WASTE 2020 strategic plan, which was developed back in 2000, we believe needs to be updated to take into account the current state of waste management in Western Australia. There have been significant advances in the last nine to 10 years. That, I believe, should be updated and resubmitted back to the government for their approval and to move forward. Finally, we would like to see the Environmental Protection Act reviewed in light of the issues that we raised in our submission because we believe that it puts an unfair onus on the DEC officers as well as the industry. That is all I have to say.

**The CHAIR:** Are there any particular points in your written submission that you would like to highlight or expand upon in this hearing? I suppose you have basically covered that?

**Mr McAll:** I think our submission covers it quite well in terms of those issues.

**The CHAIR:** Could you please provide the committee with an outline of current steps being taken by the SMRC to rectify the odour problem at its resource recovery centre?

**Mr McAll:** We have instigated an odour management plan. We commenced that upon receiving the report from the DEC back in October last year. We are currently coming to the completion of that

work. One of the significant steps that we have taken is to do research in the odour generated from our green waste facility. Our green waste facility is six times bigger than any other green waste facility in the metropolitan area. We did not understand the potential for odour generation from that facility. We undertook a report and I believe that we have submitted it to the committee for your evaluation. The findings of that report are outstanding—they have never been found before. The primary thing that we found is that the grinding operation can generate up to 600 000 or 650 000 odour units when it is in operation. The waste composting facility generates 75 000 odour units. We are talking multiples of seven times in terms of potential impact. It only happens, though, when the grinding machine is working—we now understand that. We have now got mitigation strategies to deal with that. The mulch that we produce—if we have 1 000 square metres out there, will generate somewhere in the order of 300 000 odour units; four times greater than the waste composting facility. That is a difficult one because it stays there all night and so it can be creating a significant odour. Our modelling has shown that it has the potential, under certain climate conditions, to impact on the community. What we have done as a result of that, we have stopped taking any green waste on site. We are currently developing management procedures to ensure that those odour generations do not occur through the green waste process facility. For example, the mulching machine, when it comes back on site, we will mulch into a shed so that we do not generate those odours. The actual mulch that we create will be removed within 24 hours. In fact, we will go to the point where we will remove the mulch that is generated on any particular day off site that day so that there is no potential for an odour to be created.

The other outstanding piece of research that came out of this is the odour character. We took 56 samples of green waste odour and had them evaluated by specialists who can identify odour character, trained people. Of the 56 samples, 80 per cent of the odours that they classified could be confused with a waste composting facility. So it is our belief that the green waste may have been a significant contributor to some of the odours that have been picked up by the community and confused with the waste composting facility. However, having taken the green waste off site, so we eliminate that component of potential odour from the site, we are now taking ambient community surveys to see whether the waste composting facility has an impact on the community. It is a process of elimination.

Having said that, we have also been issued with an environmental protection notice—the green waste thing was not part of the environmental protection notice—to review the odour management systems within the waste composting facility; the green waste and the materials recovery facility. It is a very comprehensive analysis of the potential odour-generating sources on site. We are looking at the engineering, as well as the biological process that is happening, with a view to ensuring that the equipment that we have in place is sufficient to ensure that no fugitive emissions can get out and that our biofilters can handle the odour loads. Those reports will be presented to the DEC on 13 April as a requirement of the environmental protection notice. The SMRC will take those recommendations and develop an implementation plan and submit that to the Department of Environment by 28 April. I have seen some of the recommendations—they look good. They are basically making the system fail-safe so if we have a human error, the system will have alarms in it to minimise the opportunity for failure of the management system on site.

**The CHAIR:** You said that you stopped taking green waste. When did you do that? I think you might have mentioned it previously.

**Mr McAll:** We removed all the green waste off site on 24 March.

**The CHAIR:** Interestingly enough, I have had a real upsurge in odour complaints this past week, more than I have ever had at any one time.

**Mr McAll:** The action group that works in that area has become aware that we have done that, and they sent out a letter drop last weekend. I can send you a copy of that. We believe that this may have stimulated an upsurge in the number of complaints. That is all we can account for in terms of

why we have had that significant upsurge. In the past, when letter drops have been put out, it also created an upsurge.

[10.50 am]

**The CHAIR:** So are you saying that because they have sent out a letter, people are complaining because there is a smell, or people are complaining because the letter said to them to complain?

**Mr McAll:** It is difficult for me to get into the psychology of the residents, but I believe they have sent a letter out, and it reminds people that there have been odours around, and they should complain now and get it out on the record. That is only my opinion.

**Hon KATE DOUST:** I have received those same emails as well this week, but it has been fairly consistent for me. What I have done is I have kept note of the different names attached to those emails, and they are not always the same names. I do not have a difficulty with action groups that are making people aware of what is going on. I do not think people actually make the effort to complain simply because they have nothing else to do. I must say that one of my concerns has been the management of how you deal with the community. I do not know if that has been handled perhaps as well as it could have been. Having had a look at how those sorts of issues have been dealt with in other places around the country, and the types of communication strategies that have been put in place, and the reduction in the level of complaints, I really think that maybe you need to have a look at how you engage with that action group and perhaps get them on board. I do not know how you have communicated these changes to the community in that area.

**Mr McAll:** I could not agree with you more. I totally believe that our biggest failure here is our failure to communicate with the community. We had very good relations with the community prior to the starting of the facility, but we took the accelerator off and we stopped communicating effectively. I think that has been our Achilles heel in this whole exercise. Certainly we see that as a significant part of the failure. We should have kept it going and kept the community with us all along.

**Hon KATE DOUST:** Just to continue with that, the most common theme that seems to come up in these emails is what is the point of raising an issue, because nothing will be done. That builds up the view that why bother to raise an issue, because it will not be dealt with. I am interested to know how you propose to try to change some of those community attitudes.

**Mr McAll:** Well, in fact we are trying now. We have a RRRC reference group, which we are now about to go out and re-establish again. It has gone through council, it now has approval, and we are looking to encourage more members onto that committee. However, we have found in the past that we have not been able to engage. It was always our intention that members of that action group should become a strong part of that group. It was also our intention that we set aside some funds to allow that group to direct research to improve air quality. That has not happened. We have not had those people there to do that. We are now trying to resurrect that once again. Probably at this stage it has gone too far, and the trust between the SMRC and the community has gone. We have to rebuild that. To do that, through the Western Australian Local Government Association, we went to the Minister for Environment, and so did our member councils, requesting that an independent committee be set up so that there is no perceived bias and so forth. Unfortunately we have not, to my knowledge, received any feedback from the minister with respect to that proposal. We see that as a good way forward to get the independence and to bring everybody together. That is absolutely critical. I mean, I could go into the complaints that we have been receiving, or about other smells. You can read the emails. They are clearly not our smells. But that is not the point here. The point is getting everybody together and working together. That is where the SMRC is focused.

**Hon KATE DOUST:** That is right. You can have the best engineering solutions in place to resolve these issues, but until you get the community on board with you, it will not matter how much money you spend. I think that is a major issue for you to have to deal with.

**Mr McAll:** Yes. I could not agree more.

**Hon BRUCE DONALDSON:** You spent about \$2.4 million on trying to eliminate the odour from the plant at some stage, if I remember correctly.

**Mr McAll:** Correct.

**Hon BRUCE DONALDSON:** What is the odour residency now in your biofilters?

**Mr McAll:** I believe it is 42 seconds. If I may, I will just give you a few of the design parameters on those biofilters. They are designed for a loading of around 200 odour units per cubic metre per hour to pass through them. The loading rate that we have them on is 140, so we have a substantial buffer within them.

**Hon BRUCE DONALDSON:** Were you at the opening of the Mindarie plant?

**Mr McAll:** Yes.

**Hon BRUCE DONALDSON:** Admittedly they have had the opportunity to see the modernisation and the new technology that has been engaged. They have three huge blowers going back into their biofilters. Can you remind me of what your situation is now?

**Mr McAll:** We have 10. We are substantially larger, and we process the same quantity of waste. Their system is a new design system which looks as though it has quite a lot of positives about it. I am pretty hopeful that they are not going to have issues with those biofilters. They look very good. They are the next generation biofilters. Basically, they take the air and they put it into a plenum underneath the media that absorbs the odour, whereas we have a series of pipes. The advantage of that is that it gets a better distribution of air to percolate through the media. So we are very hopeful and we are watching that very closely to see how well that works. UR-3R in the eastern states has converted to it well, but Port Stephens and Cairns have the same system that we have.

**Hon BRUCE DONALDSON:** We were just reflecting this morning, in fact, that when we visited the plant in Cairns, there is an old landfill site just alongside it, and when we came out of the centre, we moved around and we copped the wind that was blowing across the plant, and all the odour that was coming our way was coming from the old landfill site. I know that you have a sewage transfer station within about 500 metres of your plant. You also have a former landfill site. You said that you have stopped collecting green waste at that site. It is interesting that you make that comment, because when we visited the plant, you may remember that we were told that if you had rain, you had to get rid of that green waste fairly quickly, because odours were developing from it. It surprises me that it took an engineering inquiry to actually get to what you people already knew.

**Mr McAll:** It is not only the rain. We have now recognised that it is also just straight fresh mulch. We also did not realise the quantum of odour that is generated when you grind that mulch.

**Hon BRUCE DONALDSON:** There have been a lot of rumours around, and we have seen some minutes. Is the City of Canning staying in as part of the South Metropolitan Regional Council group? I think the plant is located on their land. There was some talk that they might pull out.

**Mr McAll:** They have resolved with an intention to withdraw from the SMRC and the RRRC project. Should that proceed—and I see no reason why it should not—that will mean that they will be withdrawing from the facility from 1 July 2010. They need to give one clear full financial year's notice.

**Hon BRUCE DONALDSON:** Is that going to make a big difference to the operation?

**Mr McAll:** No, not at all. The SMRC is basically a joint partnership between seven councils. The governance structure that we have is a local government structure. We are not a local government in the sense that we have the same powers. Our establishment agreement and our participants agreement as to how we operate together is a contract between the seven councils, so they will then resolve that issue. It is not for the SMRC to get involved in that. This is the first time that this has

happened, so we are all treading very carefully on the legal issues around this to make sure that we do not muddy the waters and it is done nice and cleanly.

**The CHAIR:** So there are no funding implications?

**Mr McAll:** The way the agreement is written is that if one member withdraws and there is shortfall in funding, the withdrawing member shall make good that funding shortfall. It was always designed in that way, because if a large council pulled out and all the burden was left with, say, East Fremantle, which is a very small council, it could not operate. So that was clearly articulated and it is part of the documentation that everyone signed when they signed up to the project.

[11.00 am]

**Hon KATE DOUST:** Even though they have removed themselves, their ratepayers will still be, at some point, paying the costs associated?

**Mr McAll:** Correct. As I understand it, yes.

**Hon BRUCE DONALDSON:** What are they going to do with their waste?

**Mr McAll:** I am not privy to their waste plan, but I would assume they will take it to landfill. This, I suppose, is unfortunate because there is about to be introduced a significant carbon reduction pollution tax, as well as landfill levies are increasing. I do not know what their financial position is on that.

**Hon PAUL LLEWELLYN:** I want to go back to, first of all, the setting up of an independent committee at an arm's length distance from SMRC to deal with the odour complaints. Is that something that you have already set in train?

**Mr McAll:** I believe that we sent letters off, I think it was last November or last October, to the minister. Not only us, member councils, as well as the president of the Western Australian Local Government Association.

**Hon PAUL LLEWELLYN:** Outsourcing effectively the community relations part of that whole —

**Mr McAll:** That only forms one part of our community relations. We still maintain our tours, we still maintain our information that we provide to them.

**Hon PAUL LLEWELLYN:** With regard to your communications package, clearly you are one of the first advanced waste treatment facilities. You have got a fairly good record on your landfill to gas, you have got significant recovery programs for recyclables and so on, and it has been unfortunate that you have had this emissions issue and community relations issue. Do you not see that it might be useful to try to outsource the entire communications program so that you can set it one step back from the operation and see whether you can actually build relationships? It seems to me that by setting up this independent committee, I am not quite sure of the problems they want to solve. Is it the odour problem or a relationship problem, or is it the entire communication strategy?

**Mr McAll:** We have engaged our external consultants to develop the communication strategy and that will be part of that program. But I am not sure that we can just outsource the entire communication strategy. I would love to, but I do not believe that that is practical nor would it be of any benefit to us in terms of we have to be engaged, we have to be part of it and we have to respond to the community.

**Hon WENDY DUNCAN:** Have you advised the community of the outcome of this engineering study and the actions you have taken in response to it?

**Mr McAll:** It will go to our regional council and it will become a public record this month. From there our PR committee, which is made up of our councillors, will discuss how we disseminate that information.

**Hon WENDY DUNCAN:** I think it is something that should be done sooner rather than later. If you have made these quite definitive findings that have identified the issue and responded accordingly, the community needs to know.

**Mr McAll:** It is a difficult message to sell. Whilst everybody is looking for the quick fix—that is the problem, it has gone away, it is gone. That is not the case. We are an operational facility. We will have emissions from time to time. When you go out with something saying this was the problem and then we have an emission because of an operational failure, the whole credibility gets lost. It is something that we have to balance. It is very difficult. A sociological type of solution is required here.

**Hon KATE DOUST:** I think the point Hon Wendy Duncan has made is valid. If you leave it up to other committees to make that decision about how and when and where the information will be provided, you might have missed an opportunity. I use the example of Alcoa in Kwinana, in particular. They have had similar issues down there over time and have established a community group. They send out regular newsletters. A number of us probably get them, as do the community. They are just updates, not huge amounts of information, but short, sharp updates so that people see that they are actually doing things as they go, not something at the very end of the process. There is this update, this engagement and people feel part of the process.

**Mr McAll:** That is precisely the advice that we are getting and we are in the process of developing that. I think that is good advice.

**Hon PAUL LLEWELLYN:** It seems to me that SMRC to some extent is perceived to be in denial of the problem. That is a significant problem. It is clear that you have taken a whole series of steps towards understanding the issues and looking at engineering solutions, but it is also perfectly clear that there is a large scale community relations exercise required. I would say that given there is a disconnect between what you were just saying, that you have taken some initiatives and there is a disconnect between communicating that, it seems to me there is a breakdown in the communication strategy in spite of whatever consultants you might have. So that we can move past that, it would be good to see an integrated communication strategy that builds relationships with the community. I am challenging that yes, you cannot disconnect your communication strategy completely, but you need to have a very reactive, dynamic strategy that actually takes opportunities. It seems to me that that is where the breakdown is. Assuming that we are persuaded that the technical problems have been largely resolved, you have moved the waste off the site and you are eliminating some sources of the problem, I think there needs to be more work on an integrated and dynamic communication strategy to get the SMRC out of the hole that it has really dug itself into in the community.

**Hon WENDY DUNCAN:** To change the tack a little bit—when we heard from you last time there was an indication that part of the difficulty was that if you admitted the problem and started researching it, that you may trigger an EPN. I am wondering whether you would like to expand on that and perhaps give the committee your thoughts on how that dilemma that you were faced with may be dealt with in the future?

**Mr McAll:** I think, firstly, I would like to say that we do create an odour. We are licensed to create an odour. Unfortunately there is an expectation that there will be zero odour. We have a community out there that has been fed the line of “there will be zero odour”. We have a licence to create an odour, albeit very small—2.5 odour units—but that can be smelt by people. If you are being told repeatedly by various people that there will be zero odour, then we are always going to be behind the eight ball. That is one of the issues—getting that understanding that we are an industrial business, like the other 17 odour sources in the Canning Vale area, they are entitled to make an odour and, on occasion, they are entitled to have a greater amount of odour. That is the nature of the beast. That is why we are in an industrial precinct

**Hon PAUL LLEWELLYN:** It seems that the problem is there is almost a zero tolerance in the community. That is the problem—not whether there is an odour or not, but whether they are going

to be forgiving enough to say, “We’re getting a benefit by having this facility here, we can see that, and from time to time we can accept 2.5 odour units, but we know that we are getting it.” It is a relationship issue.

**The CHAIR:** Excuse me, Hon Paul Llewellyn. Hon Wendy Duncan has not had an answer to her question yet.

**Mr McAll:** The SMRC is a large organisation. We have a considerable asset there. A significant amount of community money has been invested into that facility. When we are looking at undertaking research, we must consider the legal implications and the potential impact on the community. The fines under the Environmental Protection Act are significant and substantial. When we look at the legislation, it says that if we undertake any research or any works at all—under section 90 I believe—we are required to hand that information, at the request of the prosecuting agency, to them; and they may use that in evidence against us.

As a CEO, I look at that, and I think: if I take on this particular research and I am not sure where it is going to end up, I could be putting this \$100 million facility in jeopardy.

[11.10 am]

**Hon KATE DOUST:** That is why you want the EPA act to be amended to deal with that, is it not?

**Mr McAll:** Yes. That is not just for the SMRC, I might add. The entire industrial community has to live with this as well. That stifles our ability and desire to be more innovative and improve things, because the outcome may be used against us. Having said that, I do not believe that the DEC is of a mind to prosecute. It is quite receptive, and I believe we have a good working relationship with it. I think it runs a very good regulation side of its business. However, it is a risk that must be taken into account. When you have your legal advice to say, “Well, if you do that, you could jeopardise this”, it becomes very difficult from a governance point of view. On occasion the council has taken those risks by this green waste study and so forth.

**The CHAIR:** Have you made representations to amend the legislation?

**Mr McAll:** No, we have not.

**The CHAIR:** Do you plan to do that, because from memory New South Wales has had their act amended?

**Mr McAll:** Yes.

**The CHAIR:** Do you plan on doing that? It might be a good idea, do you think?

**Mr McAll:** It is a matter of money. The first problem is that we are doing everything. We are developing markets. We are developing research for the green waste. How far do you go? We have to pass this burden onto somebody else. We cannot keep putting the burden onto our seven member councils. To do a challenge and put up an argument for that sort of a change will cost a significant amount of money. It is very difficult. So we are continually balancing between what we have to do with the amount of money available without impacting too much on our community, and it is significant.

**The CHAIR:** On that basis, do you have a view—I know there is a view around—that maybe local government is not the place to manage this sort of thing; it would be better off being put under the management of one of the major waste companies? We visited the plant at Macquarie Fields, where the council is totally hands off from that operation, and it seems to work very well. The council is very happy with it. Do you think it would be a reasonable supposition to take the management away from local government and away from the councils and put it under the control of a professional waste management company?

**Mr McAll:** When you do that, you shift all the intellectual knowledge away from the councils, because they basically have no involvement in the operation. This is critical, because we do not see



in the foreseeable that waste will be eliminated. We believe that we need to be involved and understand what we are doing. If we handball that aside, we will be at the mercy of the private sector. Australia is very unusual. I believe that nearly every other processing facility in Australia is run by the private sector. If you go to Europe, it is the complete reverse. The Europeans have embraced it. Their regional local governments run those facilities, because they recognise that not only are these facilities going to be around for a long time—this is alternative waste treatment facilities—but they want to have control so that they can manage the improvements. One of the advantages that the SMRC has is that we are not locked into contractual positions for a certain amount for 20 years. We are in a position, and we are driven, to continually do research to find better and better solutions. So we are not contractually held up from doing that. I think that by being in the hands of local government, we will get much greater advancements. Already we are looking at other types of technologies to deal with our residual wastes that come from the facility. One of the other aspects of our organisation is to research those residual wastes and find solutions for them. So we are looking at processes like gasification, and depolymerisation, where you take the residuals and turn it back into a diesel or turn it into energy and so forth. It allows that advancement, but up to a certain amount. I mean, there is only a certain amount of money that is available. We have put aside a certain amount of money to encourage that and keep running with it.

I believe the analogy that can be best looked at is recycling when it first started. If you remember, most of the local authorities subcontracted out the collection of recyclables. Now the majority of councils run the recycling collection, so they have had to buy that back and buy their trucks and so forth. They looked at the cost economics, and it was better for them to do it than to subcontract it out. The other issue, of course, is that we are dealing with a significant amount of money. The private sector are not going to take a loss. They are not a charity. We usually operate I think well and truly below the profit margin that the private sector would charge for that service. That money can then go into other research and development. The other issue that we have faced in the past is the failure of contractors. When our recycling facility contractor went into voluntary liquidation, we were locked out of that facility for six months. We had the recyclables still coming in, but where could we take them? So we built a makeshift facility within four weeks in Gosnells—and thank you to the City of Gosnells for allowing us to do that—and we processed 24 hours a day to try to catch up. But for that six month period, because of the administration issue with that contractor, we had to try to pick that up. The council said no; we need to understand how the system works so that we can control that event in the future. So it is a risk.

**Hon BRUCE DONALDSON:** I want to ask you about the future of recyclables at the present moment, given the global financial situation. Some states in the United States have stopped collecting recyclables; their warehouses are full and they cannot get rid of that product. What do you see as the future at the moment for the sale of recyclables?

**Mr McAll:** Firstly, do you know the kinds of mineral recyclables that you put in your yellow-top bin? For every tonne of that, up until October of last year we were getting \$140 in commodity value. In October, that dropped to \$60 a tonne. So all of a sudden, we took a massive loss. That income made up close to 70 per cent of the running costs of the facility. When we lost that income, we became totally unprofitable, and we have had to go back to our member councils to increase the rates as a result of that. Since October, we have seen a very small increase in commodity prices. It has gone from \$60 a tonne to \$65 a tonne. What we are currently proposing to the Waste Authority is that over the next three years, they support recycling—not only local government, but also commercial recycling, because they are hurting as well. If the Waste Authority does not do that, the possibility is that many of the businesses that currently recycle will go out of business and the past 10 years' work will have been lost. So we are looking to seek that support. This year, just from our commodity sales alone—we were able to mitigate quite a bit of it with insurance—we have lost \$2.8 million. Next year, we will lose \$4 million when factored over and with a slight increase in commodity prices. The year after that, we can see that coming down to about \$2.8 million as

commodity prices go up. That is a significant burden. That represents about \$40 per household per year extra on their rates to pay for that. That is why we are seeking some assistance from the Waste Authority. That submission went in this week, actually, to seek that assistance.

**Hon BRUCE DONALDSON:** The other point I would like to come back to is the 2.5 odour units that you are operating on at the present moment. Was that figure given to you recently? What was the figure for the past 10 years? What odour units were you working on then—seven?

**Mr McAll:** No. We have always worked on 2.5.

**Hon BRUCE DONALDSON:** You have worked on 2.5 right through?

**Mr McAll:** Yes. Our ministerial conditions and licence conditions were based on that.

**Hon BRUCE DONALDSON:** For how long?

**Mr McAll:** For as long as the plant operates. That is our baseline figure. We spent many millions of dollars to build the facility based on that performance as a requirement of our licence.

**Hon BRUCE DONALDSON:** Are you meeting that?

**Mr McAll:** We believe so.

**Hon BRUCE DONALDSON:** It is not whether you believe it. Are you meeting it? You have to know. It is not whether you believe it. It is either yes or no.

**Mr McAll:** Yes, we are. The DEC is not attacking us on our licence conditions. It is attacking us on another thing called an “unreasonable” emission. That comes under the Environmental Protection Act, which is managed and controlled by the director general of the DEC. That is what they are talking about. The emission that they are picking up is an unreasonable emission. Unfortunately, “unreasonable” emission is not very well defined, and that is another issue.

[11.20 am]

**Hon PAUL LLEWELLYN:** If there is a failure in the commodity market for recyclables—and there is—and we can regard the municipal waste stream, which is the putrescible waste stream, which is what you are dealing with, assuming that, first of all, somehow, through extended product liability or container deposit arrangements, your recyclable waste stream becomes profitable again, so it is paying for itself, can you see a moment when the actual putrescible waste stream will become profitable? You can sell a usable product at the end and get a proper return on investment, so that machine pays for itself; or is it always going to be you only ever see it being a liability, cross-subsidised by recycling?

**Mr McAll:** It is an opportunity.

**Hon PAUL LLEWELLYN:** Is there money in muck?

**The CHAIR:** Where there is muck, there is grass!

**Mr McAll:** Community is always going to produce municipal solid waste. We have to find a way to deal with that cost effectively. There are currently two ways to deal with that. One is to put it through a process like ours; the other is to put it through landfill. The pressures on landfill prices are now quite enormous. What we are seeing, with the introduction of the CPRS, is that the cost of landfill is going to jump substantially. On top of that, you then have the landfill levy. Then you have a scarcity factor. The amount of air space available for landfill in the metropolitan area is rapidly diminishing and so the cost is going through the roof. What we do —

**Hon PAUL LLEWELLYN:** What do you mean by that? Give us the quantum.

**Mr McAll:** Currently the price we pay for landfill is around about \$65 a tonne. In 2010 —

**Hon PAUL LLEWELLYN:** Is that equivalent to a cubic metre?

**Mr McAll:** On a cubic metre basis, about \$25 a cubic metre, depending on the density that comes in. We actually use weight as a measurement. That is how legislation works as well. It is \$65 at the moment. In 2010, with the introduction of the CPRS, it is going to jump another \$20 as a minimum. Plus there will probably be a component on top of that for legacy gases that have been created prior to 2010. It might go to \$75 a tonne on top of the \$65. On top of that, you are then going to have the landfill levy, which is around \$9 or \$10. All of these two components are increasing over time. But all of a sudden you have just got 35 or you have just put 50 per cent extra cost on landfill with those two, for want of a better word, taxes. That will be your option—either you send it to landfill or you send it to our process facility. Had the global financial crisis not hit now, the cost of our facility per household per year would have intersected with landfill costs in 2011-2012. As a result of the commodity crisis, that will now not intersect until 2013-2014. But thereafter it will be cheaper to process your waste through a facility like us rather than to send it to landfill. Hopefully that answers the question.

**Hon PAUL LLEWELLYN:** If you were setting out a framework for what the levy should be and what the gate fee should be and how you share the burden—do you have a formulation for that in your mind?

**Mr McAll:** One of the systems that the SMRC enjoyed, and so did local government, was a thing called the resource recovery rebate scheme, the RRRS. That was a performance-based scheme. If you performed and you recovered materials, then you got a rebate from the landfill levy. So it appealed to the SMRC because it was performance-based—you do the work, you get the reward for that. We would see that that would be a very good way to distribute the levy not only to local government but to all sectors of the community that are doing the right thing, behaviourally, in terms of waste reduction to landfill. If it is too successful of course it will die because nothing will be going to landfill. That is the intent and that is the direction the government wants. We would see that as a very good way to encourage and stimulate. However, because of the transient nature of government, that scheme may not be there the next year, or two years down the track, as it was for us. We had factored into our business plan making around about \$1 million a year in that levy. When we got to the position where we would make \$1 million a year, the RRRS was scrapped. When other organisations look at developing their business plans, they do not take that into account. It has no value unless there is some longevity or life or some sort of permanent commitment that that money will be distributed because you just, as a commercial business, cannot take it into account.

**Hon PAUL LLEWELLYN:** Can you say briefly how the resource levy works and how it came to be and how it disappeared?

**Mr McAll:** A decision was taken that they felt that they had stimulated the recycling market sufficiently and therefore it was no longer required. To a certain extent they were right in the sense that —

**Hon PAUL LLEWELLYN:** Who is “they”?

**Mr McAll:** This is the waste management board at the time. It is different to the waste authority that is current now. It was primarily because the commodity price of recyclables had come up and it was making it viable for recycling to stand on its own. It did a very good job on recycling. However, it also was supporting the organics recovery component, which is what we do in the waste composting facility and the green waste work, which have not come up. But when the system was scrapped, they took the whole system out rather than diverting that money to a rebate on organics recovery and green waste recovery. The SMRC at that stage was generating around about 50 000 tonnes of organic recovery. At \$10 a tonne, that was half a million dollars. The rest was going to the recyclables. Had we kept that up for the organics, running just the organics, until that could stand on its own, then it would have been time to pull it out and redirect it somewhere else.

**Hon PAUL LLEWELLYN:** Does that not get replaced by the carbon pollution reduction scheme? If there was a higher price for carbon, then effectively those things cancel themselves out and that becomes the driver?

**Mr McAll:** That is part of it.

**Hon PAUL LLEWELLYN:** It is not here yet.

**Mr McAll:** No. In our situation, for example, with the introduction of the CPRS we lose our ability to create and sell carbon credits because they become part of the Australian Kyoto requirement. Australia benefits from them but the SMRC does not. We also have to pay a tax on our residual wastes that go to landfill. Even though we have put it through the process, we have to pay \$20 a tonne for disposal. For that price, that is another \$1.2 million cost impost. We are not only facing the global financial crisis, but we are also facing the impost of the CPRS as well. I can send you a copy of the submission that we have made to the waste authority which gives a layout of those impacts.

**The CHAIR:** Yes, please. Thank you very much for coming today, Mr McAll. It is much appreciated.

**Mr McAll:** Thank you for the opportunity.

**Hearing concluded at 11.27 am**