



February 23, 2006

The Secretary
Senate Rural and Regional Affairs and Transport
Parliament House

SUBMISSION TO THE SENATE INQUIRY ON FUTURE OIL SUPPLY & ALTERNATIVE FUELS FROM SOUTHERN METROPOLITAN REGIONAL COUNCIL

We recognise that we are approaching a point in the near future where oil supply will not meet demand.

This is of considerable concern to us in local government as we are directly dependent on oil for our operations. This dependence has increased over the past decade with more mechanised operations and could increase further with increased recycling volumes and the need for more frequent collections.

Oil Use and Climate Change

We recognise the connection between greenhouse emissions, climate change and oil combustion. Our participating member councils within the Southern Metropolitan Regional Council have committed to greenhouse gas reduction in our operations and the community. Through a regional alternative fuels committee we have been seeking alternative fuels for our fleet and plant. Our search for alternative fuel to diesel and petrol has been driven by environmental concerns of greenhouse and air pollution as well as interest in fuels that are produced within the region and are available for the foreseeable future.

Regional Biodiesel Evaluation

We have decided to trial biodiesel within our fleets over the next 2 years as local sources are becoming available and there appear to be strong environmental benefits from this fuel. We may however be constrained by manufacturers' warranty conditions on blends above 20% biodiesel. We will also continue to investigate other fuels like LNG that may have a role as a transition fuel. Associated with these decision points, we are concerned about Federal Government taxation changes in the future that may affect a choice we make.

Role of Fuel Reduction Measures

While investigating and trialling alternative fuels, we can identify that there is no one ready alternative fuel to oil in its abundance and energy density. The fuels we are interested in hold much promise for us in meeting our objectives, but we recognise that these fuels themselves are limited in their volumes or lifetime. Hence it is critical for us as a nation including our region to reduce fuel consumption levels.

Through the Regional Alternative Fuels Committee, we have been identifying means to reduce fuel consumption through more efficient "up-market" fleet vehicles with smaller engines. Unfortunately it seems taking this path means moving away from Australian-made vehicles. We are also met with the barriers that these are not available through state government vehicle tender lists.

Flow-on Effects of Oil Price Rises

As oil prices have risen over the past year, we have noticed the flow-on effects in our organisation. Budgets for fuel consumption have been exceeded, squeezing other operational areas as rates increases are only with the CPI. Beyond the fuel itself, we noticed significant cost increases beyond the CPI over the past year on bituminous products used in road making and reticulation pipes, both of which relate to oil-based products.

Impact on SMRC's Regional Resource Recovery Centre

SMRC operates, as one of its core businesses, a state of the art resource recovery facility and sells a range of recovered and recycled products including paper, plastics, metals and composts.


Whilst the increasing price of oil has had a positive flow-on effect increasing the income from recycled plastics, the gap between supply and demand is placing greater pressure on SMRC to recover more plastics from the waste stream.

The role of compost in the growing of biofuel crops is also expected to increase demand for recycled organics and hence push to maximise recovery of organic material from the waste stream.

Achieving the maximum level of recovery of recyclable and organic material will therefore require significant investment in capital and community education on the part of the SMRC and its member Councils. So as the oil price rises with diminishing supplies, the flow-on effects on this core business will be a need for significant new investment to meet increased demand for recycled plastics and compost for a new biofuels energy crop industry.

We believe its is critical to nationally plan a course to reduce our dependence on oil as we enter into a time of resource-constraints and global warming.

Yours sincerely



Cr Doug Thompson
Chairperson
Southern Metropolitan Regional Council