



**Submission to
The Senate Standing Committee on Economics**

**INQUIRY INTO MATTERS RELATING TO THE
EXPLOSION AT VARANUS ISLAND,
WESTERN AUSTRALIA**

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ABOUT WALGA

The West Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of all 139 Local Governments in Western Australia.

The Association provides an essential voice for almost 1,400 elected members and over 12,000 employees of the Local Governments in Western Australia and Christmas Island and Cocos (Keeling) Island Councils. The Association also provides professional advice and offers services that deliver financial benefits to Local Governments and the communities they serve.

WALGA welcomes the opportunity to contribute to this inquiry by the Senate Standing Committee on Economics and it's Terms of Reference being:

1. The economic impact of the Western Australian gas supply crisis, including:
 - a. the extent of losses faced by business and industry failing to meet production targets due to the lack of gas supplies;
 - b. the disproportionate disruption to industry in the south west of Western Australia; and
 - c. the nature of contractual arrangements forced on business and industry during the gas crisis and their status since the resumption of gas supplies from Varanus Island; and

2. The government response to the Western Australian gas crisis, including:
 - a. the adequacy of the crisis management response;
 - b. the adequacy and reliance on one source supplies of gas for domestic markets;
 - c. the provision of reliable and affordable supplies of alternative energy;
 - d. the feasibility of developing emergency storage facilities of gas in depleted reservoirs or other repositories; and
 - e. the justification for any refusals to release relevant facts and documents publicly.

This submission on behalf of the Local Government sector in Western Australia has been prepared with limited consultation due to the tight time frames provided by this Inquiry.

BACKGROUND

Local Governments in Western Australia are, in aggregate, moderate consumers of energy as both natural gas and electricity. However, this consumption is diffusely spread across many sites, and many local government entities. Energy consumption in local government is small in comparison with major industrial and mineral processing facilities.

Local Governments clearly recognise their role and responsibilities for community leadership. During the period following gas supply interruption many local governments indicated a desire and willingness to take and promote appropriate responses, however it was often ambiguous what actions were the most helpful.

CRISIS MANAGEMENT RESPONSE

Local Governments in Western Australia accepted the invitation to participate in the Gas Supply Disruption Recovery Committee convened by the Western Australian Government Department of Premier and Cabinet. This committee met on three occasions and provided two way communications through daily email updates between meetings.

This committee was considered a worthwhile undertaking by Local Governments, although its impact on decision-making at the local level was limited.

The Emergency Management Act (2005) provides for the preparation and implementation of State Emergency Management Plans (WESTPLAN). While a plan for Fuel Shortage Emergencies was approved on 31 January 2006 by the State Emergency Management Committee, this plan did not appear to have been implemented to manage the consequences of the Varanus Island explosion incident. The Department for Consumer and Employment Protection is responsible for this plan.

During the recovery phase, the State Government and the Recovery Committee were not able to effectively articulate to industry or the community broadly whether there was to be any prioritisation of gas (or energy) supply and if so to whom and how this would be implemented. While the State does have emergency powers to direct energy resources in this way, these were not used on this occasion. As an alternative a market-based mechanism was established. Consequently there appeared to the community to be a somewhat arbitrary process for determining which gas users would receive supplies at any point in time. The benefits being achieved by reduced use in other sectors, particularly by the general public, were not effectively communicated.

Perhaps the clearest example of failure of the arbitrary (and later market-based) system to deliver optimal outcomes was in the laundry sector. While hospitals would have received priority access to gas had the need arisen, hospital operations (along with hotels and other users) were hampered by a lack of linen and related items.

It is recommended that the WESTPLAN for Fuel Shortage Emergencies be revised and used to determine the priorities for allocation of limited gas including considerations for health, safety, feasible alternative energy sources and economic impacts.

It is recommended that the Government be as clear as possible with the community regarding the benefits of reduced marginal use of gas (or energy).

CONSEQUENCES FOR LOCAL GOVERNMENT AND COMMUNITIES

Operations undertaken by Local Governments were impacted in several ways as a result of the request to reduce energy, particularly natural gas, consumption during the period following the explosion at Varanus Island.

a) Recreation facilities including swimming pools reduced their air and water temperatures in order to reduce energy consumption. Most of these facilities use natural gas for heating. In some cases parts of facilities were shutdown and pool blankets were used more extensively. In a small number of cases facilities were closed entirely and patrons re-directed to alternative venues. These decisions had some negative implications for staff, particularly those employed on a casual basis. It has not been possible to quantify the service delivery or financial impact of these decisions at a sector level within the time frame of this inquiry.

b) Various building and construction activities were re-organised and re-scheduled due to the lack of key materials. In general the impact in terms of cost and service delivery was small.

c) Consistent with other major facilities including shopping centres and offices, Local Governments sought to reduce energy usage within their buildings by turning off non-essential lighting, reducing the numbers of lifts in operation etc.

Street lighting is the largest single use of electricity by local government. Reducing street lighting, either in terms of the areas lit, or the time lit would reduce this. However, there are practical limitations to the degree of flexibility that can be implemented and information provided by the electricity retailers and suppliers (primarily Synergy and Western Power/Verve) made it unclear as to whether such actions, at a cost in terms of service delivery to the community, were in fact helpful in mitigating the impacts of the gas supply shortfall.