

CABINET - SUBJECTS FOR CONSIDERATION, 15 DECEMBER 2005 9:00 AM

Not relevant



6 Cabinet Notes

601 CASTALLOY MANUFACTURING PTY LTD (ION LTD) – NOTED (MINISTERS HOLLOWAY AND HILL TO WORK THROUGH TO RESOLVE)

Not relevant



TO: THE PREMIER FOR CABINET TO NOTE

RE: CASTALLOY MANUFACTURING PTY LTD (ION Ltd)

1. PROPOSAL

That Cabinet note:

- 1.1. GM Holden Ltd has approached the EPA to determine if the Castalloy Manufacturing Pty. Ltd. facility at North Plympton can manufacture approximately 31,500 additional cylinder heads.
- 1.2. It is understood that the period over which this would be done is approximately two months.
- 1.3. The EPA's initial response to GM Holden Ltd. is that there are significant legal limitations relating to the Castalloy facility that may affect the ability of Castalloy to manufacture these components without breaching their EPA licence.
- 1.4. There is substantial community concern relating to the environmental performance of the Castalloy facility, with the expectation that its performance will improve significantly in accordance with its EPA licence.
- 1.5. This licence was agreed to as part of a Deed of Settlement that was signed in August 2005 after prolonged legal proceedings.

2. BACKGROUND

- 2.1. The Castalloy foundry at North Plympton manufactures products for Harley Davidson and Holden.
- 2.2. Castalloy has been the subject of ongoing resident scrutiny and complaints for many years due to odour and noise emissions, exacerbated by the lack of adequate pollution control measures and its close proximity to residential housing.
- 2.3. For over 5 years the EPA has sought to bring Castalloy into compliance with current environmental standards.
- 2.4. In 2003, Castalloy appealed EPA licence conditions requiring a reduction in odour and noise emissions in the Environment Resources and Development Court (ERDC). A Community Representative joined these appeal proceedings in support of these licence conditions.
- 2.5. In December 2004 the parent company, Ion Ltd, went into voluntary administration. The appeal was maintained by Administrator McGrathNicol and Partners.
- 2.6. On 30 August 2005, the appeal was settled in the ERDC following the signing of a Deed of Settlement of Litigation (the 'Deed') by Castalloy Manufacturing Pty Ltd (Subject to Deed of Company Arrangement), the EPA and the Community Representative.

- 2.7. The deed outlined obligations on Castalloy, the EPA and the Community Representative and included an EPA licence issued on 1 September 2005.
- 2.8. The renewed EPA licence was issued for a period of 10 years and requires compliance with the EPA's odour and noise limits:
 - 2 Odour Units (OU) by 30 June 2006;
 - 54 decibels (A weighted) (night time level) by 30 June 2006 (interim standard);
 - 50 decibels (A weighted) (night time level) by 31 December 2007.
- 2.9. The Deed is a legally binding document between the signatories and sets out a number of conditions and responsibilities that affect each of the parties.

3. DISCUSSION

- 3.1. Cylinder heads are currently manufactured at the facility for GM Holden and it is understood that this contract expires at the end of February 2006.
- 3.2. The manufacture of GM Holden components is a major contributor to odorous emissions from the site and the cessation of this activity is a key component of Castalloy's program to comply with the odour emission limit set in the Deed and EPA licence.
- 3.3. On 13 December 2005, Castalloy obtained a development approval to consolidate and increase the height of stacks at the site to improve dispersion of odorous emissions, which combined with other works, should enable the 2OU emission limit to be achieved by 30 June 2006.
- 3.4. The proposed improvements relate only to the areas of the site that involve the manufacture of Harley Davidson components, which will continue beyond 30 June 2006.
- 3.5. It is understood that the additional cylinder heads sought by GM Holden can be manufactured within a 2 month period, which based on the above could be completed prior to the 30 June 2006 compliance date. This could also be achieved in conjunction with environmental improvements to be undertaken at the site.
- 3.6. The Administrator for Castalloy has indicated that extending the cylinder head manufacturing could impact on their voluntary staff redundancy program, their ability to comply with the odour emission limit and the sale process of the company and subsequent returns for creditors. They are also concerned about advice they gave to the local community that an interim reduction in odour emissions should be detected in March 2006 which would follow the expiry of the GM Holden contract.
- 3.7. The Administrator has suggested that for cylinder head manufacture to be extended, it would require a 2 month extension of the 30 June compliance date for odour emissions to be reduced.

- 3.8. For the odour emission compliance date to be extended, the EPA would be obligated to consult with the local community and possibly obtain the formal agreement of the Community Representative who was joined in the appeal proceedings and a signatory to the Deed.
- 3.9. It is extremely unlikely that the Community Representative and other affected residents would agree to an extension of the compliance date, as they have endured unacceptable odour and noise impacts from the facility for many years.
- 3.10. GM Holden has indicated that any extension of Castalloy's EPA licence beyond the compliance date of 30 June 2006 is problematic.

4. SUMMARY

- 4.1. For Cabinet to note
- 4.2. The EPA will advise GM Holden of its decision by early next week, but based on the Deed of Settlement that was agreed to by all parties in August 2005 and significant involvement and concern from the local community, the EPA is unlikely to agree to any extension of the compliance date of 30 June 2006 for the reduction of odour emissions to 2 Odour Units.
- 4.3. Notwithstanding this, the opportunity exists for Castalloy to manufacture the additional cylinder heads, provided this can be achieved prior to 30 June 2006.
- 4.4. This option does not require EPA approval, instead it is a commercial transaction between Castalloy and GM Holden, with the Administrator being prepared to assume all reasonable risks for compliance with stipulated EPA criteria and timeframes.
- 4.5. Should Castalloy agree to manufacture cylinder heads for an additional 2 months prior to 30 June, the EPA will recommend that Castalloy and GM Holden undertake community consultation to ensure that any concerns within the community are satisfactorily addressed.



**JOHN HILL
MINISTER FOR ENVIRONMENT AND CONSERVATION**

Date: 14/12/05

In Cabinet

Paul & John

to

work thru to resolve.

15 DEC 2005

NOTED

PREMIER