

File number: 4201.02
Report to: Council
Meeting date: 25 January 2017
Subject: Recycling issues and costs
Date of report: 15 January 2018
From: Donnick Mugutso, Waters and Waste Manager

Report purpose **Decision** **Information**
Assessment of significance **Significant** **Non-significant**

Approved for agenda

Summary

There has been a significant change in the international recycling industry over the past four months. China, who is one of the primary destinations for raw recycled materials, has introduced a significant tightening in the importation of recycled plastic, mixed paper and metal materials. Importation of grades 1-7 plastics into China has ceased, and this is having a ripple down effect on recycling services in New Zealand.

The above changes and the flooding of alternative markets, such as Indonesia, have resulted in a very significant fall in export returns and certain materials are now unsaleable.

The immediate and worst case scenario for Kaipara and New Zealand is that certain plastic materials will no longer be able to be recycled and will incur additional recovery costs if they continue to be collected as recyclables.

Kaipara Refuse Limited, who holds the contract to manage and operate the Dargaville Transfer Station and Kaipara-wide kerbside collection, has formally notified Council of the products it can no longer viably recycle and some options for the future.

Northland Waste Limited, who holds the contract to manage and operate the Hakaru Transfer Station, has advised that, whilst their mixed recycling is still going to market (they have a contract with a processor), grades 1-7 plastics are becoming a real concern and has recently been notified by its processor of an increase in cost of 282%. They will advise Council if they can no longer continue to recycle these plastics.

Recommendation

That Kaipara District Council:

- 1 Receives the Waters and Waste Manager's report 'Recycling Issues and Costs' dated 15 January 2018; and*
- 2 Believes it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with the provision of s79 of the Act determines that it does not require further information prior to making a decision on this matter; and*

- 3 *Approves the temporary stockpiling of the plastics that currently have no market for recycling at an estimated cost of \$2,500 + GST per year pending establishment of new markets; and*
- 4 *Approves the additional costs to subsidise the transportation of the remaining plastic products that are currently able to be sent to market in Auckland for recycling without any resale value at an estimated cost of \$12,000 + GST per year; and*
- 5 *Instructs the Chief Executive to monitor the situation and, if no new markets have been established within a two-year period, to report back to Council with options.*

Reason for the recommendation

In the past year, the Kaipara district has gained significant traction in its waste diversion efforts and this needs to continue.

Reason for the report

To advise Council of a recycling issue that has arisen (outside of Council's control) and to seek approval to implement the recommended option to address the situation in the short term.

Background

Since 2009 both Kaipara Refuse Limited and Northland Waste Limited have undertaken recycling in the district with minimal financial assistance from Council.

There has been a significant change in the international recycling industry over the past four months. China, who is one of the primary destinations for raw recycled materials, has introduced a significant tightening in the importation of recycled plastic, mixed paper and metal materials. Importation of grades 1-7 plastics into China has ceased, and this is having a ripple down effect on recycling services in New Zealand.

The above changes and the flooding of alternative markets, such as Indonesia, have resulted in a very significant fall in export returns and certain materials are now unsaleable.

Issues

Kerbside recycling collection is a user-pays activity. In April 2017 Council approved a \$2 fee per car to drop off recycling to the disposal facility at the Dargaville Transfer Station, to cover additional expenses of providing an extended service due to increased demand. Northland Waste Limited has a charge of \$3.50 per boot-load of recycling taken to the Hakaru Transfer Station.

All recycling recovered from kerbside collection or drop-off at the Dargaville Transfer Station is taken to Kaipara Refuse Limited's private depot in Ruawai and processed (sorted into its various categories) there prior to being sold to markets. The cost to process is recovered in part by the sale of the recycling bags, and in part by income received when the product is sent to market in Auckland.

Kaipara Refuse Limited has for some time only taken grades 1-2 plastics at collection points, and also through the kerbside collection service (the issue with kerbside collection is that all plastics are being put in bags, ranging from grades 1-7—the contractor cannot control this but has to deal with the end product). For a number of years, recycling of grades 3-7 plastics has been uneconomical.

Recycling taken to Hakaru is mostly mixed with only steel and cardboard/paper being separated. Northland Waste Limited sends all their mixed, unsorted recycling directly to Visy (processor) in Auckland, who sorts it and sells on to markets. Visy charges Northland Waste Limited for this service.

Northland Waste Limited, who holds the contract to manage and operate the Hakaru Transfer Station, has advised that, whilst their mixed recycling is still going to market (they have a contract with a processor), grades 1-7 plastics are becoming a real concern and has recently been notified by its processor of an increase in cost of 282%. They will advise Council if they can no longer continue to recycle these plastics, and has not requested financial assistance at this stage.

There may come a time when Northland Waste Limited can no longer send their mixed recycling away (whilst still separating and recycling recycle glass, cardboards and metals). In that case, possibly Kaipara Refuse Limited could take their plastics and sort them along with the kerbside collection and plastics taken at the Dargaville Transfer Station, though this would depend on the cost implications. This would obviously be subject to similar rates as below (see options), or Northland Waste Limited may choose to stockpile and deal with the materials themselves.

Whilst there is an issue with plastic recycling, we can still recycle glass, cardboard/paper and metals.

Factors to consider

Community views

The community in general would expect Council to maintain and improve its current recycling regime, and in general is unlikely to support disposing of plastics to landfill.

Policy implications

There are no known policy implications.

Financial implications

Financial implications will depend on which option Council decides to pursue, and estimates are included in the options assessment below.

If approved, funding for subsidy would come from the North and West collection budgets, and these would likely require topping up during the Forecast 2 process.

Legal/delegation implications

There are no known legal implications.

Options

The current options are:

Option A: Stockpile plastic recycling pending establishment of new markets, and subsidise remaining products to be sent to market without payment.

Option B: Advise the public that we can no longer recycle grades 1-7 plastics and that plastics need to go in blue bags and will be treated as general refuse pending market re-establishment.

Option C: Collect as normal and send directly to landfill.

Assessment of options

Option A would still involve collecting plastic recycling (business as usual), processing it to a stage where it is baled and ready to be sent to market, and then stockpiling. Based on last year's figures, approximately 10 tonnes per year would need to be stored pending market availability. The processing cost would need to be subsidised by Council at approximately \$2,500 plus GST per year. As plastics are affected by UV, the processed product would need to be stored in a container or similar. Council has a container at the Transfer Station that can be utilised for this that would hold approximately 20 bales or 20 tonnes of baled plastic, around two years' worth of recycling. Once markets are re-established, Kaipara Refuse Limited would then ship at their cost to the buyer.

Approximately 37 tonnes of plastic, such as PET clear #1, Clear Film and Coloured Film (plastic bags), can still be sent to markets, but our contractors would not be paid for them. Council would need to subsidise the cost of processing and transportation to Auckland, and this would cost approximately \$12,000 plus GST per year (based on 2016/17 recycling figures).

The advantage of undertaking this option is that current progress in getting the Kaipara public to recycle would not be impeded and would continue to grow, and in the short term avoid landfilling and its environmental impacts.

The risk is that if no new viable markets are established in the future then this product will have to be disposed of to landfill. This would need to be reassessed in approximately two years.

Option B is the cheapest option, as we would no longer collect these plastics as recycling and they would go directly to landfill via the general refuse blue bags. This would have a negative impact on recycling progress and the environment, is not ideal, and would not be supported by the Ministry for the Environment.

Option C would involve collecting the plastics as recycling as normal, but instead of being processed they would be sent directly to landfill. This would be misleading to the public as they would be recycling the plastics in good faith believing that they are doing the right thing, and would likely have a negative impact on Council's relationship with the public. Council would also have to subsidise the cost to dispose the plastics to landfill. This would be at approximately \$115 plus GST per tonne.

If Option A or C is chosen by Council, some compensation for processing and disposal would need to be paid to Kaipara Refuse Limited.

Assessment of significance

Not significant in relation to the Significance and Engagement Policy as:

- It does not involve more than \$3,000,000 or more budgeted expenditure;
- It does not involve \$300,000 or more unbudgeted expenditure;
- The decision will not impact by increasing individual rate levies by 10%;
- There is no transfer of ownership or control of a strategic asset to or from the Council; and
- The level of service will remain the same.

Recommended option

The recommended option is **Option A**.

Next step

Implement the preferred option, and if required, allow for additional budget during Forecast 2.