



NOTICE OF MEETING

**Notice is hereby given that a Meeting
of the Waste Advisory Group
to be held in the Council Chambers
Southland District Council
15 Forth Street, Invercargill
On Wednesday 27 June 2018 at 9.00 am**

Cr N Davis
Cr C Bolger
Mr P Standing
Mr R Sharma

Cr I Pottinger
Cr L Thomas
Mr M Loan
Ms D Peterson
Mr C McIntosh

Cr P Duffy
Cr N Paterson
Mr I Evans
Mr M Russell

**EIRWEN HARRIS MITCHELL
MANAGER, SECRETARIAL SERVICES**

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5. **COMMITTEE IN PUBLIC EXCLUDED SESSION**

Moved, seconded and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting; namely

- (a) *Minutes of the public excluded session held on 23 May 2018*
- (b) *Southland Regional Landfill – Fees and Charges 2018/2019*
- (c) *Contract 550 Right of Extension*
- (d) *Contract 650 Recyclables Acceptance – Urgent Variation*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Minutes of the public excluded session held on 23 May 2018	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	7(2)(h)
(b) Southland Regional Landfill – Fees and Charges 2018/2019	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	7(2)(h)
(c) Contract 550 Right of Extension	Enable any local authority holding the information to carry out, without prejudice or disadvantage,	7(2)(h)

commercial activities.

(d) Contract	650	Enable any local authority	7(2)(h)
Recyclables		holding the information to	
Acceptance – Urgent		carry out, without prejudice	
Variation		or disadvantage,	
		commercial activities.	

**MINUTES OF THE WASTE ADVISORY GROUP COMMITTEE
HELD IN THE COUNCIL CHAMBERS, INVERCARGILL CITY COUNCIL,
101 ESK STREET, INVERCARGILL ON WEDNESDAY 23 MAY 2018 AT 9.00 AM**

PRESENT: Cr N Davis
Cr C Bolger
Cr N Paterson
Cr P Duffy
Cr L Thomas
Cr I Pottinger
Mr I Evans
Mr M Russell
Mr P Standring
Mr R Sharma
Mr M Loan
Ms D Peterson

IN ATTENDANCE: Mrs J Affleck – Committee Secretary
Mr D Booth – Invercargill City Council Financial Services Manager
Ms S McNamara – Southland District Council

1. APOLOGIES

Mr McIntosh

Moved Cr Pottinger, seconded Cr Thomas and **RESOLVED** that the apologies be accepted.

2. MINUTES OF THE PREVIOUS MEETINGS

Moved Cr Pottinger, seconded Cr Paterson and **RESOLVED** that the minutes of the meeting held on 4 August 2017 be accepted.

2.1 Matters Arising from the Minutes

Nil.

3. ACCOUNTING TREATMENT OF THE WASTENET JOINT VENTURE

In its Audit Report of Invercargill City Council for the year ended June 2017, Audit New Zealand recommended that Invercargill City Council (ICC) review and update its accounting treatment of WasteNet. ICC accepted this recommendation and agreed to review its treatment of WasteNet to ensure that it is appropriately accounted for in group statements. The review, if implemented, would result in WasteNet becoming its own separate entity.

The report was previously circulated and Mr Booth took the meeting through the report. Points raised included the following:

- WasteNet is presently accounted for in ICC's accounts and GST, and is a similar entity to Venture Southland and Southland Regional Heritage Committee.
- Options to consider are should WasteNet be a CCO, joint venture or joint operation. July 2018 might not give enough time to review the options.

- Cr Davis advised there is another layer of costs if we accept Audit NZ's recommendations, so a bit of time to review would be good.
- Mr Booth advised that Reserves are presently sitting with ICC, and wondered how the Committee felt about this.
- Cr Pottinger asked how WasteNet deals with contractors invoices, to which Mr Booth advised that GST is claimed by ICC, so ICC is similar to a tax agent.
- Mr Booth advised a separate entity is a separate company that needs to be audited. Audit fees have been estimated between \$15,000 and \$30,000, but as ICC would audit as part of their services and most of the higher fee is for staff hours (which ICC would continue to provide at no charge) it would be at the lower end of the audit fee scale.
- Cr Duffy asked if it could be classed as a charity, to which Mr Booth responded by saying no, unless you are looking for funding from CTOS or similar, as Wastenet is more commercial than charity.
- Mr Booth confirmed that this issue is on each council's CO's radar.
- Cr Davis requested that Mr Booth prepare a separate paper which details the different options, with one favourable option recommended.

Moved Cr Bolger, seconded Cr Duffy and **RESOLVED** that the Waste Advisory Group receives the Accounting Treatment of the WasteNet Joint Venture Report, and the Committee look forward to a further paper.

Note: Dale Booth and Susan McNamara left the meeting at 9.12 am

4. **FINANCIAL REPORT**

The Waste Advisory Group manages a 2017/2018 budget of \$11.5 million. This report documents the financial performance of WasteNet Southland for the 9-month period of 1 July 2017 to 31 March 2018.

Overall both the income and expenditure are over budget by 12% and 5% respectively.

The report was previously circulated and Mr Loan took the meeting through the report. Points raised included the following:

- We are well above budget for income and expenditure which relates to the MPI issues around Oyster Bonamia and bio-solids from Gore.
- The substantial surplus has been identified; some accounts due in March had not yet come through. Surplus will be very much less, and close to budget.
- Cr Pottinger asked if the ETS levy is much higher on bio-solids, to which Mr Loan advised that ETS do not make a distinction. Ms Peterson said this is a good point, as it is not right that there is only one rate, but scientists calculated the rate for municipal waste as a whole and not broken down in categories.
- Cr Thomas asked what the \$500,000 of invoices outstanding is made up of, to which Ms Peterson confirmed that this is March contract payments.
- The Corrected – Statement of Income and Expenditure for the 12-month Period table should have a “u” for unfavourable instead of “f” for favourable on the Surplus/(Deficit) line.
- Cr Davis asked what our reserve figure is, to which Mr Loan advised that the amount recorded in the report of \$526,218 is correct.
- Cr Davis noted that we are in a healthy position.

Moved Cr Pottinger, seconded Cr Thomas and **RESOLVED** that the Waste Advisory Group receives the Financial Report.

5. WORK PROGRAMME UPDATE REPORT

WasteNet Southland implements the Southland Waste Management and Minimisation Plan 2012-2018 on behalf of the WasteNet Councils (Gore District Council, Invercargill City Council and Southland District Council). The Plan is progressively implemented through an annual Action Plan. Staff report on the Action Plan's progress to this Committee.

Significant actions undertaken during the reporting period include:

- ILT Kidzone Festival – RecycleRama Activity
- Campaigns: Clean Up Week; Recycle Week; Waste Awareness Week
- WasteMINZ Conference 2017

Upcoming actions taking place during the next reporting period include:

- Regional Service Contract Meetings
- Southland Waste Assessment 2018
- Review Southland Waste Management and Minimisation Plan 2012-2018
- Southland Regional Solid Waste Bylaw
- Campaign – Love Food Hate Waste

The report was previously circulated and Ms Peterson took the meeting through the report. Points raised included the following:

- Health and Safety recorded in Table 1 are the cumulative results of all contractors.
- Quarterly graphs show a 12-month overview of recycling bin and contamination results. Cr Thomas asked that future graphs are displayed larger for clarity, to which Ms Peterson will arrange.
- WasteMINZ's next conference is in Christchurch this November which Committee Members may wish to attend. Focus is on carbon targets, and there will be a lot of discussion around the commodity market. Cr Davis recommended that at the next meeting, the Committee discuss who might like to attend the next WasteMINZ conference.
- Four campaigns ran throughout the year – ILT Kidzone, Clean Up Week 2017, Southland Recycle Week 2017 and Waste Awareness Week 2018.
- Activity management plans have been completed, which feeds into the Long-term Plans.
- Have re-configured how the service is provided, with one full time field inspector and one part time administrator.
- Ms Peterson's touched on the key projects about to take place.
- Cr Pottinger said he has been looking forward to MFE attending one of these meetings, as we are being over taxed \$500,000 per year because we are charged the wrong ETS levy. Ms Peterson responded by saying she had tried at the November WasteMINZ conference, but they didn't yet know what the new government would be doing. Cr Davis asked that WasteNet issue an invitation to get them down so we can ask questions and progress the discussion. Cr Thomas asked if WasteNet is unique among the other TAs, to which Ms Peterson said we are a minority, so Cr Thomas said the Government needs to recognise our uniqueness. Cr Davis said there needs to be an agenda around what we will discuss when they are here. Cr Evans suggested we invite local MPs to this meeting so pressure comes from not only staff. Cr Davis asked for a special meeting with an MFE focus, with all local MPs, media and the public

invited. Could consider site visit (if time allowed) or alternatively, a PowerPoint presentation of photos of the landfill in operation. This is to be added to future works.

- Mr Russell pointed out that there are quite a number of incidents and injuries, and asked how this is trending and whether there are any KPIs wrapped around this. Ms Peterson said health and safety is discussed at contract meetings every second Thursday. The majority of incidents are from the recycling station and are related to gloves for glass handling (gloves have been upgraded) and better reporting. Mr Evans said that new KPIs will be introduced during contract negotiations.

Moved Cr Thomas, seconded Cr Pottinger and **RESOLVED** that the Waste Advisory Group receives the Work Programme Update Report.

6. TA FORUM 2017 CONFERENCE MINUTES

The Territorial Authority Officers (TAO) Forum is a sector group of the Waste Management Institute of New Zealand (WasteMINZ). The purpose of the sector group is to create consistency and efficiency of service amongst territorial authorities through sharing knowledge and best practice.

Each year the steering committee organises a territorial authority meeting prior to the annual WasteMINZ Conference. Minutes of the 2017 Forum are appended to this report (refer to Appendix 1). The Forum identified six key issues requiring political action over the next three years: container deposit schemes; extending the waste levy; ewaste product stewardship; increasing the waste levy; tyre product stewardship; and implementing the National Waste Data Framework.

Actions that have arisen from the Forum include the TAO releasing the Local Government Waste Management Manifesto.

The report was previously circulated and Ms Peterson took the meeting through the report. Points raised included the following:

- Had invited the Ministry of the Environment to attend.
- Not a lot of detail that they could provide regarding the work programme moving forward.
- If a container deposit scheme was introduced it would take two trucks off the road and put money in our pocket.
- Love Food Hate Waste national campaign was very successful. Cost to WasteNet was only \$1,200. \$1,200 per year goes into the collaborative fund and should we not want to be part of the national scheme they will not use our funding.
- Cr Pottinger asked Ms Peterson what the ministry had been working on, as it wasn't product stewardship which is critical, and as we won't get anywhere with representatives, we'll need to connect at a higher level.
- Cr Thomas asked if glass is our biggest contaminate, to which Ms Peterson advised she couldn't recall glass being a contamination issue for contractors, although it has a toll on their equipment. Cr Thomas would like Ms Peterson to ask the recycling station if glass is contaminating their centre.
- Cr Pottinger asked if we should be running a bottle bank and who collects deposited glass, to which Ms Peterson advised it was ICC. Cr Pottinger asked if other cities run bottle banks, to which Ms Peterson said yes, and we could trial glass bottle banks or special crates for personal drop off to a bottle bank, to see if it reduces glass in the wheelie bin. Cr Davis said Gore did use to have a bottle bank. Ms Peterson pointed out bottle banks could raise resource consent

issues. Mr Russell suggested a financial business case to determine the reduction percentage of glass to tip and balance of benefits, so we do not duplicate inefficiencies. This discussion is to be held over until the workshop later today.

- Cr Duffy asked if anyone had put anything in their Long-term Plan regarding the anticipated increase in recycling, to which no-one has.
- Ms Peterson said the present China issue is that they want pure recycling (i.e. no contamination) and this too will be discussed further during the workshop.

Moved Cr Bolger, seconded Cr Paterson and **RESOLVED** that the Waste Advisory Group receives the report – TA Forum 2017 Conference Minutes.

7. **SUPPORT FOR THE LOCAL GOVERNMENT WASTE MANIFESTO AS AN LGNZ REMIT**

The Local Government Waste Manifesto was developed by the Territorial Authority Officers (TAO) Forum sector group of the Waste Management Institute of New Zealand (WasteMINZ). It identifies five key strategic Central Government actions essential for improved outcomes in waste management and minimisation in New Zealand that were voted for at the Annual TAO Forum in November 2017. They are:

- Priority 1: The need for a strategic approach
- Priority 2: Changes to the waste disposal levy
- Priority 3: Better waste data
- Priority 4: Container Deposit Scheme
- Priority 5: Mandatory Product Stewardship

The WasteMINZ TAO Forum is seeking political support for the Waste Manifesto to be an LGNZ remit. To this end Mayor Lester from Wellington City Council is proposing that the Waste Manifesto be adopted as an LGNZ remit at the LGNZ AGM in July 2018. The Zone 4 sector group in Wellington has agreed to support and nominate the remit and it is currently with the Remit Screening Committee for approval.

The report was previously circulated and Ms Peterson took the meeting through the report. Points raised included the following:

- TA Forum were also not happy with the response from the Ministry, so are putting a motion forward with five priority goals that have been put into a manifesto. Ms Peterson touched on what these five priorities are.
- A document has been presented to the Associate Minister for the Environment. He declined a personal invite, so will be put forward as a remit. Aim is to get all the councils on board. Is being considered at the Local Government conference in June.
- Cr Thomas asked about a glass deposit scheme payment at time of purchase and whether this was right, to which Ms Peterson said there is a levy on all imported glass into New Zealand which covers the cost of little projects. Cost is on the manufacturer instead of on the consumer. Just like in South Australia, cost is incorporated into the purchase price and refunded when returned.
- Cr Thomas asked how much of the Waste Minimisation Levy we had applied for. Ms Peterson advised 50% is awarded based on population (i.e. \$120,000 for Invercargill and \$90,000 for Southland District Council), 45% goes into a contestable fund that can be applied for (last funding round this was given to three key waste companies to resolve tyre issues) and 5% is administration. WasteNet has not personally been given a levy, but has supported the WasteMINZ group at a national level, e.g. Love Food Hate Waste campaign.

Funding is given if it has both a national significance and is innovative. Cr Thomas asked that the link to the tyre website be sent out.

Moved Cr Bolger, seconded Cr Thomas and **RESOLVED** that the Waste Advisory Group support the Local Government Waste Manifesto becoming a Local Government New Zealand remit.

Meeting was moved into public excluded at 10.20 am.

8. PUBLIC EXCLUDED SESSION

Moved Cr Davis, seconded Cr Pottinger and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- (a) *Minutes of the public excluded session held on 4 August 2017*
- (b) *Administration Fee Waiver*
- (c) *Contract 550 Right of Extension*
- (d) *Contract 650 Recyclables Acceptance Right of Extension*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

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(b) Administration Fee Waiver	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	7(2)(h)
(c) Contract 550 Right of Extension	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	7(2)(h)

- (d) Contract 650 Enable any local 7(2)(h)
Recyclables authority holding the
Acceptance information to carry out,
Right of without prejudice or
Extension disadvantage,
commercial activities.

Meeting was moved back into public at 10.54 am.

There being no further business the meeting closed at 10.54 am.



TO: WASTE ADVISORY GROUP
FROM: WASTENET SOUTHLAND REPRESENTATIVE
MEETING DATE: WEDNESDAY 27 JUNE 2018

FINANCIAL REPORT

Report Prepared by: Mr Malcolm Loan, Invercargill City Council

SUMMARY

The Waste Advisory Group manages a 2017/2018 budget of \$11.5 million. This report documents the financial performance of WasteNet Southland for the 10-month period of 1 July 2017 to 30 April 2018.

Overall both the income and expenditure are over budget by 12% and 12% respectively.

RECOMMENDATIONS

That the Waste Advisory Group receives the Financial Report.

STATEMENT OF INCOME AND EXPENDITURE FOR THE 10-MONTH PERIOD OF 1 JULY 2017 TO 30 APRIL 2018

Department	Actuals (000)	Current Budget (000)	Variance (000)	Favourable/ Unfavourable	Annual Current Budget (000)	% of Annual Budget
Income						
Contracts	10,797	9,601	1,196	F	11,522	84
Income Total	10,797	9,601	1,196	F	11,522	
Expenditure						
Contracts	10,335	9,092	1,243	U	10,911	80
Contract Mgt	20	83	63	F	100	18
Education	177	166	10	U	200	80
Community	105	125	20	F	150	57
Regulatory	28	37	9	F	45	58
Expenditure Total	10,665	9,503	1162	U	11,406	
Surplus/(Deficit)	132	98	34		116	

OTHER

MRF Revenue Share (income)	\$ 14,758
Reserves as at 30 June 2017	\$ 526,218

A payment of \$55,000 from the MRF Revenue Share income has been made to the Invercargill City Council for the Invercargill City Council's share of the 2016/2017 revenue. This movement corrects an accounting error that occurred at the end of 2016/2017.

COMMENTARY ON THE STATEMENT OF INCOME AND EXPENDITURE

Overall WasteNet income was over budget by 12% with a total income of \$10.79 million for this 10-month reporting period.

The unbudgeted additional income and expenditure is due to an unexpected increase in solid waste to the Southland Regional Landfill. The Landfill has received an additional 5,000 tonnes of material in comparison to the same period last year. The increase in solid waste has come from a variety of sources including the emergency response to the Oyster Bonamia and Cattle Mycoplasma events, and the disposal of wastewater sludge from Council oxidation ponds.

Actual expenditure for the period was over budget by 12% with a total expenditure of \$10.66 million for this reporting period.

The Contracts are 14% over budgeted expenditure. This is due to the unexpected additional waste streams coming into the Southland Regional Landfill.

The Education Programme is 6% over budgeted expenditure. This is in alignment with expectations, as WasteNet is paying full costs for the operation of the website (wastenet.org.nz). Previously this cost was subsidised by the Invercargill City Council.

The Contract Management Programme is under budget. This is due to the delay in commencing strategic projects. These projects are expected to commence in the next quarter.

The Community and Regulatory Programmes are also under budget, and projected to be in alignment with the budgeted expenditure in the next quarter.

The end of year result is expected to be a surplus to budget.



TO: WASTE ADVISORY GROUP
FROM: WASTENET SOUTHLAND REPRESENTATIVE
MEETING DATE: WEDNESDAY 27 JUNE 2018

REBOOTING RECYCLING REPORT

Report Prepared by: Donna Peterson, Invercargill City Council

SUMMARY

The international commodity market for recycling materials has collapsed due to China’s policy restrictions on importing materials. Materials are still being imported by China, however they require very low levels of contamination, i.e. less than 0.5%. This level of contamination can be difficult to achieve and can come at a high cost.

In May 2018, the Waste Management Institute of New Zealand (WasteMINZ) released a discussion paper titled “Rebooting Recycling – What Can Aotearoa Do?” (Appendix A). The discussion document is the New Zealand recycling sector calling on the Government to take strong and positive action to avert our national recycling crisis, rebooting recycling and creating a circular economy in New Zealand.

RECOMMENDATIONS

That the Waste Advisory Group receives the Rebooting Recycling report.

BACKGROUND

The international commodity market for recycling materials has collapsed due to China’s political decision to restrict the importation of recyclable materials. Historically China has been the largest buyer for plastic, paper and metal, purchasing over 50% of the world’s recyclables.

In July 2017, China announced restrictions on the import of 24 types of materials into the country (their China Sword policy). The China Sword policy has been replaced with “Blue Sky” which essentially extends the restricted imports policy. This has resulted in a reduction in demand, and thus dramatic decreases in buy prices for the related grades of material.

The impact of the decreasing prices has resulted in many councils and recycling operations in New Zealand struggling to cope with the lack of market and lower income.

It is noted that materials are still being imported by China, but they require very low levels of contamination – 0.5%.

NEW ZEALAND RECYCLING SECTOR RESPONSE

In May 2018, WasteMINZ released a discussion paper titled “Rebooting Recycling – What Can Aotearoa Do?” (refer to **Appendix A**). The discussion document is the New Zealand recycling sector calling on the Government to take strong and positive action to avert our national recycling crisis, rebooting recycling and creating a circular economy in New Zealand.

The discuss document identifies short, medium and long term actions. For example:

- Short term: improve the quality of recycling where practicable, i.e. slow down sorting lines at material recovery facilities and put more staff on to reduce contamination and remove targeted products; gather better data to understand the exact nature of the issues and better target solutions.
- Medium term: establish initiatives that help transition to a more circular economy, i.e. encourage more joint working and investment in regional planning and infrastructure; focus on developing on-shore options for processing and adding value to materials.
- Long term: manufacturers and distributors take greater responsibility for products through their life-cycle, i.e. recyclability claims need to be evidence-based and paired with standardised on-pack labelling to enable consumers to make informed decisions; positive government procurement to stimulate demand for recycled materials through their own procurement.

The discussion document notes that no single measure will deliver the change that is needed. A suite of well-designed initiatives that support each other to move forward is required.



REBOOTING RECYCLING WHAT CAN AOTEAROA DO?

A DISCUSSION PAPER PRESENTED BY
THE WASTE MANAGEMENT INSTITUTE
OF NEW ZEALAND (WASTEMINZ)



SUMMARY POINTS

THE MARKET FOR **RECYCLED MATERIALS HAS COLLAPSED** BECAUSE CHINA IS, IN EFFECT, SHUTTING OUT OUR RECYCLABLES

MANY COUNCILS AND RECYCLING OPERATORS IN NEW ZEALAND ARE **STRUGGLING TO COPE** DUE TO THE LACK OF MARKETS AND LOWER INCOME

ACTION IS REQUIRED – THIS ISSUE WILL NOT RESOLVE QUICKLY OR BY ITSELF

THE CURRENT CRISIS IS ULTIMATELY A RESULT OF THE WAY WE MANAGE MATERIALS BEING **FUNDAMENTALLY BROKEN**. SHORT-TERM FIXES, WHILE IMPORTANT, WILL NOT BE ENOUGH

THIS IS A GREAT CHANCE TO MOVE TO A **BETTER MODEL**, ONE THAT WORKS

MOVING TO A BETTER MODEL WILL REQUIRE EVERYONE TO **WORK TOGETHER**

GOVERNMENT MUST CONSIDER **SHORT-TERM ACTIONS** INCLUDING ENABLING ACCESS TO LEVY FUNDING, COMMUNICATIONS AND GETTING BETTER DATA

GOVERNMENT MUST ALSO CONSIDER **MEDIUM TO LONG-TERM ACTIONS** THAT WILL START TO BUILD A **CIRCULAR ECONOMY**. ACTIONS LIKE REVISING THE NATIONAL WASTE STRATEGY, CHANGES TO THE WASTE DISPOSAL LEVY, PRODUCT STEWARDSHIP AND DESIGN, BUILDING DATA SYSTEMS, GOOD PRACTICE GUIDANCE, COMMUNICATIONS AND POSITIVE PUBLIC PROCUREMENT.

ALL ACTIONS PROPOSED CAN BE ACHIEVED **WITHIN CURRENT LEGISLATION**. SIMILARLY, THE **FUNDING MECHANISMS ALREADY EXIST**.

Acknowledgements Our thanks to Eunomia Research & Consulting for their assistance in developing this discussion document.

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- 4** What effect does it have in New Zealand?
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 - 7** Access to funding
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- 8** What needs to happen in the medium to long term?
 - 8** Revise the New Zealand Waste Strategy
 - 8** Better data
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 - 9** Good practice guidelines
 - 9** National communications
 - 9** Postive government procurement
- 10** Conclusions

What exactly is the problem?

In simple terms, the international market for recycled materials has collapsed because China is no longer accepting the quantity of material for recycling that they used to.

Plastic, paper, and metal collected for recycling is traded internationally as a commodity. Historically China has been the largest buyer for this material and purchased over 50% of all the world's recyclables.¹

In July of 2017, China announced restrictions on the import of 24 types of material into the country. The new policy was termed 'National Sword'. National Sword has now been replaced by 'Blue Sky' which essentially extends the restricted imports policy.

The part of the policy that has created issues in the recycling industry are new strict standards for mixed paper and mixed plastic. These materials can still theoretically be imported into China, but they are required to have very low levels of contamination – 0.5%. The majority of kerbside recycling systems are not able to produce levels of contamination this low (around 2-4% is typical).

So, while China has not directly banned imports of recyclable materials, National Sword/Blue Sky has had the effect of drastically reducing demand in the biggest market. The reduction in demand has seen prices for these and related grades of material fall dramatically. Sellers of these commodities have sought other markets, but there is not sufficient capacity currently in the plants outside of China to process all the materials. This has meant stockpiles are building up and some material may not be able to find an end market.

Unless solutions are found urgently, material collected for recycling could end up being landfilled.

This would damage the public trust in our kerbside recycling systems that has been built up over many years.

¹ <https://www.pri.org/stories/2018-01-01/mountains-us-recycling-pile-china-restricts-imports>. Velis C.A. (2014). Global recycling markets - plastic waste: A story for one player – China. Report prepared by FUELogy and formatted by D-waste on behalf of International Solid Waste Association - Globalisation and Waste Management Task Force. ISWA, Vienna, September 2014.

What effect has it had in New Zealand?

New Zealand can process approximately half of the paper and cardboard that is collected here but only a small proportion of the plastic – with no significant local processing of 3-7 plastics. Like most other countries with kerbside recycling, New Zealand has sent a lot of its collected recyclables to China, in particular, mixed paper and mixed plastic.

Paper and plastics are usually two of the most valuable kerbside commodities for recyclers in terms of revenue. Paper because it makes up the largest amount by weight (40-50%) and plastic because some grades can command high prices. The large falls in price, and the difficulty in finding markets for these grades of material is therefore severely affecting the economic viability of local collections.

A recent survey of councils and recycling operators² found that:

Four of the nine operators surveyed are stockpiling mixed plastics 3-7

82% of the councils surveyed indicated that they have been affected by the Chinese restrictions and are selling 3-7 plastics at a lower price, stockpiling, or struggling to find new buyers.

Although the issue with mixed paper is less pronounced, 40% are still indicating they are having to sell mixed paper at a lower price, stockpiling, or struggling to find new buyers.

The situation has now reached a critical point; our recycling system is in crisis!

This raises the spectre that recyclable materials going to landfill could be the next step.

² WasteMINZ March 2018. Responses were received from 38 councils, and nine recycling operators.

What is likely to happen next?

It is not expected that market prices and demand will return to pre-National Sword levels in the foreseeable future.

The restrictions that China has imposed are due to expire at the end of 2018, however just as 'Blue Sky' replaced 'National Sword' in March this year, it is likely that there will be further extensions of the restrictions. These moves by the Chinese are officially "To protect China's environmental interests and people's health"³, but it is also believed that the move is designed to encourage the development of higher levels of their own domestic recycling. The latest policy changes are part of a history of China having to deal with significant quantities of contaminated material coming into the country.⁴

It remains to be seen to what degree processors outside of China scale up to process the material that is looking for a market. Some scaling up will almost certainly occur, but it is unlikely to match the capacity of China. The risk for other processors scaling up is that it is unknown whether and to what degree China could relax restrictions in the future. There is also a risk for sellers that alternative markets to China could start to impose stricter standards if they receive too much contaminated material like China had been.

What is the industry in New Zealand doing about it?

Since the restrictions were announced, recyclers and councils have been managing the issues to the best of their abilities at an individual level. This has included efforts to reduce contamination and improve material quality, seek new markets, stockpile materials and renegotiate contracts to share risk.

In early May 2018 a group of key stakeholders from New Zealand's recycling sector met to share their experiences and to provide information which has helped to inform this discussion document.⁵ While a wide range of interests and views were represented, there was general agreement on the following:

The current system is fundamentally broken. It relies on councils and recyclers reacting to and cleaning up whatever materials producers decide to put on the market. It requires enormous effort to achieve good clean streams of useable material – and this is not always possible. There is therefore too much cost and not enough value for the present model to be sustainable. It has only worked up until now because China was taking the environmental impacts – which they are no longer prepared to do.

The present model is far too supply driven. Materials are collected because there is a public desire for recycling. But the materials collected are not necessarily those for which there is demand. This is notably the case for 3-7 grade plastics.

There will be some significant short-term pain for the industry, but the stark reality of the situation is also a unique driver to change the system to a more viable and more circular model.

³ WTO Notification G/TBT/N/CHN/1211 18 July 2017

⁴ The most notable of these was the 'Green Fence' initiative in 2010 which placed similar but not as strict conditions on recycling imports and which led to a fall in the market at that time.

⁵ Participants included: Ministry for the Environment, Northland Waste, OJI, EnviroWaste, Countdown/Progressive, Smart Environmental, Whangarei District Council, Auckland Council, Visy, Reclaim, O-I Glass, Christchurch City Council, Wellington City Council, Waste Management, WasteMINZ, Eunomia Research & Consulting.

Change will not be able to be achieved by operators and councils working alone. It will require a collaborative approach involving operators, councils, producers and brand owners, and the community, with central government as the key enabler.

There is no single measure that will deliver the change that is needed. It will take a suite of well-designed initiatives that support each other to move us forward. Some of these actions need to happen immediately, others will take longer to put in place.

What needs to happen in the short term?

In the short term (by the end of 2018), the main issue that needs to be addressed is to improve the quality of recycling that is collected. This means reducing the amount of contamination so materials have a higher value.

Actions that could potentially be taken to improve the quality of recycling (within the current kerbside collection model) are:

Undertake more sorting at kerbside. This helps make sure contamination is removed before the material is bulked. It also educates the public as non-recyclable material is left behind.

Avoid collecting glass together with other recyclables - because if glass breaks it contaminates the other materials. This could mean introducing separate glass collection, not collecting glass, or setting up bottle banks to take glass.

Reduce the compaction ratios on collection vehicles to reduce glass breakage, and make materials easier to separate.

Slow down sorting lines at material recovery facilities and/or put more staff or machinery on the lines to reduce contamination and improve quality.

Engage and educate the public to reduce the contamination they put in the bin.

Stop collecting certain grades of material for which there are insufficient markets (like 3-7 plastics).

Send mixed grades of sorted material back through sort lines to further reduce contamination to a level that enables the product to be sold, or split out grades that may have a value on their own.

Gather better data to understand the exact nature of the issues and better target solutions.

Most of these actions will come at a cost, which is not insignificant. In the short-term, to support the industry, the following measures are suggested:

Access to Funding

Establish a Minister-initiated funding stream from the Waste Minimisation Fund which would be left open for an interim period. The fund would be open specifically for councils and operators to address issues in respect of recycling, avoiding materials going to landfill, or defaulting on contracts. The purpose of the fund would not simply be to subsidise existing collections but to take specific actions, such as those noted above, to address critical recycling issues. Applications to the funding stream would be considered on a case by case basis.

Use of Levy Funds

Allow councils to spend their levy funds (for an interim period only) on approved actions that are not in their Waste Management and Minimisation Plans, but that are targeted at addressing issues of recycling quality and avoiding sending recycling to landfill.

Communications

Give consideration to a Minister-initiated public awareness programme focussed on reducing contamination in recycling. The focus of the programme would be educating households to only put in their recycling bins items that they are certain are recyclable. This would be a short-term measure and would not remove the need for a more comprehensive longer-term public awareness programme.

Commission an initial data gathering exercise

While individual operators have reasonable data, there is no reliable industry-wide data. This is needed to enable quantitative assessment of the situation and establish a baseline, so the effectiveness of actions can be measured. Better industry data will be important to inform any decisions on the allocation of funding as well as strategic industry decisions. Key data that is not presently available that a study should aim to gather could include:

How much of each commodity is actually sent to China from NZ? Now and historically?

How much of each commodity is processed in NZ and what is the local capacity?

What have been the actual price impacts in the different markets by commodity? What is the likely impact of these on service viability?

The level of contamination in sorted recyclables: Mixed paper & Mixed plastic. i.e. how far off 0.5% are we for each type of recycling system (Commingled; Glass out; Kerb sort)?

What are the things that are creating the contamination in each system that makes it difficult to reach the threshold? – i.e. following on from above, what is the actual problem in each type of system, and what are the specific actions to address them?

This package of short-term measures will assist the industry to respond effectively in a coordinated fashion and ensure that disruptions to household recycling services are minimised.

What needs to happen in the medium to long term?

As noted above, the current issues with recycling are not merely short-term problems but are a result of the way we deal with materials in our economy being fundamentally broken. While there are some things we need to do immediately, we also need to start building a world-class recycling system. The following actions will be important to facilitate this and help transition to a more circular economy. While work on most of these actions should begin straight away, they are likely to take time to put in place and to deliver results.

Revise the New Zealand Waste Strategy

There are a range of possible actions that the Government could take (some of which are set out in this document as priorities). It makes sense to set these within a clear strategic framework. The current New Zealand Waste Strategy 2010 (NZWS) sets no goals, targets, timetables, actions, or responsibilities. This means it does not provide a basis for action or investment in the sector. A review of the NZWS is therefore very timely.

In this context a clear and comprehensive waste strategy would:

Provide clarity to the sector on the Government's priorities and timeframes.

Provide a clearer strategic direction for investment of waste levy funds, in particular into optimisation of kerbside systems nationally, integrated recovery infrastructure and aligned communications.

Encourage more joint working and investment in regional planning and infrastructure.

Create greater certainty for the private sector to facilitate investment in key infrastructure and services.

Better Data

New Zealand has very poor data on the amount of material that is collected for recycling, what that material actually is, and what happens to it. We also have limited knowledge of how much of each type of material is put onto the market and the pathways that each material follows, including how much of each is recovered, how much is disposed of and how it is disposed of.⁶

While snapshot studies can give us some insight (as suggested for the short-term measures), there is a need to understand the flows of material on an ongoing basis, so we can track trends and measure the effect of policy and market changes.

Waste Disposal Levy

Key changes to the waste levy will make recycling and recovery alternatives more cost competitive and provide a source of funding for investment in resource recovery infrastructure.⁷ Any direction of funds towards infrastructure should follow a clear investment strategy. The investment strategy should:

Include a focus on developing on-shore options for processing and adding value to materials.

Recognise regional infrastructure development needs (possibly through regional waste infrastructure plans, that give effect to the national strategy).

Product Stewardship and Design

At present, companies can place products on the market with little consideration of, or responsibility for, what happens to them once they have been used. This is at the root of the problem the recycling industry is currently facing.

A long-term solution must involve manufacturers and distributors having greater responsibility for products through their life cycle. This will help incentivise better design and material choices, ensure appropriate funding is in place to enable effective recycling and help New Zealand move towards a circular economy.

⁶ Ministry for the Environment. 2017. *Review of the Effectiveness of the Waste Disposal Levy 2017*. Wellington: Ministry for the Environment

⁷ Eunomia Research & Consulting (2017) *The New Zealand Waste Disposal Levy, Potential Impacts of Adjustments to the Current Levy Rate and Structure*

The different types of product stewardship programmes include advance disposal fees, deposit refund systems, licensing fees or material recovery notes. Schemes can also be voluntary or mandatory. Consideration should be given to the most appropriate types of scheme for each product or material type, as well as the designation of priority product status for the most problematic material types.

Where voluntary schemes or agreements are adopted, careful design of the scheme will be required otherwise they won't solve anything. For example, a voluntary agreement establishing targets for the recyclability of packaging (as has been mooted in other countries) should consider the following:

Focusing just on recycling can mean options higher up the waste hierarchy such as reduction or reuse are not properly incentivised.

Voluntary commitments are just that. Such commitments have been made in the past and not met.⁸ Any future commitments need to have consequences for those who don't meet them, otherwise they are simply a theoretical exercise.

Recyclability claims need to be evidence-based and paired with standardised on-pack labelling to enable consumers to make informed decisions.

Recyclability targets need to be paired with requirements for manufacturers and brand owners to specify minimum recycled content in products (to create market pull through).

Where possible, on-pack labelling should clearly show levels of recycled content to help consumers make informed choices.

Ultimately, consideration may also need to be given to other measures such as actively restricting the use of products or materials for which there is no viable recovery pathway (such as some types of plastic).

New Zealand has appropriate provision within the Waste Minimisation Act for both voluntary and mandatory product stewardship schemes. No

new legislation should be required to introduce these measures.

Good Practice Guidance

Councils around the country who offer kerbside recycling systems are faced with an array of choices as to what the best form of service is. Councils do not always have the technical knowledge to understand the longer-term impacts of their choices. The result is that often the lowest cost or most convenient services are the ones that get chosen. These do not always deliver the best long-term value. Identifying best practice and providing clear guidance and specifications for councils who are procuring kerbside systems would improve the quality of service and materials collected, increase standardisation (resulting in clearer education messages, and cheaper service delivery), reduce procurement and contract management costs, and reduce risks in the industry.

National Communications

Presently it is up to each council and/or recycling operator to develop and deliver their own communications to households. This results in a wide variation in the effectiveness, quality and content of messages.

There is an opportunity to greatly improve engagement of householders not only to recycle better but to encourage reuse and reduction of waste. A more holistic national approach to communications (aligned with best practice collections) will allow more consistent and effective messages to be delivered, reduce duplication of effort in developing resources and programmes, and mean that resource can be targeted at getting the messages into the community.

Positive Government Procurement

One of the most positive things that government (both local and central) could do is to stimulate demand for recycled materials through their own procurement. Local and central government are huge consumers. Specifying recycled or refurbished items would stimulate market demand, create new consumer norms, and help to create economies of scale for producers

⁸ For example: <https://www.smh.com.au/environment/australian-packaging-industry-falling-short-of-recycling-goal-may-cut-target-20150702-gi39h0.html>

using reclaimed resources. This would, in turn, help these producers to access wider markets. Procurement could cover for example:

Use of sourced recycled paper for offices.

Use of sourced recycled tissue for public conveniences.

Street furniture made from New Zealand sourced recycled soft plastics.

Roading using recycled materials (concrete, rubber, plastic).

Reused and refurbished office furniture.

Use of composts and soil amendments from New Zealand sourced reclaimed materials on parks and gardens.

Appropriate standards and guidelines would have to be developed for procurement of a range of different types of materials and items.

Conclusions

The collapse in international recycling markets has left the recycling sector in New Zealand in a vulnerable position. Without decisive action to address the issue, recyclable material could be sent to landfill, councils and communities will suffer financially, and operators could go out of business.

Action from the government is urgently needed. There are some things that need to happen immediately, including enabling access to funding, and facilitating national communications and data. There are also some things that will take longer, but that will help build a more robust system and deliver a more circular economy. These actions include revising the national waste strategy, changes to the waste disposal levy, product stewardship and design, building data systems, good practice guidance, ongoing communications and positive public procurement.

While there is a lot to do, everything that has been set out in this discussion paper can be achieved using existing funding sources and legislation. The sector is engaged and willing to work with the government to ensure these things happen.

Finally, this crisis also represents an opportunity: The opportunity to build a new system that can deliver better outcomes for our communities, our environment, and our economy.

Together we can reboot recycling and create a circular economy for Aotearoa.