

COUNCIL RESOLUTION – 15 May 2018

17.5 Council Update on Recycling Issues and Options - May 2018 - Report No. AR18/16676

- (a) That Environmental Sustainability Sub-Committee Report No. AR18/16676 titled “Council update on recycling issues and options - May 2018” as presented to the Environmental Sustainability Sub-Committee on 1 May 2018 be noted.
- (b) That Council authorises the CEO to re-negotiate the current recycling contract with GTR for a total period of 7 years, with a 3 year option up to the value of \$214.00 per tonne, with the contract including the ability to re-negotiate the contract should the recycling market conditions alter. The contract will also include the capacity to waive dump fees for heavily contaminated recycling loads.
- (c) That the revised contract be brought back to Council for endorsement.
- (d) Council authorises the CEO and Mayor to sign and seal necessary contract documents once endorsed by Council.
- (e) That Council continues to monitor the recycling issue and progress made by the LGA, State and Federal Governments and to provide input into potential actions as necessary.
- (f) Council continues to inform and educate the community on the recycling issue.

Moved: Cr Lovett

Seconded: Cr Mezinec

Carried

The Mayor sought the approval of at least two-thirds of the members present at the meeting to suspend meeting procedures:

Purpose of the Suspension: to discuss whether the matter should be in confidence

Carried by more than two-thirds of the members present at the meeting.

Meeting Procedures were suspended at 7:35 p.m.

Mayor Lee vacated the meeting at 7.35 pm

Cr Lovett vacated the meeting at 7.36 pm

Cr Lovett resumed the meeting at 7.38 pm

Mayor Lee resumed the meeting at 7.38 pm

The Mayor determined that the period of suspension should be brought to an end.

Carried by more than two-thirds of the members present at the meeting.

The Period of Suspension came to an end and Meeting Procedures resumed at 7:58 p.m.

17.4. Consideration for Exclusion of the Public

The following item(s) be received, discussed and considered in confidence by excluding the public pursuant to Section 90 (2) of the Local Government Act, 1999 and an order be made that the public (with the exception of Council Members Mayor A Lee, Councillors - C Greco, M Lovett, J Lynagh, S Mezinac, F Morello, D Mutton, S Perryman, H Persello, P Richardson and I Von Stanke and Council Officers - M McShane, B Cernovskis, J Nagy, N Serle, J Zwijnenburg, M McCarthy, T Tzioutziouklaris, S McLean, M Telford and S Moretti now present) be excluded from the meeting in order for the item to be considered in confidence as the Committee is satisfied that the item is a matter that can be considered in confidence.

The Council is satisfied that pursuant to the following sections of the Act, the information to be received, discussed or considered in relation to this Agenda Item is:

- s90(3)(d) - commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected:
 - to prejudice the commercial position of the person who supplied the information, or
 - to confer a commercial advantage on a third party.

The information to be considered in relation to this Agenda Item include costings for provision of recycling services and other specific financial information, the disclosure of which would prejudice the supplier's commercial position in the open market.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been

balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of the supplier's commercial position could jeopardise the delivery of the recycling service to the community.

ITEM NO.	SUBJECT MATTER	S90(3) GROUNDS
17.5	Council Update on Recycling Issues and Options - May 2018 - Report No. AR18/16676	(d)

Moved: Cr Von Stanke

Seconded: Cr Meziniec

Carried

REPORT TITLE

Council update on recycling issues and options – May 2018

COMMITTEE	Environmental Sustainability Sub-Committee
MEETING DATE:	1 May 2018
REPORT NO.	AR18/16676
RM8 REFERENCE	AF16/24
AUTHOR	Nick Serle
SUMMARY	China's recent waste and recycling bans have caused major disruptions to the global recycling industry. The resulting drop in market prices and more stringent contamination standards requires Council to consider its waste disposal and recycling program.
COMMUNITY PLAN REFERENCE	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Choose an item.

REPORT RECOMMENDATION

- (a) That Environmental Sustainability Sub-Committee Report No. AR18/16676 titled '**Council update on recycling issues and options – May 2018**' as presented to the Environmental Sustainability Sub-Committee on 1 May 2018 be noted.
- (b) That the matter be referred to Council for a decision

Background

Council have been providing a kerbside recyclable material pick up for approximately fifteen years.

At the end of 2017 China banned the import of numerous types of recycling and waste resources. Prior to this ban large volumes of Australia's recyclables were sent to China. The bans have resulted in significant drops in the market price of recyclables and more stringent contamination standards for recycled materials affecting the viability of the recycling industry in Australia. These changes have also impacted on Mount Gambier's recycling system.

In July 2017 after completing a competitive tender process and evaluating alternative options, Council commenced a five year recycling contract with Green Triangle Recyclers (GTR). The contract is for GTR to receive and process the City of Mount Gambier's kerbside recyclable material including disposal at GTR's cost of any non-recyclable contamination. In return for receiving and processing the recyclable material GTR are paid \$118/tonne. In the 2016/2017 financial year Council collected 2176 tonnes of material in the kerbside recycling bins. The annual cost to Council of paying GTR to process the material collected in the kerbside recycling bins is approximately \$260,000.

Due to the changes in the recycling industry since the contract was entered into in July 2017 GTR have written to Council to seek to vary the recycling contract to ensure the long term viability of the local recycling system.

Discussion

There has been numerous reports in the media relating to the impact of the China bans on the Australian recycling industry. Attached to this report is an Australian Packaging Covenant Organisation Limited (APCO) report about the impact of the China bans on the global and Australian recycling industries.

Both the LGA SA and the South Australian branch of the Waste Management Association are lobbying the State Government to release funds derived from the waste levy to assist councils to get over this immediate impact and minimise any impact on rates. Development in this regard will be provided to Council.

According to the APCO report, the average value of kerbside recyclables in Australia has dropped from \$157/tonne prior to the effects of the China bans, to \$82/tonne in February 2018 – a drop of \$75/tonne. The report states "*that this does not consider higher transport costs that may be incurred by some MRF operators, such as those in regional areas.*" Discussions with GTR have indicated that the value of kerbside material has continued to fall since February 2018.

Another significant factor that affects the viability of kerbside recycling is that of contamination. Removing contamination from the recycling stream is done by machine and by hand, both of which increase the cost of sorting the material.



Given the significant drop in market prices and more stringent contamination standards GTR have advised it is no longer viable for GTR to process kerbside recyclables at \$118/tonne. Discussions with GTR have been ongoing over several months and they have stated that to ensure the viability in the long term the price needs to be increased. If the price is not increased, GTR have indicated that they will no longer be able to accept kerbside recyclables beyond June 2018.

There are now two options available to Council for dealing with the material collected in the kerbside recycling bins and they are dealt with separately below;

Option 1 – Council negotiate a variation to the existing ‘Contract – Receival of Recyclable Materials’

Discussions with GTR have been ongoing over several months and GTR have stated to ensure the viability in the long term the price needs to be increased to \$214/tonne. If the price is not increased, GTR have indicated that they will no longer be able to accept kerbside recyclables beyond June 2018.

GTR have justified the request to increase the payment per tonne on the basis of;

1. The national average decrease in the value of recyclables
2. An increase in costs associated with;
 - a. Greater equipment and labor costs to meet the more stringent restrictions on contamination that have now been applied even in the Australian market
 - b. Increase in amount of contaminants sent to landfill to meet the more stringent restrictions on contamination.

The cost implications of an increase from \$118/tonne to \$214/tonne for the receival of recyclable materials by GTR is an increase in cost to Council of approximately \$206,000 per year – for a total cost of approximately \$466,000 per year.

GTR are considering making significant investments in their site to get more value from the kerbside recyclables and sort more contamination from valuable materials. In order to do this GTR are seeking a 7 year contract term with a 3 year option for renewal. This would give GTR certainty in order to make the investments at their site, with a view to making the processing of kerbside recyclables more viable.

In order to be able to deal with large market fluctuations, should they occur in the future, and if this option is adopted it is proposed to include a rise and fall clause into the contract variation. This would allow the per tonne value to be adjusted in response to changes in market values, without having to renegotiate the whole contract.

It is also proposed to include a clause that would allow Council to temporarily waive landfill fees at its discretion for loads of recycling that are excessively contaminated.

As part of negotiating a variation to the contract Council would look to make several inclusions and seek the following from GTR:

- Re-commence accepting recyclables from businesses and the general public, a practice which was ceased in December 2017 as a result of the China bans.
- Assist councils with community education, including both broad and targeted activities, one example being the on ground “bin tagging” program.



Option 2 – Council remove the kerbside recycling bins and send all waste to Caroline landfill

At \$214/tonne to process recyclable material the cost will exceed that of sending the material to landfill for the first time. The landfill gate fee for 2018/2019 will be \$150/tonne rising to \$164.5/tonne in 2019/2020. Note that of the \$150/tonne an amount of \$50/tonne is the State Government solid waste levy and the remainder covers the cost associated with running the landfill and required amount for cell construction.

Sending all of the material currently collected in the kerbside recycling bins to Caroline landfill would cost Council approximately \$326,000. This is \$140,000 less per year than recycling the material.

Sending all of the material currently collected in the kerbside recycling to Caroline landfill will increase the amount sent to landfill by approximately 10% and therefore result in a 10% shorter life of each cell constructed.

An option of sending the low value recyclable materials to Caroline landfill after they have been sorted at GTR has been considered, however this is not possible due to the EPA requirements that do not allow sorted recyclable material to be sent to landfill.

Conclusion

The China bans mentioned in this report have caused major disruptions to the recycling industry. GTR have advised the resulting drop in market prices and more stringent contamination requirements mean GTR will no longer receive recyclable material at \$118/tonne from June 2018. Council has two options for dealing with the material collected in the kerbside recycling bins;

Option 1 – Council negotiate a variation to the existing ‘Contract – Receival of Recyclable Materials’

- Annual cost estimated at \$466,000 per year

Option 2 – Council remove the kerbside recycling bins and send all waste to Caroline landfill

- Annual cost estimated at \$326,000 per year

In making the decision on how to deal with the material collected in the kerbside recycling bins Council need to weigh up the economic cost of each option and the following non-economic benefits of recycling;

- Council’s Community Plan places a strong emphasis on environmental sustainability. The theme of Pillar 4 (Our Climate, Natural Resources, Arts, Culture and Heritage), is “A culturally-inspired city that strives to minimise its ecological footprint.” There are many similar examples of Council’s commitment to sustainability in the Community Plan.
- Sending recyclable materials into landfill would contradict the Natural Step Framework that Council have adopted.
- The commitment to recycling shown by the City of Mount Gambier ratepayers that has taken years of investment in education and training to develop



While a solution to this matter has yet to be implemented an additional budget amount of \$206,000 has been incorporated in the 2018/2019 draft budget that is considered adequate to cover either option.

Attachments

Attachment 1 (AR18/16698): APCO Market impact assessment –impact of China import restriction on Australia

Attachment 2 (AR18/16699): Correspondence from GTR regarding kerbside recycling contract



Nick SERLE
GENERAL MANAGER CITY INFRASTRUCTURE



Mark MCSHANE
CHIEF EXECUTIVE OFFICER

26 April 2018
NS



The Mayor sought the approval of at least two-thirds of the members present at the meeting to suspend meeting procedures:

Purpose of the Suspension: to discuss what part or the item should remain in confidence

Carried by more than two-thirds of the members present at the meeting.

Meeting Procedures were suspended at 8:02 p.m.

The Mayor determined that the period of suspension should be brought to an end;

Carried by more than two-thirds of the members present at the meeting.

The Period of Suspension came to an end and Meeting Procedures resumed at 8:10 p.m.

17.6 Consideration for Keeping Items Confidential

That an order be made pursuant to Section 91(7) and recorded in the publicly released version of the minutes in accordance with Section 91(9) of the Local Government Act, 1999 that the document in relation to Item 17.5 which has been considered by the Council on a confidential basis pursuant to Section 90(3) be kept confidential.

Item No.	Subject Matter	S90(3) Grounds	Element To Be Kept Confidential	Duration
17.5	Council update on recycling issues and options – May 2018 - Report No. AR18/16676	(d)	All Details except Attachment 1 AR18/16698.	Until a commercial agreement is reached with the supplier or 11 months has elapsed whichever is the earlier

Moved: Cr Lovett

Seconded: Cr Meziniec

Amendment

Cr Perryman moved:

That an order be made pursuant to Section 91(7) and recorded in the publicly released version of the minutes in accordance with Section 91(9) of the Local Government Act, 1999 that the document in relation to Item 17.5 which has been considered by the Council on a confidential basis pursuant to Section 90(3) be kept confidential.

Item No.	Subject Matter	S90(3) Grounds	Element To Be Kept Confidential	Duration
17.5	Council update on recycling issues and options – May 2018 - Report No. AR18/16676	(d)	The only element to be kept confidential is attachment 2 (email from Green Triangle Recyclers).	Until a commercial agreement is reached with the supplier or 11 months has elapsed whichever is the earlier

Cr Greco seconded

The amendment was put and

Lost

The Motion was put and

Carried