

REPORT TITLE: RECYCLING CONTRACTOR - ACCEPTANCE OF RECYCLABLE PRODUCTS - UPDATE**REPORT PROVIDED BY:** Manager Cleansing and Solid Waste
Director Parks and City Amenity**1. Report Purpose and Community Benefit**

1.1. This report provides an update in respect to the processing of recyclable materials collected from the kerbside by the City of Hobart.

1.1.1. The report details the changes and commercial challenges resulting from the Chinese National Sword Policy that affects the acceptance of recyclable materials into China.

2. Report Summary

2.1. The Chinese Government, through their National Sword Policy, has restricted the volume and quality of paper recycled product that can enter China.

2.1.1. These decisions have a flow on effect for the price of recycled paper product across the world that is effecting the commercial viability of contractors providing services for the receipt of recyclable products to councils throughout Australia.

2.1.2. This has resulted in SKM, the City's contractor, proposing an increase [REDACTED] to accept the City's kerbside recyclable materials.

3. Recommendation

That:

- 1. The report on the impacts of the Chinese National Sword Policy on the processing of recycled products in Tasmania be received and noted.***
- 2. A further report be provided to as negotiations with the City's recycling contractor progress.***

4. Background

4.1. In the middle of 2017 the Chinese government announced its National Sword Policy that essentially decreased tenfold the level of contamination that could be present in recycled materials entering the country. The policy also restricted quotas for importation of paper.

- 4.1.1. This resulted in millions of tonnes of recyclable product being unable to meet its normal market destination in China.
- 4.1.2. The resulting glut of product available to the remaining world market has substantially reduced the value of recyclable material.
- 4.2. The City collects on average 5,000 tonnes kerbside recycling materials and delivers them to a depot at Lutana owned by SKM, a Victorian based company, for processing and sale.
- 4.3. All Southern Councils utilise SKM for the acceptance of kerbside recycled materials.
- 4.4. SKM process and sort the materials at Lutana. Glass is sold locally, the remainder is then freighted to Victoria for further processing.
- 4.5. Historically the product is then sold, largely to the international market.

- [REDACTED]
- 4.6. In the meantime however, pricing has been drastically affected by the National Sword Policy. [REDACTED]
 - 4.7. Accordingly, SKM has proposed variations to the current contractual arrangements for accepting recycled materials from its customers.

5. Proposal and Implementation

- 5.1. SKM has now agreed to participate in a joint negotiation of contract variations with Southern Tasmanian Councils that is being coordinated by LGAT.
 - 5.1.1. SKM has proposed increasing the cost for acceptance of recycled materials [REDACTED]
 - 5.1.2. They have also proposed other variations to the contract [REDACTED].

6. Strategic Planning and Policy Considerations

- 6.1. The proposed changes to the price for acceptance of recycled materials will increase the cost of providing kerbside recycling services to the community. Such changes will also impact the delivery of the City's Waste Management Strategy 2015-2030 actions involving the diversion of increased quantities of paper and cardboard from landfill.

7. Financial Implications

- 7.1. Funding Source and Impact on Current Year Operating Result
 - 7.1.1. Expenses for the provision of recycling services are budget under Budget Function 243.
 - 7.1.2. The proposed price changes will increase the expenses incurred for recycling [REDACTED]
- 7.2. Impact on Future Years' Financial Result
 - 7.2.1. The proposed price changes will increase the expenses incurred for recycling [REDACTED].
- 7.3. Asset Related Implications
 - 7.3.1. None.

8. Legal, Risk and Legislative Considerations

- 8.1. SKM is contracted to accept and process the City's recycling until 2019, with two subsequent options to extend at the City's discretion for an additional two years each.
- 8.2. [REDACTED]
- 8.3. [REDACTED]
- 8.4. If the commercial viability associated with the processing of recyclable materials falls further, the City could face further cost increases to provide a kerbside recycling service to the community.
- 8.5. There is a risk that other Councils could withdraw from providing recycling services to their communities. Such a move could affect the viability of SKM's Tasmanian operations.
- 8.6. SKM has stated that they are committed to continuing the provision of services to Southern Tasmania and are well placed to capitalise on the changes from the introduction of the National Sword Policy.

9. Environmental Considerations

- 9.1. None at this stage.

10. Social and Customer Considerations

10.1. There is significant interest from the community in the City's Waste Management Strategy and improving the rates of recycling in Hobart.

11. Marketing and Media

11.1. There is significant media interest in the effect of the National Sword Policy on recycling in Australia. The City has been approached for comment on the issue.

12. Community and Stakeholder Engagement

12.1. The City will continue to share information with stakeholders on the situation as it becomes logical to do so.

13. Delegation

13.1. The matter is for the Committee to note.

As signatory to this report, I certify that, pursuant to Section 55(1) of the Local Government Act 1993, I hold no interest, as referred to in Section 49 of the Local Government Act 1993, in matters contained in this report.



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