

11 SHORT TERM RECYCLING PROCESSING CONTRACT

FILE REFERENCE INT1962377

RESPONSIBLE GENERAL MANAGER Peter Benazic

AUTHOR Jacqui Kelly

RECOMMENDATION

That Council delegate authority to the CEO to enter into a short-term contract (up to 2yrs) with Polytrade Recycling for the processing of kerbside recycling.

Attachments

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| 1 Section 186 Signed by Minister for Local Government and Minister for Energy, Environment and Climate Change | 2
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EXECUTIVE SUMMARY

Problems within the recycling industry arose early in 2018, driven primarily by changes to the environmental policies in China which restricted imports of recyclables, and reduced acceptable contamination levels. As a result, our processor, SKM Industries, has struggled to appropriately manage their received material, resulting in multiple work orders and warnings from the Victorian Environmental Protection Authority (EPA).

In February of 2019 SKM was issued cease works notices by the Victorian EPA for environmental non-compliance regarding the fire and health risks of stockpiled material on their Laverton and Coolaroo sites impacting our service for 11 weeks. During this shut down period Cardinia Shire Council had no option but to send our kerbside recyclable material to landfill resulting in an increased cost to Council and major environmental concerns.

At the end of July SKM were again unable to meet requirements set by the EPA and ceased accepting material, forcing Council to divert recycling to landfill. SKM Corporations have since been put into liquidation leaving Council again with no recycling processor.

Options are now available for council to enter into short term contracts with other providers to process portions of collected materials.

BACKGROUND

Cardinia Shire Council entered into a contract with SKM in 2011 to process all recycling collected from kerbside and public place bins. This contract would have expired in September 2020.

On the 1st of January 2018 China's General Administration of Customs implemented the National Sword Policy restricting the import of recycled materials. This policy has severely disrupted recycling markets worldwide with significant impacts in Victoria. Since this policy was enacted our processor, SKM, has struggled to appropriately manage their material, resulting in multiple work orders and warnings from the Victorian Environmental Protection Authority (EPA).

Cardinia Shire officers have been and will continue to work with 61 other Victorian Councils in regional clusters on a group procurement process to invite new players into the recycling processing

market in Victoria. This process is being facilitated by the Metropolitan Waste and Resource Recovery Group (MWRRG). Once this contract is established we will have an option to move to a long term solution with our other Local Government Counterparts. It is expected that the availability of these new services are still over twelve to eighteen months away.

On the 27th of June 2019 the Minister for Local Government along with the Minister for Energy, Environment and Climate Change signed a state-wide exemption for all Victorian Councils under Section 186 of the Local Government Act 1989. This exemption allows Councils to extend current recycling collection and/or processing contracts or enter into new contracts up until June 2021 without having to go through a time consuming public tender process.

On Friday 26th July 2019, for the second time in six months, SKM ceased accepting material from all of its Victorian customers, including Cardinia Shire and 31 other councils. This resulted in Cardinia Shire Council sending collected recyclables to landfill. On Friday 2nd August 2019 Council was notified that SKM Corporate was put into liquidation.

An alternative recycling processor, Polytrade, have limited additional capacity (50 tonnes per day) for additional clients and have offered to receive and process a proportion of kerbside recyclables with Cardinia Shire and our neighbour the City of Casey, sharing the available capacity. Available immediately, this agreement may include 13 tonnes per day from Cardinia Shire as an initial amount, and 37 tonnes from City of Casey, based on annual tonnages produced.

Polytrade has indicated an intention to upgrade its Hallam processing facility within 4-6 weeks to a full materials recovery facility (MRF). It has been indicated that this will enable Polytrade to receive the remaining recycling tonnes from both Cardinia Shire Council and City of Casey.

Based on the procurement exemption and SKM no longer receiving Councils kerbside material, it is recommended that Council will be best served by an initial short term agreement with Polytrade ending June 2021.

It is recommended that the Chief executive Officer be delegated authority to finalise and enter in contract negotiations for this short term recycling processing contract.

Alternately Cardinia Shires recycling will continue going to landfill until additional facilities are opened in Victoria through the new joint procurement process.

POLICY IMPLICATIONS

This work and direction aligns with the general vision of the Waste and Resource Recovery Strategy (2017-2026), and some of its top priorities:

- increased resource recovery with a particular focus on hard waste service, food within garbage waste, additional kerbside programs and e-waste
- continuing to drive value for money within services
- supporting local community to be responsible and accountable for their waste generation and disposal practices

RELEVANCE TO COUNCIL PLAN

This work helps deliver the following actions

3 Our Environment

3.3 Enhanced natural environment

3.3.4 Promote practices that result in the reduction per household of the amount of waste going to landfill, particularly food waste.

CONSULTATION/COMMUNICATION

Updates on Recycling industry issues, and its impacts to Council and ratepayers have been made on Councils website and Social Media platforms. Extensive media coverage of this issue also helped explain the wider issue to the community.

Legal advice regarding options for Council have been obtained from Maddocks Lawyers who will continue to support any contractual alterations.

FINANCIAL AND RESOURCE IMPLICATIONS

The current proposed processing rate by Polytrade is higher the contractual rate with SKM, however appears to be in line with other rates across the industry with providers maintaining an operational business.

Although this is an additional cost to the previous operation, this is still a saving to Council compared to the alternate landfill rate.

With regards to the annual waste fees, taking into consideration contingencies, paying a rate more typical of the industry trend will see an increase in the expected annual cost of approximately \$440,000 for 2019/20. Based on projected figures, the annual cost relating to this service is approximately \$1.4million.

Given the 2019/20 waste charges have been set, the full waste program will need to be reviewed to identify any program cost savings.

These costs will be monitored throughout the year and variations will be dependent on contamination and tonnages experienced.

The expenditure experienced will be considered when establishing the Waste charges for the 2020/21 financial year.

CONCLUSION

The Recycling industry issues experienced across the country and internationally, which affected commodity prices, has significantly impacted Councils contractor for recycling processing, SKM, resulting in their liquidation.

In order to resume recycling, a new contract must be entered with an alternate operator. It is recommended that the Chief Executive Officer be delegated the authority to finalise any further arising negotiations and execute the relevant contract documentation as required.



The Hon Adem Somyurek MP

Minister for Local Government
Minister for Small Business

121 Exhibition Street
Melbourne, Victoria 3000
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27 June 2019

Dear Mayor

A state-wide exemption has been granted to all councils under section 186 of the *Local Government Act 1989* to extend recycling collection contracts to June 2021.

This important step is intended to ease the administrative burden on councils and support Victoria's recycling sector to provide the recycling services Victoria needs. This means that your council will be able to continue its existing contract while you work together with Waste and Resource Recovery Groups and neighbouring councils to develop more flexible, consistent and transparent contracting for recycling services.

The future shared contracting of recycling services across multiple municipalities will help councils save money in management and procurement costs. Offering larger recycling volumes to market also drives competition and encourages investment in essential infrastructure and technology, attracting new operators into the market.

The Victorian Budget 2019-20 is investing an additional \$35 million to strengthen and diversify Victoria's waste and recycling industry. This package of reforms includes investment in accelerating collaborative procurement of recycling services to promote new investment in the sector.

This latest package builds on the strong foundations of the \$37 million Recycling Industry Strategic Plan, released in July 2018 – bringing this Government's investment in the waste and resource recovery industry to more than \$135 million.

For further information please contact Ms Sandra Talty, Acting Senior Manager, Sector Innovation and Performance, Local Government Victoria on (03) 9032 1427 or email sandra.talty@delwp.vic.gov.au.

Yours sincerely

The Hon Adem Somyurek MP
Minister for Local Government
Minister for Small Business

The Hon Lily D'Ambrosio MP
Minister for Energy, Environment and
Climate Change
Minister for Solar Homes

Cc: Ms Kerry Thompson, Chief Executive Officer, Municipal Association of Victoria
Council Chief Executive Officers

Encl. Approval of Arrangements Instrument




**LOCAL GOVERNMENT ACT 1989
SECTION 186**

APPROVAL OF ARRANGEMENTS

I, Adem Somyurek, Minister for Local Government, pursuant to section 186(5)(c) of the *Local Government Act 1989*, approve the following arrangements:

All Victorian municipal councils may enter into contracts from any time from the date of this approval until 30 June 2021, where the contract concerns the provision of kerbside recycling services (including collecting, sorting or processing of kerbside recycling), which are provided between 1 July 2019 and 30 June 2021 inclusive.



**The Hon Adem Somyurek MP
Minister for Local Government**

26 / 6 / 19.