AUSTRALIAN COUNCIL OF RECYCLING

An Overview of Industry Confidence

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EXECUTIVE SUMMARY

2020 is proving to be a year of unprecedented change not just for the waste and resource recovery sector, but industries as a whole.

The World Health Organization continues to monitor the impact of COVID-19 as industries respond to both temporary and significant disruptions. Additionally, the 2019-20 Australian bushfire season devastated thousands of communities, but have for the most part thankfully been contained.

Despite the ongoing difficulties, industry is charging on with much needed reform and building end markets to lift the bar on Australia's recycling performance.

The recent Council of Australian Government's meeting has put forward a plan to ban the export of unprocessed glass, mixed plastics, whole used tyres, single, resin/polymer plastics and mixed and unsorted paper and cardboard.

The Federal Government highlights the ban, which will be rolled out over two years, as a once in a generation transformation of the recycling industry which could generate $1.5 billion in economic activity over the next 20 years.

From potential regional microfactories to finalisation of the Product Stewardship Act, opportunities are abound to place the sector on a sustainable footing.

The recycling sector employs around 50,000 people and ultimately it is their investments that will shape our environmental future. The question of industry confidence is therefore paramount to informing better decision-making by governments and it's an area this report seeks to provide an answer to.

The Australian Council of Recycling (ACOR), which represents dozens of people contributing to the $15 billion industry, commissioned Prime Creative Media to undertake an up-to-date measure of industry confidence of Australia's recycling sector. From January to March 2020, we surveyed more than 500 respondents working in municipal solid (MSW), commercial and industrial (C&I) and construction and demolition (C&D) waste. For the purposes of the report, we refer to confidence in present tense.

Because this survey was conducted prior to the Australian outbreak of COVID-19, we have included an additional set of follow-up questions with a smaller sample size on pages four to six.

We asked you how confident you were over the next 12 months, whether you planned on putting more staff/contractors on and the impact of government policy.

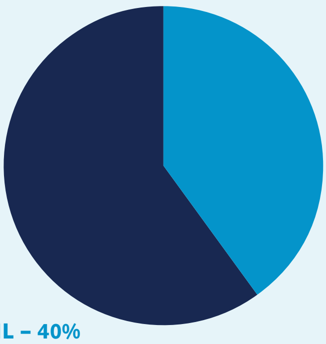
We also asked you to rank common issues that were most important to you, including re-investment of state waste disposal levies, stronger product stewardship and pro-active purchasing of recycled content products by the public sector.

The trends have shown that while almost half of all organisations across MSW, C&I and C&D are positive about their organisation's performance, more than a third of respondents across all streams are negative about the public policy and government setting.

While there are challenges ahead for markets across the globe, industry has told us what is most immediate and important to them. Now, it's up to governments to heed their calls by reviewing the findings of this report.

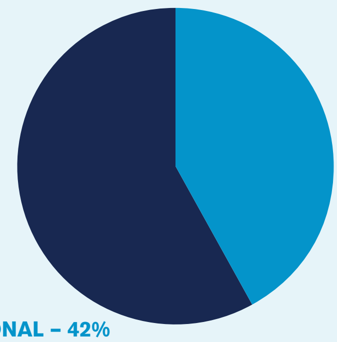
A SNAPSHOT OF MSW:

Are you a council or private enterprise?



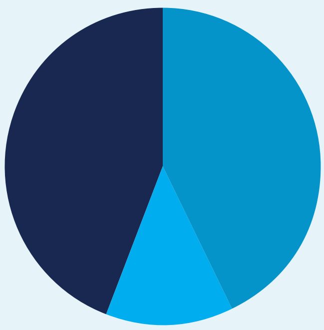
COUNCIL – 40%
PRIVATE ENTERPRISE – 60%

Council: What type?



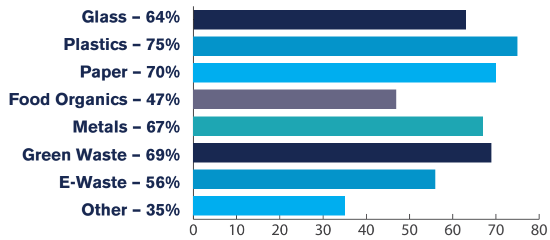
REGIONAL – 42%
METRO – 58%

Private Enterprise Size:

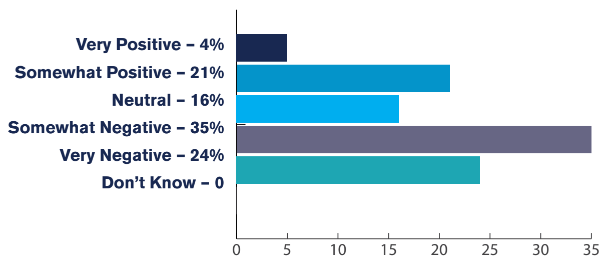


SMALL (UNDER $5M IN TURNOVER): 43%
MEDIUM (BETWEEN $5M AND $10M IN TURNOVER) – 13%
LARGE (OVER $10M IN TURNOVER) – 44%

What material types does your organisation handle?



Looking ahead at the next 12 months, what is your confidence level about conditions for the resource recovery industry/area in Australia?

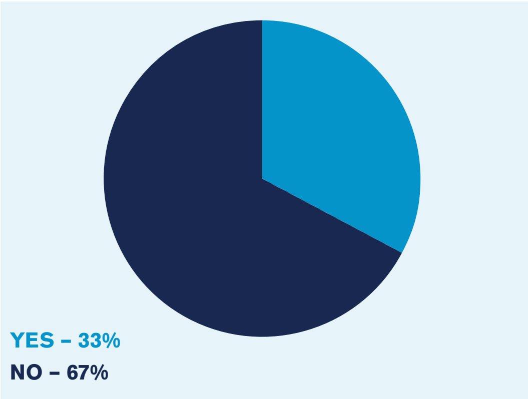


HIGHLIGHTS:

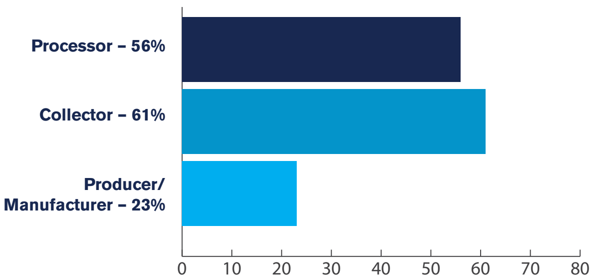
- Almost a third of MSW respondents are somewhat positive about their organisation's performance over the next 12 months, while 21 per cent are somewhat negative and 20 per cent are very positive
- When it comes to confidence levels about conditions for the resource recovery industry over 12 months, just over a third are somewhat negative (35 per cent), 24 per cent very negative and 21 per cent somewhat positive
- One third of respondents are neutral (35 per cent) about putting on more staff/contractors over the next 12 months, (23 per cent) are somewhat positive and 12 per cent are very positive
- One fifth of respondents are somewhat positive (39 per cent) they will make/or be involved in capital investments in resource recovery over the next 12 months, while 20 per cent were very positive, 18 per cent neutral and 11 per cent somewhat negative
- 41 per cent of respondents would describe public policy and government support as it affects their organisation and the resource recovery sector in Australia as very negative, while 35 per cent are somewhat negative and 14 per cent neutral

A SNAPSHOT OF C&I:

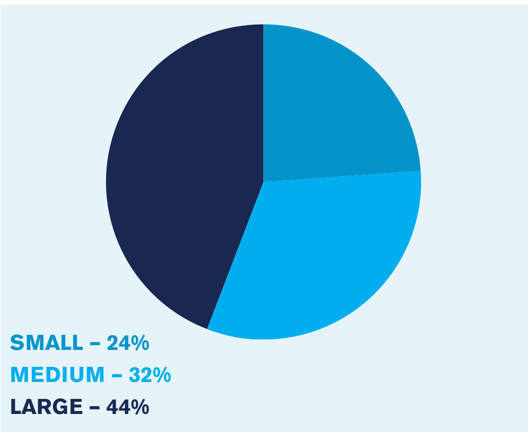
Do you work in C&D?



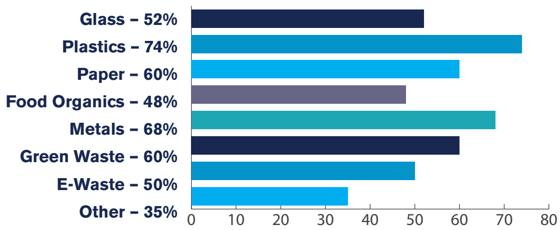
What segment of the industry do you work in?



What is the size of your organisation?



What material types does your organisation handle?



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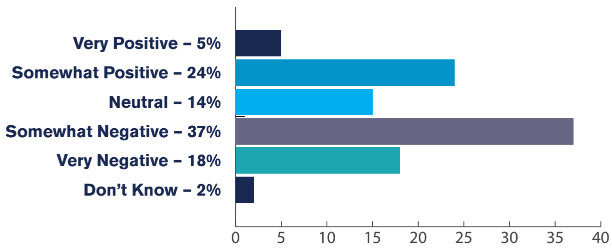
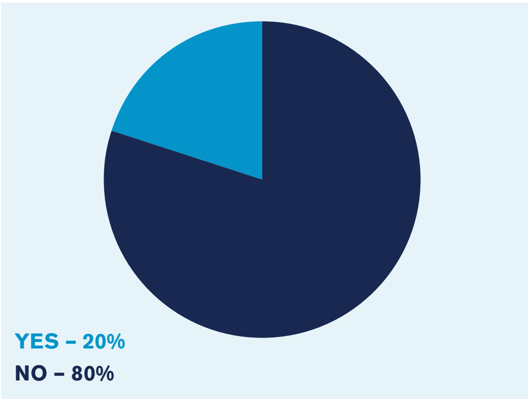


HIGHLIGHTS:

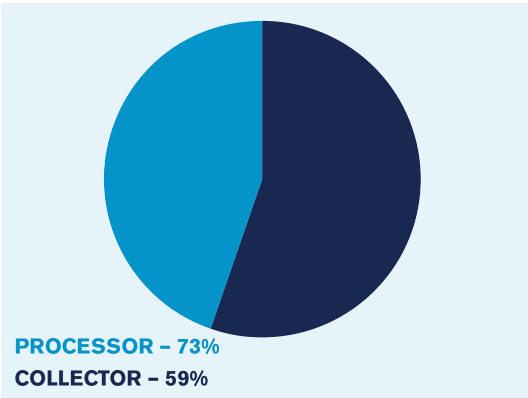
- 37 per cent of respondents are somewhat negative about conditions for the resource recovery sector over the next 12 months, 18 per cent very negative and 24 per cent somewhat positive and 15 per cent neutral
- Looking at the next 12 months, more than a third of respondents (34 per cent) are somewhat positive about their organisation's performance in supporting the development of value-added products, with 18 per cent very positive, 23 per cent neutral and 19 per cent somewhat negative
- More than a third of respondents (35 per cent) rate their prospects of putting on more staff/contractors over the next 12 months as neutral
- More than a third of respondents (32 per cent) rate their prospects of being involved in capital investments in resource recovery over the next 12 months as somewhat positive, while 26 per cent are very positive and 21 per cent neutral
- 40 per cent of C&I operators are very negative about public policy and government support for their organisations, while 24 per cent are somewhat negative and 21 per cent neutral

A SNAPSHOT OF C&D:

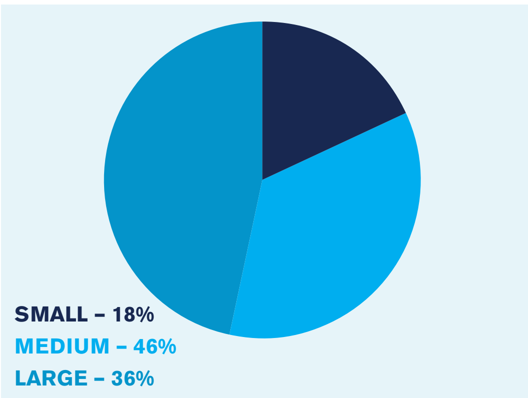
Do you work in C&D?



What segment of the industry do you work in?



What is the size of your organisation?



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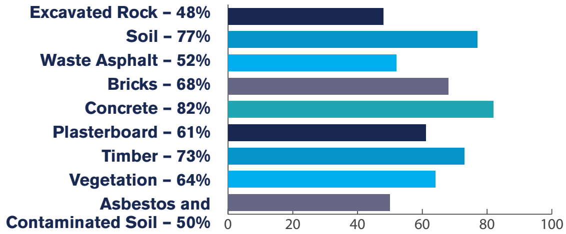
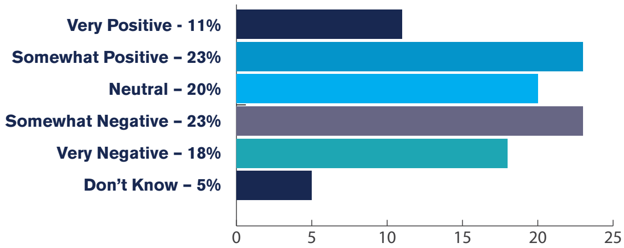


Looking ahead at the next 12 months, what is your confidence level about conditions for the resource recovery industry/area in Australia?



HIGHLIGHTS:

- Looking at the next 12 months, respondents are a mix of neutral (30 per cent), very positive (23 per cent) and somewhat positive (23 per cent) about their organisation's performance in resource recovery
- A number of organisations are somewhat positive about (27 per cent) putting on more contractors in the next 12 months, though a number of them are neutral (27 per cent) and somewhat negative (18 per cent)
- Sentiments about conditions for the resource recovery industry/area over the next 12 months are a mix of somewhat positive (23 per cent) and somewhat negative (23 per cent), very negative (18 per cent) and very positive (11 per cent)
- Respondents describe public policy and government support for the resource recovery industry as very negative (34 per cent), somewhat negative (27 per cent), neutral (18 per cent) and somewhat positive (11 per cent)
- Around 36 per cent of respondents are somewhat positive of making capital investments over the next 12 months, with 20 per cent neutral and 16 per cent very positive

SOME OF THE KEY ISSUES BY STREAM:

MSW:

Issues ranked in order of importance:

- Greater re-investment of State waste disposal levies where they exist into resource recovery activity
- Stronger product stewardship provisions for brand owners / product manufacturers
- Pro-active purchasing of recycled content products by the public sector
- Grants / loans for resource recovery infrastructure
- Other market development for recycled content products
- National harmonisation of regulations and policies
- Landfill bans on key material streams
- Better strategic and land use planning for resource recovery site development

C&I:

Issues ranked in order of importance:

- Grants / loans for resource recovery infrastructure
- Pro-active purchasing of recycled content products by the public sector
- Greater re-investment of State waste disposal levies where they exist into resource recovery activity
- Other market development for recycled content products
- National harmonisation of regulations and policies
- Stronger product stewardship provisions for brand owners / product manufacturers
- Landfill bans on key material streams
- Better strategic and land use planning for resource recovery site development

C&D:

Issues ranked in order of importance:

- Grants/loans for resource recovery
- Modern product specifications
- Pro-active purchasing of recycled content by the public sector
- Greater re-investment of state waste disposal levies
- Unclear legislation and perverse incentives
- National harmonisation of regulations and policies
- Landfill bans on key material streams
- Better strategic and land use planning for resource recovery site development

THE TOP FIVE ISSUES FROM EACH STREAM:

Greater investment of state waste disposal levies

Councils have indicated that greater re-investment of state waste disposal levies into resource recovery activity is the most important to the growth of their sector and organisation. EPAs collect waste levies from licensed landfill operators, councils or commercial operators and therefore ensuring their money is re-invested into the sector is a high priority.

This is consistent with ACOR's research that in 2018 and 2019, $446 million was given or pledged by state and territory governments. However, mainland state governments collected $2.7 billion in waste levies.

Although this number is likely to have changed as states such as Victoria has recently announced a funding package of more than $300 million.

This issue is ranked third across the C&I sector and the fourth for C&D operators. Grants/loans and pro-active purchasing of recycled content are higher priorities for C&I operators, consistent with the view that collectors and processors are highly focused on end markets.

The C&D sector is similarly concerned with grants/loans for resource recovery, modern product specifications and pro-active purchasing of recycled content by the public sector, with a similar view to C&I in comprising those involved in manufacturing.

Pro-active purchasing of recycled content products by the public sector

This issue ranks in the top three in impacting the growth of organisations and the resource recovery sector across C&D, C&I and MSW.

While the National Waste Policy Action Plan has outlined targets to increase resource recovery, federal, state and territory governments have yet to commit to mandatory procurement targets of recyclate.

It is the second most important issue for the C&I sector with collectors and processors making up the majority of respondents.

In the C&D sector, the issue ranks number three, with modern product specifications the second most important public policy measure to the growth of organisations and the sector. With a number of modern product specifications dedicated to recycled content purchasing, including the Victorian Department of Transport's recent light traffic crumb rubber asphalt specification, the issues are intertwined.

Grants/loans for resource recovery infrastructure

This issue ranks most important for the C&D and C&I sector, with collectors and processors often benefiting from funding which builds capacity and capability to recover high quality materials.

These grants/loans support the development of innovative solutions which are diverting materials once destined for landfill.

For example, in Victoria, the Resource Recovery Infrastructure Fund in Victoria has supported multiple projects in C&D, including Repurpose It's C&D washing plant and Duratrack's railway sleepers made from recycled plastic. In the C&I space, organisations such as Enrich 360 help turn food waste into valuable compost.

In NSW, Waste Less, Recycle More has supported a range of investments across these areas, including the 2019 Major Resource Recovery Infrastructure grant program. This supported funding for Boral Cement Limited to allow for increased use of solid-waste derived fuel in C&D as an example and Cleanaway's plan to built a PET and pelletising facility to support C&I.

Stronger product stewardship provisions for brand owners/product manufacturers

Extended producer responsibility was ranked as the second most important issue to MSW operators. A review of the Product Stewardship Act (PSA) was originally scheduled to be finalised in the last quarter of 2019 but at the time of this report's publication, the review is yet to be released.

Under the current act, there are no mandatory schemes and just one co-regulatory scheme, the National Television and Computer Recycling Scheme (NTCRS). The Australian Packaging Covenant Organisation has a target of 100 per cent Australian packaging being recyclable, compostable or reusable by 2025 but this is currently dependant on voluntary action.

Measures which could address strong product stewardship schemes include mandatory product stewardship, design requirements on packaging used in the Australian market and mandatory packaging requirements under the PSA.

Other models such as a plastic packaging tax have been adopted in countries in the UK, which apply to plastic packaging produced in, or imported into the UK.

Modern product specifications

Like product stewardship, industry has stated that mandatory specification of recycled content in products would support great resource recovery outcomes across products, buildings and infrastructure.

To that end, this issue was ranked as the second most prominent in the C&D sector, which comprises the collectors and processors that generate the value-added materials that end up on major road and construction projects.

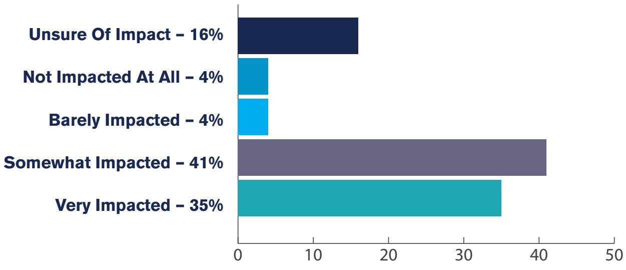
Equilibrium's Review of standards and specifications for recycled content similarly reflected industry's call for the Federal Government to play a strong leadership role in ensuring a standard, national approach to materials.

The mandating of recycled goods could support an increase in the manufacturing of goods and break the stigma from engineers, governments and the construction

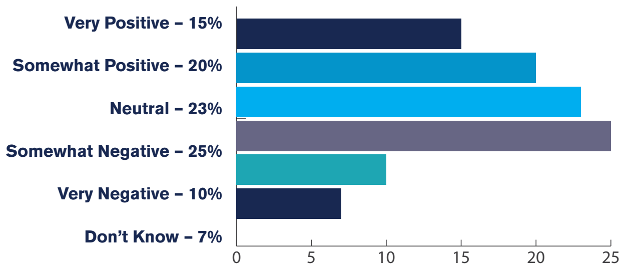
COVID-19 INDUSTRY PULSE CHECK

Summary:
In the final week of March through to April 6, Prime Creative Media surveyed just under 100 participants to gather their sentiments in the wake of COVID-19. We asked participants to tell us what government assistance packages they wanted more information or clarity on. Additionally, we asked participants whether they could access these packages, what support they needed and to rank potential policies they'd like to see enacted. Finally, we wanted to ascertain the impact of COVID-19 on their business to date, their response and whether they saw any opportunities over the next year amid current challenges. Out of those surveyed, just over 55 per cent work in MSW, with 22 per cent in C&D and 23 per cent in C&I. These results aim to help provide a measure of confidence amid a difficult time and help governments identify what support the sector will require.

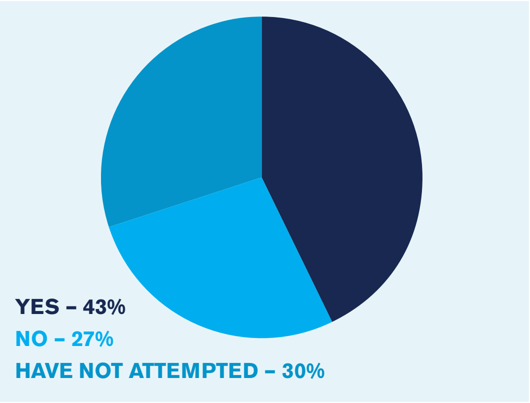
How affected has your company/organisation been by the COVID-19 virus and the government responses?



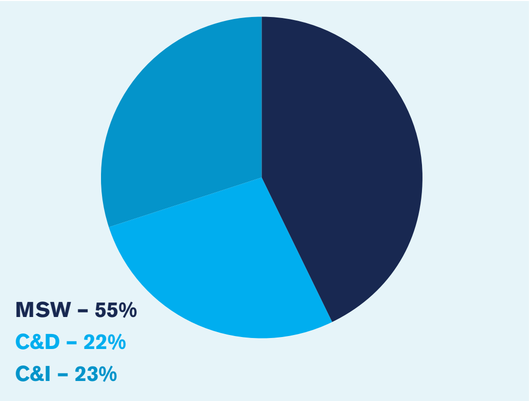
Looking ahead at the next three to six months, how confident are you in identifying any new business opportunities?



Have you been able to access information on government assistance initiatives and packages that have been recently announced to support our sector?



Do you work in C&I, C&D, MSW?



KEY ISSUES

Are there any particular federal, state or local government assistance initiatives or packages you would like more information on?

Waste as an essential service:
This question asked participants to type in their response. While 20 respondents indicated that there was nothing in the way of initiatives or packages they required more information on, some trends emerged.

Several respondents indicated they'd like clarity on the meaning of an essential service and what it means for contractors and sub-contractors. This has been a talking point amid COVID-19, however the full implications for waste and resource recovery remain unclear. For example, in Victoria and many other states, essential services include services such as gas, water, ports and rail freights. NSW contrary to other states lists waste services under its NSW Essential Services Act 1988.

In response to this issue, one Tier 1 supplier to the waste industry asked what exemptions were available from border closures and a manufacturing shutdown in the event of a lockdown.

The United Nations is urging global governments global governments to recognise waste management, including medical, household and other hazardous waste, as an "urgent and essential public service."

In Victoria, waste management will be regulated as an essential service through a dedicated waste and recycling Act as announced in Recycling Victoria – a New Economy. The Essential Services Commission plans to analyse what these new laws and broader legislative framework will look like.

Other themes:
Other respondents asked for clarity on the Federal Government's JobKeeper payment, payroll support funds and the need for a "Technology Review Board". Additionally, grants for recycling equipment and seed funding for new projects was noted. Funding opportunities to change government standards and specifications with recycled content for concrete, asphalt and building products was also identified as an issue requiring further clarity.

Are there any other potential government policies you would like to see enacted to support the recycling industry?

Waste levy relief:
The most common response to this question was calls for levy relief. With states like Victoria planning to double their waste levy from $66 a tonne over three years, a policy which was put in place before COVID-19. Levy pricing remains contentious during this time. SA also announced an increase in its levy in 2019 from $100/tonne for solid waste in metropolitan Adelaide to its current price of $140/tonne.

Anonymous responses related to the levy included (state and territory of user not listed):

- Levy hypothecation to bonafide recyclers. Increase infrastructure grants, announce future levy increases now to bring forward investment now. [MSW]
- Drop the waste levy not increase it. In six months we will be lucky to keep the doors open. How could we possibly put up prices in June? [C&D]
- Pause landfill levy increase scheduled for 1 July, 2020 for 12 months. [C&I]
- I would like to see financial assistance to all those in the recycling industry by suspending landfill levies (still the number one cost in the recycling industry for disposing unrecyclable/contaminated material). Deferral of payments due as customers are unable to pay us the levies, putting strain on us to pay the levy to the government. Restrict site visits during this period to reduce risk of spread of COVID from inspectors visiting multiple sites and seeing multiple staff. [C&D]
- In Victoria the recycling levy rebate is deducted off your June 4th QTR return that is due on 30/9 each year. Recycling is a major KPI in the EPA regime, why isn't the recycling rebate allowed to be deducted on a quarterly basis, not 15 months after the start of the financial year? It is a disincentive for licensed EPA sites to take recycling seriously to pay costs to recycle and wait to get their rebates. [C&D]

Other themes:

- Accelerate the development of onshore sorting and remanufacturing facilities and mandate recycled content in new products. [MSW]
- Ensure social distancing for weighbridge operators - having noise cancelling intercoms allows truck drivers to stay in trucks away from staff, and allow sites to continue to run. [MSW]
- Worker safety first, adjust targets. [MSW]
- A grant or no interest loan up to say $500,000 to cover sales depletion due to the six months negative economy and help cover the eventual restart of bank interest charges. [MSW]

Which potential government policies do you think may be needed to support the recycling industry through this period? [Rank in order of importance]

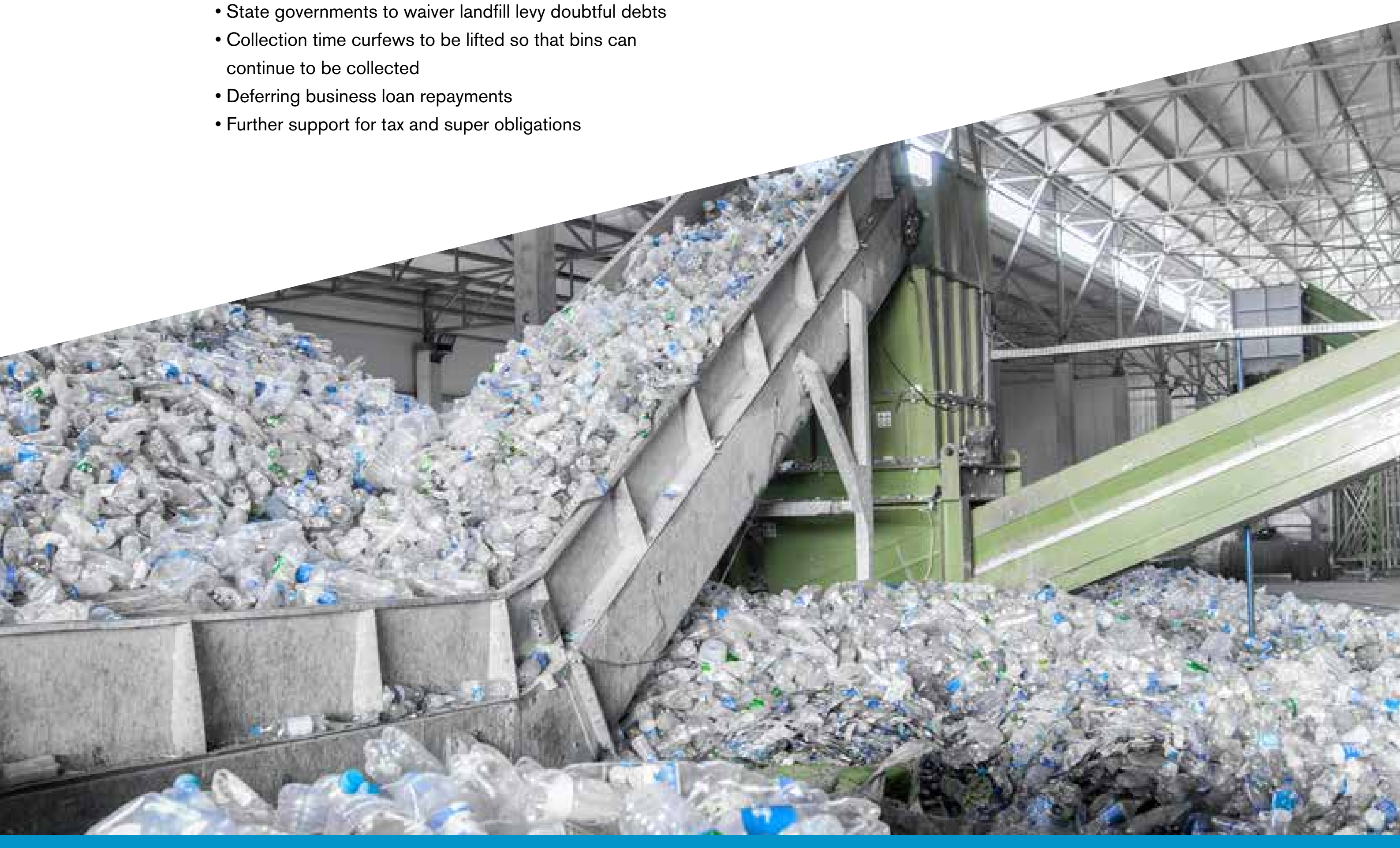
- Local governments to waive business fees (including charges, rents, levies and/or permit fees)
- Freeze all planned levy increases for six months [Above issue ranked equal]
- State and local governments to be more flexible on certain facility license conditions for social distancing so the protection of staff can be maintained
- Waiving landfill levies on contaminated residuals from legitimate recycling
- Payroll tax reductions
- State governments to waiver landfill levy doubtful debts
- Collection time curfews to be lifted so that bins can continue to be collected
- Deferring business loan repayments
- Further support for tax and super obligations

What is your business doing in response to COVID-19?

Working from home, following social distancing and practicing good hygiene were all common responses.

Other themes included:

- Ensuring measures for coping with expected numbers of proven infected and suspected infected patients are in place and adequately resourced. Recycling and re-use may become a necessity for supposedly "single-use" items. [MSW]
- Social distancing, disinfection, split teams to prevent spread, closure of facilities to general public. [MSW]
- I run a very small operation, with only one casual staff member apart from myself. I have had to stop community engagement activities and providing volunteering opportunities. These activities were very helpful in bringing about social change and awareness building for kerbside organics pick up services. [MSW]
- Considering reduced staffing and work hours in line with expected downturn in revenue, potential cancelled orders. [C&I]
- Analysing and forecasting revenue and cost implications of changed business environment. [C&I]
- Hanging in there with a circa 40% reduction in C&D Waste coming in. [C&D]



CONCLUSION

Our research suggests that prior to the outbreak of COVID-19, there were mixed feelings across all streams about their organisations performance and conditions for the resource recovery sector over the next 12 months. The C&D sector was a mix of positive and negative about conditions over the next 12 months, while MSW and C&I were slightly more negative than positive. More than a third of respondents across all streams rated the policy and government sector and its impact on their business as very negative over the next 12 months. However, almost a third of MSW respondents were somewhat positive in MSW and one fifth in C&I and C&D. Greater re-investment of state waste levies and grants/loans were key issues that emerged from the three streams, in addition to pro-active purchasing of recycled content by the public sector and extended producer responsibility.

In the wake of COVID-19, less than half of organisations highlighted that they were only somewhat impacted, while less than a third are very impacted. Likewise, these businesses are a mix of negative, positive and neutral about their prospects to identify new business over the next 12 months. Similar themes as far as support from government have emerged, including pausing waste levy payments and accelerating grants and investments. Less than half of respondents have been able to access support packages announced by governments. The results suggest that although the impact of COVID-19 may not fully be understood at this stage, confidence levels remain mixed across the industry. The most consistent view is that governments need to re-consider levy increases in light of the current business climate to ensure industry can forge a successful future.