

I am writing to you in my capacity of General Manager of New Zealand's largest recycling company, Sims Pacific Metals and our serious concern over the impact of a national Waste Levy on our recycling activities in this country.

As a recycler, Sims Pacific Metals (SPM) is not able to control the waste component of the stream of materials that we receive for recycling. The increasingly lightweight of manufactured goods, use of complex plastics and many other factors have seen many discarded consumer goods reach the point where the cost of recycling is starting to exceed the value of recovered material. As a commercial proposition, this situation is clearly not sustainable.

As this matter is of crucial importance to our continued recycling efforts in New Zealand, I therefore seek your assistance in how we may resolve this matter and ask you to consider the following specific points:

- The blanket application of the Waste Levy poses a serious problem to SPM, which as a bona fide recycler is completely and utterly unable to influence the waste stream it receives.
- The levy acts as a direct disincentive to increase our resource recovery efforts. The combination of proportional increases in disposal costs, together with the trend of post consumer goods to contain a higher non-recoverable stream and a decreasing material value directly impacts our decision on what materials to recycle. This is particularly the case when considering more complex waste streams as electronics and computer recycling.
- Waste charges in N.Z already constitute SPM highest operational cost after salaries.
- Whilst much focus on the flock arising from the processing of motor vehicles, it is important to recognize that almost 80% of residual wastes from shredding arise from general consumer goods. The impost of the waste levy therefore affects all redundant consumer goods. In fact, the smaller items such as white goods are disproportional contributors to waste and their recoverable value versus waste ration is becoming extremely low. Once this ratio moves from positive to negative, the material will no longer be recycled.
- The increased cost of waste disposal means that less money is available for other operational costs such as transport. This therefore translates directly into reduced coverage in less populated areas.

- While Governments have come to regard recycling companies, such as SPM as an integral part of the waste infrastructure, it is often forgotten that we also are a commercial enterprise, who must operate profitably in the margin between the material we buy and the commodity prices set internationally, such as the LME.
- It has been suggested that SPM pass on the waste costs to the people delivering material to us. In many cases that would mean charging people to take material which fundamentally changes the mechanics of recycling in New Zealand.
- It has also been suggested that the Waste Levy costs must be seen in the context of commodity prices. This indicates a poor understanding of the role played by SPM, which operates as a service provider in the margin created between an internationally set commodity price (such as the LME) and the suppliers of material (wreckers, transfer stations etc.), who respond rapidly to any changes in the commodity's cycle. The operating margin is independent of commodity price movements and rising waste charges are a direct "hit" to the bottom line.
- The SimsGroup has spent almost 90 years dedicated to technical advances in the processing of secondary commodities. Without government support, millions of dollars have been invested in infrastructure and technical improvements to maximize efficiency of operations and recovery. This coming financial year alone, some \$2 million is being considered to be invested in N.Z to increase metal recovery from shredding by less than 0.9%. This increased recovery however, is being eroded by rising waste charges, making further capital investment less likely.
- While SPM supports any initiative which will improve recycling in New Zealand we seek relief from any levy that will harm our operations that would not open a "hole" for others to jump through. We would like to remind the New Zealand Government that unlike the USA and Europe, there only are 2 metal shredder operations in New Zealand managed by SPM and it would seem a relatively simple matter to license and patrol operations qualifying as bona fide recyclers, possible though the existing operating systems, which are subject to regular auditing .

Continuing to impose the waste levy in its present "crude" form hinders recycling in New Zealand, which is contrary to the stated objectives of the N.Z Government. Given the complex waste streams now targeted such as computers, car tyres etc. these charges will have an even greater impact in slowing down budding initiatives to recycle these.

Unless the rising waste charges are addressed, SPM will be forced to seek its own solution on commercial grounds. Our options in this regard include:

- Reject incoming materials for recycling, where these have an uneconomic waste to recoverable materials ratio. This is already an issue with many white goods. Clearly a further increase in waste charges (including the levy) will push marginal materials into the un-economic range.
- Require the non-commercial waste component to be removed by others prior to the acceptance of these materials at our sites. This is common practice in Europe and USA and would leave N.Z to deal with the residual waste stream in its bulk and un-economic form.

In all cases, the residual waste component will be pushed back upon those less well equipped to deal with the issue. Furthermore, the off-set of treating the non-profitable waste streams backed by the profitable components will be lost, leaving the non-profitable waste stream to be processed by others at full cost.

As mentioned earlier, a very significant amount of discussion has been entered into on this issue over a short space of time and the matter is now at the critical point at which SPM must make a commercial decision in respect of the further impact on our business. Unless a resolution to the above can be found, SPM must consider alternative arrangements.

I would appreciate any assistance the MfE and your Minister's can bring to this matter and would welcome the opportunity to meet and discuss this in further detail, should you consider this to be of benefit.

Angus Barrett  
General Manager  
Sims Pacific Metals Ltd  
Cnr Kahu and Manu Streets  
PO Box 22-648, Otahuhu  
AUCKLAND

Telephone: (09) 276 1809  
Facsimile: (09) 276 6407  
Mobile: (64) 021 988 308  
Email: [abarrett@nz.sims-group.com](mailto:abarrett@nz.sims-group.com)  
Web: [www.sims-group.com/nz](http://www.sims-group.com/nz)