AUCKLAND RECYCLING INDUSTRY STUDY
A Survey of Recycling and Second Hand Businesses in the Auckland Region

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INTRODUCTION

From June 2004 to March 2005 Envision New Zealand undertook a survey of the recycling and second hand industries in the Auckland region, with support from the Community Employment Group and the Auckland Regional Council.

The study followed on from a previous study conducted in 1998, titled 'Survey of Recycling Businesses in the Auckland Region', which provided the first verifiable data showing the importance and potential of the sector for job creation. The 1998 study was proposed and supervised by Warren Snow and carried out by Waste Not Auckland. Support was provided by the Community Employment Group, the Auckland Regional Council, Manukau City Council, the Recycling Operators of New Zealand and Zero Waste New Zealand Trust.

Sixty four businesses were surveyed in the 1998 study and the key findings were:

- All businesses were in growth mode
- They were turning over at least $132 million annually
- They were employing 1,736 people on an average wage of $12/hour
- The key barriers to growth were a lack of stable markets for recycled materials, difficulty in maintaining an economic and consistent supply of materials and a lack of access to capital.

The 1998 study has been widely used to highlight the value of the industry and to provide the recycling industry with baseline information. The 2005 study was designed to replicate and expand upon the 1998 study to show where the industry is, seven years down the track.

The study analysed information gathered from a comprehensive survey of recycling and second hand businesses in the Auckland region. It followed the basic methodology of the previous study but captured information from a larger number of businesses and included information from the second hand sector - which wasn't included in the previous study.

OBJECTIVES

The study was undertaken to assess the size and employment potential of the recycling and second hand industries in the Auckland region. It is envisaged that it will be used as a long-range planning resource for decision-makers in local authorities, government agencies and the recycling sector by highlighting trends and identifying barriers to growth.

Key objectives were:

- To quantify current employment in recycling and second hand businesses in the Auckland region
- To identify changes that may have occurred since the 1998 study
- To identify problems and barriers to growth in the industry
- To make recommendations on what can be done to support the growth of the recycling industry

METHODOLOGY

Industry consultation was undertaken with the Recycling Operators of New Zealand. Waste Not Consulting the authors of the previous study were also consulted to identify potential issues that needed to be addressed before surveying began, to identify potential respondents and to provide input on questionnaires.

This consultative process highlighted the need to include the second hand goods sector to gain a more accurate picture of the businesses involved in diverting materials from the waste stream and reintegrating them back into the economy.

An article was placed in the May/June 2004 issue of the RONZ newsletter, 'The Recycler'. The purpose of the article was to raise awareness about the study in the recycling industry as many RONZ members and magazine subscribers would be approached to participate.

Identifying all the recycling and second hand businesses operating in Auckland was a major part of the study. Businesses were identified through discussions with RONZ and other industry sources, and by searching the 2004 Auckland Yellow Pages. Additionally all major shopping centres in the Auckland Region were visited to count the number and size of second hand stores to capture those not listed in the Yellow Pages or elsewhere.

Each listing was cross-checked to eliminate double-ups. This produced a total of 135 potential recycling businesses (including scrap metal dealers, garden waste collectors and demolition companies) and 358 reuse/second hand businesses (including second hand goods, clothing and books).

This information along with industry research led to 101 recycling businesses eventually responding to surveys (most in interviews, the remainder by phone/fax/email) and 156 second hand businesses responding to surveys (mostly by phone and the remainder by mail/fax/email/interview).

As many face-to-face onsite interviews as possible were undertaken as this was the most effective means of gathering information. An initial phone call was made to establish the most appropriate contact person in each business and a time made to visit and conduct the survey. This proved to be a long process as it was difficult arranging convenient times for many businesses due to the 'hands-on' nature of many of the businesses and the fact that very few had support staff to keep operations going while they participated in the survey. The time taken to complete the survey varied from twenty minutes to two hours, depending on the availability of information and the willingness of the businesses to give their information and opinions. In several of the larger businesses, much of the basic statistical information was available from company publications and websites.

Confidentiality statements were made available to all participating businesses in the survey.

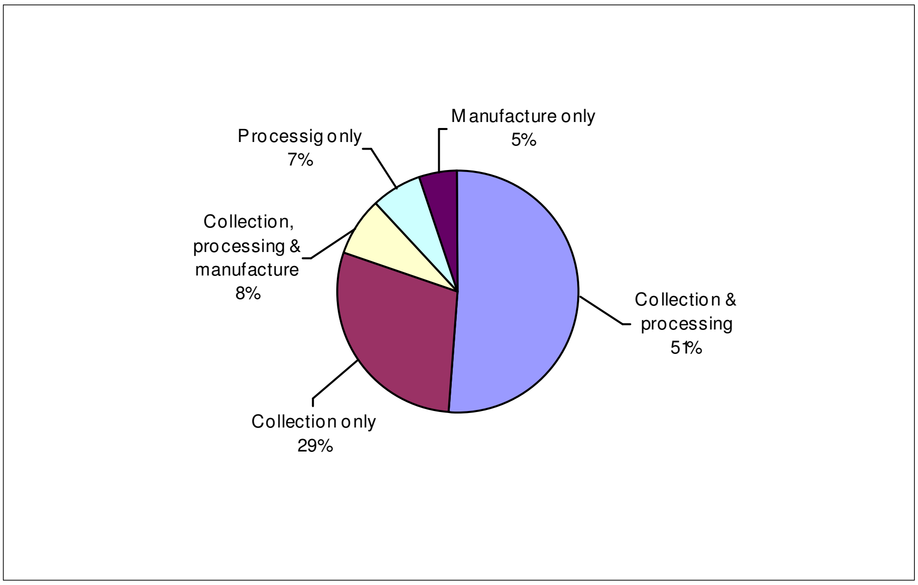
RESULTS

The results of the study are a snapshot of the recycling and second hand industries over the survey period only. The volatility of small businesses in the second hand sector particularly, suggests that the profile and make up of the industry is subject to constant change.

Recycling Sector

Responses were received from 101 of the 135 recycling businesses contacted to take part in the survey, giving an overall response rate of 75%.

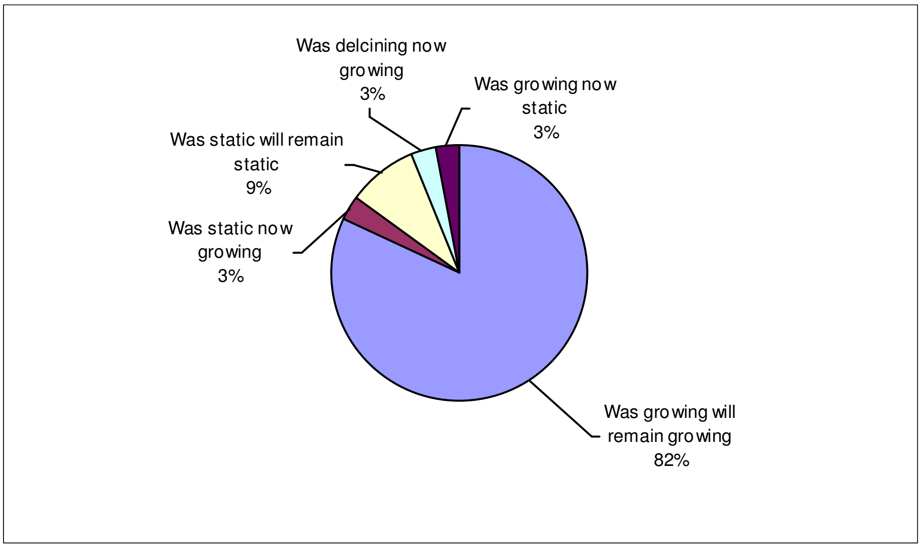
GRAPH 1: RECYCLING BUSINESSES - DESCRIPTION



The first section of the survey asked participants to provide a brief description of their business. Graph one shows that 88% of the businesses carried out some form of collection of recyclable materials. The smallest group of recycling businesses (5%) were those involved in the manufacture of new products from recycled materials.

Three quarters of the businesses that took part in the survey had been established in the last 20 years. The oldest businesses (those operating for more than 40 years) made up 7% of those surveyed and consisted of several scrap metal dealerships and a paper recycling company.

GRAPH 2: RECYCLING BUSINESSES - BUSINESS GROWTH



Businesses were asked to characterise their growth over the past three years and their outlook for the next three years. Graph two illustrates that 82% of the businesses that said they had grown were optimistic that they would continue to grow over the next three years.

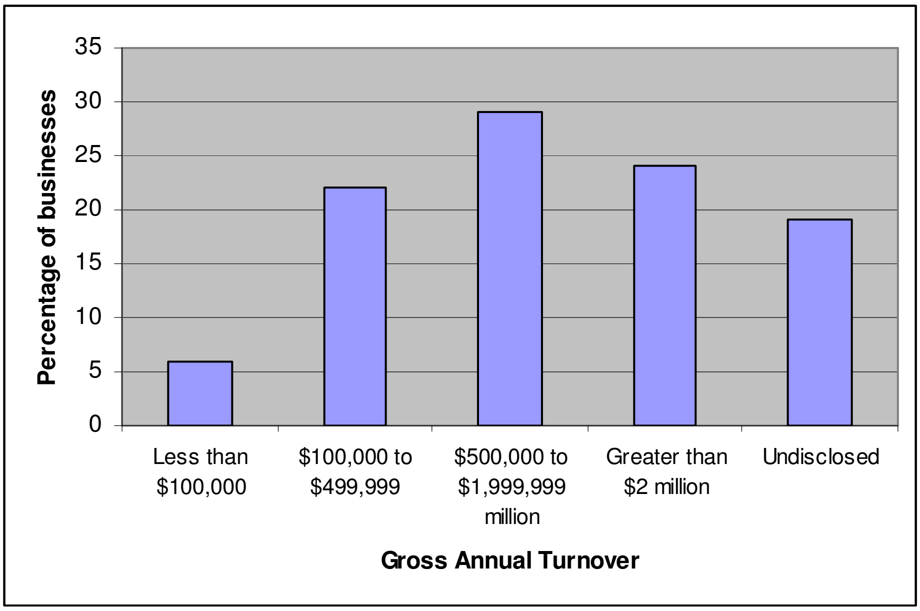
Businesses were asked what they considered were their main opportunities for growth. 53% said local expansion (more branches or bigger premises) was their main opportunity for growth. 39% said expansion of the range of materials they recycled would allow them to grow (with the development of suitable markets and advances in technology). 32% said that manufacturing new products made from recycled materials would allow them to grow (again, with the development of suitable markets and advances in technology).

Businesses were asked to estimate how many tonnes of recyclable material they collected, processed or used per year. This proved very difficult for the majority of participants to answer as very few kept accurate records on the quantity of material they dealt with, and in many cases they could not provide an estimate. As a result this question had a lower response rate (67%). A total of 68 businesses responded that they were collecting approximately 791,930 tonnes of material for reuse and recycling per year

The 101 businesses that took part in the survey were employing a total of 1,908 people directly involved in recycling activities. 35% of the businesses had five or less full-time employees and only 7% of those surveyed had more than 100 full-time employees. The average hourly rate paid to staff was $15 per hour – significantly higher then the minimum wage of $9 per hour.

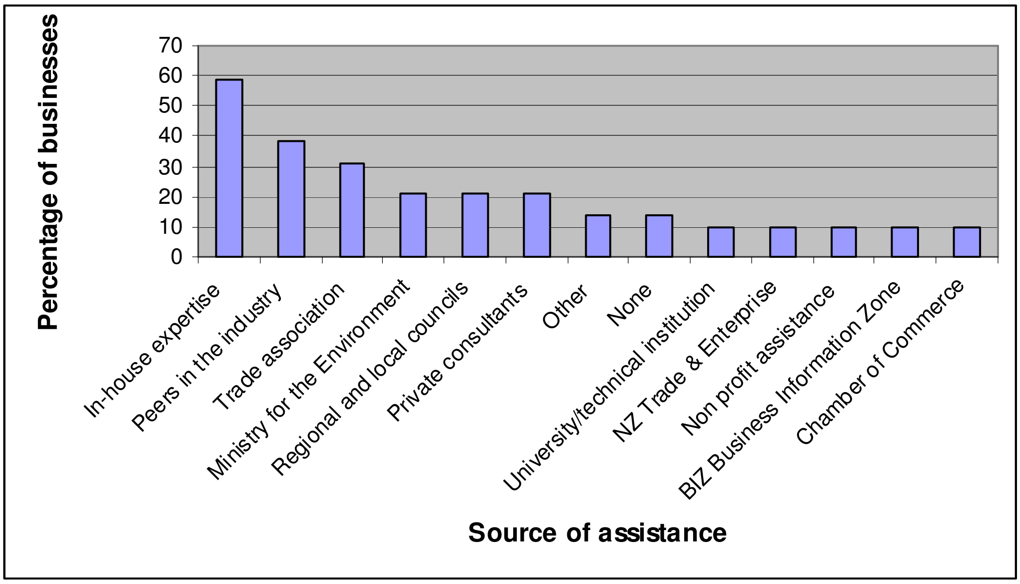
The businesses were asked to identify their gross annual turnover and, as illustrated in graph three, 65% had turnovers greater than $500,000 per annum. From these figures it is estimated that recycling businesses in the Auckland region had a combined gross turnover of approximately $147 million in 2004.

GRAPH 3: RECYCLING BUSINESSES – GROSS ANNUAL TURNOVER



Businesses were asked to identify the sources of business or technical assistance they used, including those that provide support or advice to their operation. As shown in graph four, 38% said they seek advice and support from peers in the industry, 31% use trade associations and 21% said they use regional and local council assistance

GRAPH 4: RECYCLING BUSINESSES – SOURCES OF ASSISTANCE



The final section of the survey asked businesses to identify what their main obstacles or barriers to growth were. Four key points emerged as the main barriers facing the businesses. Limited access to capital was considered an obstacle by 69% of the businesses surveyed. Cash flow problems (59%) and a lack of suitable markets (59%) followed. A lack of awareness amongst consumers (to the benefits of recycling and buying products made from recycled materials was mentioned by 48% as a key obstacle.

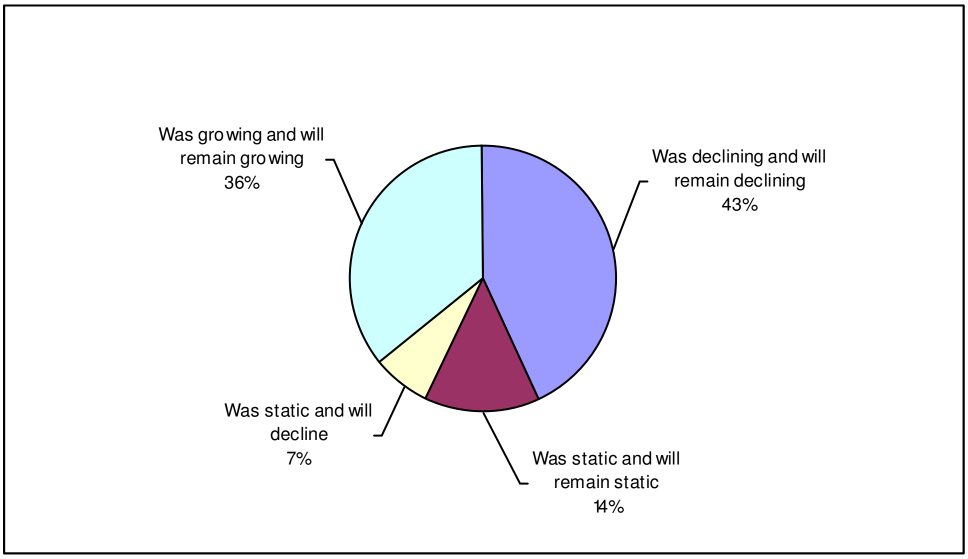
Second Hand Sector

Responses were received from 156 of the 258 second hand stores identified. While the total number of businesses listed as second hand dealers is in excess of 350 the survey excluded the second hand books and clothing market. The main focus was on dealers of household goods, appliances, furniture, bric a brac etc. Some of the charitable organisations relied on receiving donated goods while others traded or bought items from the public or at auctions.

Two thirds of the businesses had been established within the last 20 years and 20% had been operating for more than 50 years. Most of the older businesses were charity stores.

Businesses were asked to characterise their growth over the past three years and their outlook for the next three years. As illustrated in graph five, 43% of businesses said that they had been in decline and did not see this changing. A further 7% said that while business had been static they could foresee it declining over the next three years.

GRAPH 5: SECOND HAND BUSINESSES – BUSINESS GROWTH

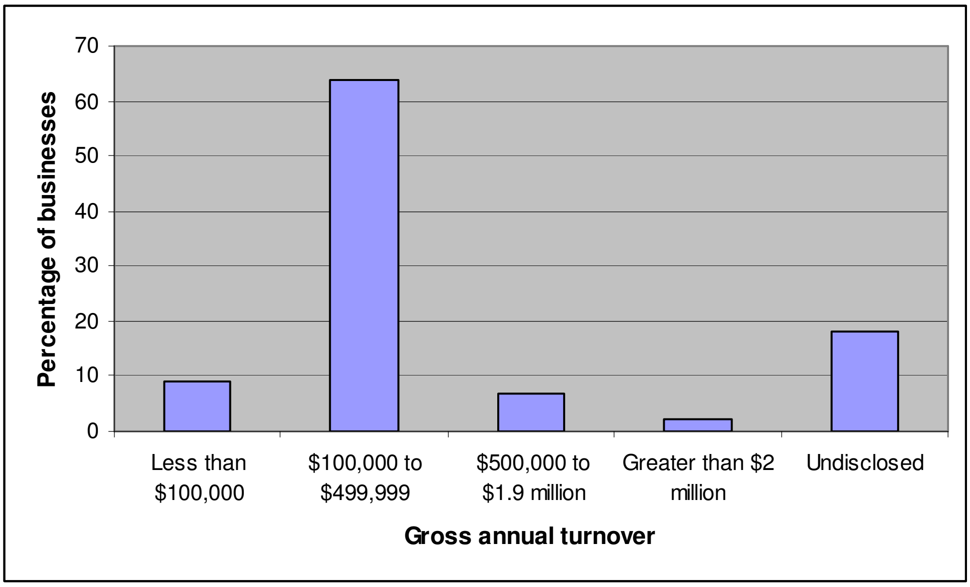


When asked what they saw as the main opportunities for growth, 66% said they could not see any opportunities. The remaining 34% were split between local expansion and national expansion. Several said that they would like to move to bigger premises or open a second branch of their store.

The 156 businesses that took part in the survey were employing 380 people in their businesses, an average of 2.4 full time employees per store, and 63% of the second hand stores had five or less staff. In 61 of these businesses the stores had no employees at all and were owner/operated. Those that did have staff were asked what the average hourly wage of their employees was and most (80%) said they were paying them between $9 and $15 per hour.

The businesses were asked to identify their gross annual turnover. Graph six illustrates that 64% turnover between $100,000 and $500,000 per year and 9% turnover less than $100, 000 per year. Only 2% said that they were turning over more than $2 million per annum.

GRAPH 6: SECOND HAND BUSINESSES – GROSS ANNUAL TURNOVER



The second hand businesses were asked to identify the three main barriers to growth they were facing. A limited access to capital was identified as the biggest (72%) obstacle they face followed by cash flow problems (64%). The third largest (55%) obstacle was the lack of consumer awareness as to what items have value and the benefits of buying second hand material. Other obstacles mentioned by 24% of the businesses included the increasing competition with new, cheap imported goods, the high cost of rent and society throwing too many things away.

DISCUSSION AND CONCLUSIONS

One of the key issues that arose in the study was the lack of quantitative data on the volumes of materials collected, reused or recycled. Many of the larger businesses, particularly the publicly listed ones, maintained good records, however the smaller recyclers do not appear to keep accurate records and have very little idea on the actual quantities of material they are dealing with.

The information collected from this survey was a first for the second hand sector and therefore no historical data was available to compare the current state of the industry with. The survey provides valuable baseline data for second hand dealers and has highlighted some key issues of importance to the sector.

Recycling Sector

The study showed that although the recycling industry has not changed significantly in size over the last seven years, it is slowly growing. A majority of survey participants indicated that they expected their businesses to grow in the next three years and all were actively looking for expansion either locally, nationally or internationally.

The average wage paid to employees in the recycling sector has increased 20% from $12 per hour to approximately $15 per hour. The minimum wage in this time increased from $7 per hour to $9 per hour.

In 1998, the main obstacles and barriers to growth identified by the industry were a lack of stable markets, economic and consistent supply of material and limited access to capital. In 2004 recycling businesses once again said that access to capital was a problem for them and a lack of suitable markets for recycled material was still restricting their growth.

Overall 101 recycling businesses were surveyed in this study and the key findings were:

- Most were in growth mode
- They were turning over approximately $147 million annually
- They were employing 1,908 people and paying their staff on average, more than $15 an hour
- The key barriers to growth were a limited access to capital, cash flow problems and a lack of suitable markets

Second Hand Sector

The results indicated that the second hand industry is in decline. Half of the businesses surveyed said that they felt their business would decline over the next three years and 66% said they could not see any opportunities for growth.

The key impediment to growth for the second hand sector appears to be lack of cash flow and increasing competition from cheaper new imported goods.

Support for the Recycling and Second Hand Sectors

While the survey provided valuable data on both the recycling and second hand sectors the feedback from the businesses suggested they would benefit from continued assistance in the following areas:

- Local council support and recognition
- Government support in the form of legislation to stimulate the industry
- Industry support and stronger links with industry associations

- Business cluster infrastructure
- Education on the environmental consequences of throw-away consumerism
- Industry monitoring to regularly assess changes and growth in the industry

To view the full report, go to www.envision-nz.com

SOURCES OF DATA

Waste Not Limited (1998). Survey of Recycling Businesses in the Auckland Region. October 1998

New Zealand Licensed Traders Association www.traders.org.nz

Statistics New Zealand www.stats.govt.nz

Department of Labour www.ers.dol.govt.nz

Ministry of Economic Development www.med.govt.nz