

# Re-use and Wealth Generation

## **An Overview of Recovery Tas operation**

Recovery Tas is a private family company that owns and operates The Recovery Centre, the best and original Tip Shop in Glenorchy; it is the largest operation of its kind in Tasmania. Under the leadership of Brad Mashman it has been operating for twenty two years, and for the past twenty one has been operating as a stand-alone business. Recovery Tas is recognised by the Australian Business Council for its focus on, and ability to deliver regional economic outcomes.

The longevity and success of its operating model is unpinned by micro-economics - it has always been profit driven, and operates as a good corporate citizen. As a good corporate citizen, Recovery delivers triple bottom line outcomes – that is social, economic and environmental benefits in equal measure.

**Recovery is 100% committed to ensuring the resource recovery sector realises its true economic potential, because with this realisation comes substantial decreases in valuable materials and commodities being destroyed in the landfill, extraordinary public participation rates in best practice, and full time permanent employment.**

Because Jackson Street is a commercial, industrial and residential landfill - The Recovery Centre manages residential, industrial, construction and demolition and commercial re-use products from the waste stream, through its two material retrieval facilities – internally known as top and bottom; it has the only re-use focussed, legally compliant eWaste facility in the state, it offers twenty three departments of sale, and is best described as second hand department and hardware store. It sells products, materials and services into over thirty three different markets, it's open to the public three hundred and sixty two days of days of the year; and on average Recovery crews manage two – three point five tonnes, per day, of incoming re-use materials from the waste stream.

In 2014, Recovery delivered its best triple bottom line performance results.

**Economic Benefits:** income generated from business activities provided fourteen permanent positions and three casual positions, ongoing contribution was made to the nation's wealth base through collection and payment of taxes, revenue was increased and directly reinvested back into the Centre and the local economy, a wage rise was implemented, better than ever savings to the rate payer were delivered through reduction in landfill volume and extension to landfill life, new

expanded sale spaces were opened to increase business revenue, other small businesses continued to rely upon The Recovery Centre for their supply, and the Glenorchy community continued to have access to affordable goods that change quality of life.

**Environmental Benefits:** a second generation of Glenorchy residents were provided with reliable, safe access to opportunities to participate in the waste minimisation best practice of re-use, four new sale spaces were created to maximise product recovery from the waste stream, awareness of alternatives to disposal continued to rise, another five hundred thousand plus products and parts were put back into circulation, and available landfill space increased.

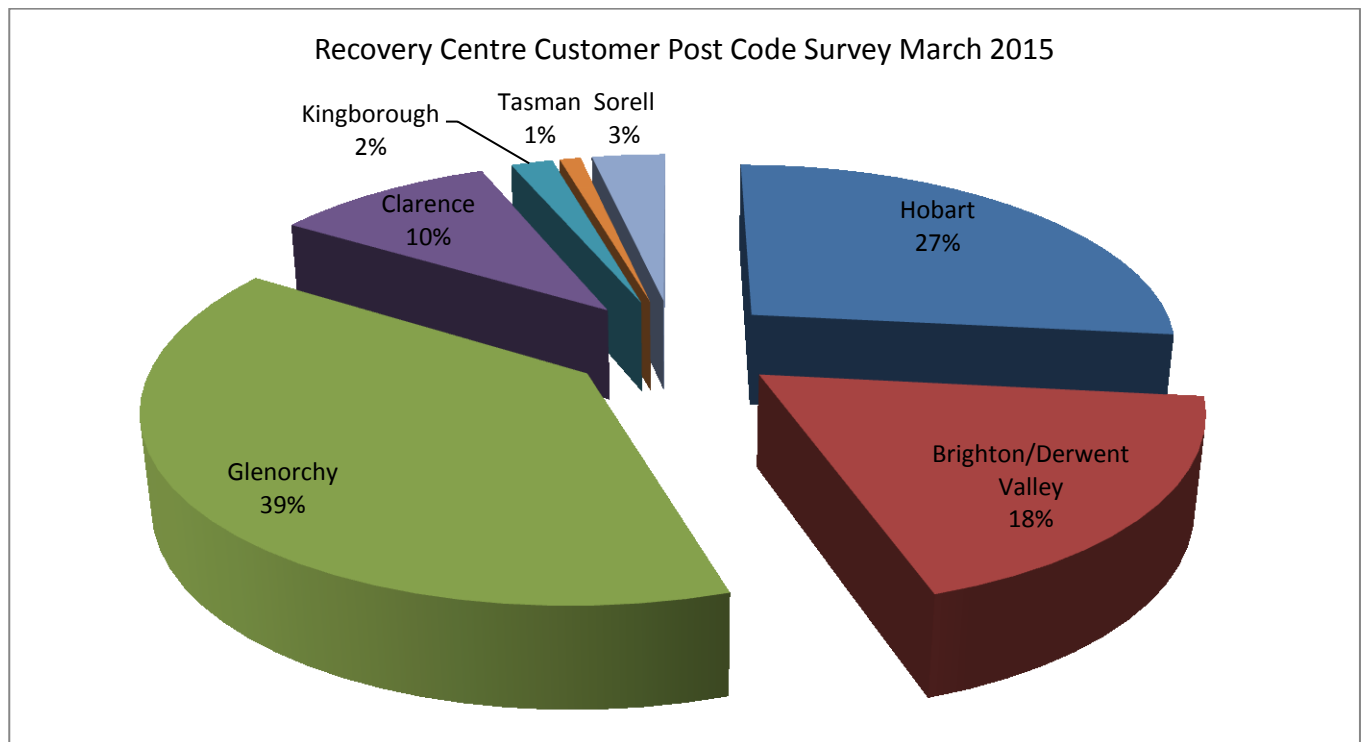
**Social Benefits:** over sixty discounts and donations were made, *the feel good factor* continued to radiate from the Centre – with community members feeling good when they dropped something useful off rather than throwing it away, or on any given day happy customers were heard to say *I always wanted one of those*, the second annual b'day celebration was funded and held in recognition of outstanding community results in public participation in waste minimisation best practice; and the positively unique sustainability education trail was enhanced much to the pleasure and delight of adults and children alike.

Recovery Tas exceeded its performance requirements in 2014:

- Over 138,000 customers visited the site
- Recovery crews received and processed over 8,000 drop offs from residential and commercial sources, directly deferring an estimated 527 tonne of re-use products from landfill
- Recovery salvage operations retrieved in excess of 300 tonne from landfill
- Recovery managed the deferral of 70 tonne of televisions for free on behalf of Glenorchy City Council and Mission Australia
- Estimated annual total saving to GCC from reduction in landfill volume of \$165,000.

What these 21<sup>st</sup> century figures clearly illustrate is that the community and players in the commercial sector are no longer stuck in the 20<sup>th</sup> century mentality of bash it, bury it and then burn it for good measure, they are ready and willing to utilise resource recovery facilities.

In the context of the South, Recovery Centre customer base hail from eight municipal areas.



It is important to highlight, and for decision makers to understand **there has been dramatic behavioural shift in the south from disposers over the past two decades**. The tonnage of materials dropped off to the Recovery Centre, now exceed the tonnage rates of our landfill based salvaged activities.

I was having a chat with a customer the other day – he frequents the landfill daily as part of his business activities, he goes so far as to put stuff aside on the landfill during our salvage shift swaps.

There has been a complete reversal in the community's behaviour and expectations toward waste minimisation services since the 1990's – it's an extraordinary social outcome. This is why both myself and Brad Mashman as originators of the Tip Shop concept way back in the last century now find ourselves (and our customer base) so far ahead conceptually that it is a bit lonely.

We are no longer a Tip Shop – we are a Recovery Centre that operates under ISO systems.

For the first few years of operation we received two thousand customers per month, now we receive eleven thousand per month, we are part of the communities shopping & social routine; Joan an eighty year old, long term customer, came up the other day, I said *how are you Joan?, I'm not*

*feeling very well today Rena, so I came up here and now I'm feeling better*, replied Joan.

We use received three drop offs per day, now we receive twenty five on average weekdays, and sixty on average, at weekends.

Tip Shops were viewed a novelty – *will give them a contact and see if they succeed*, now we are essential front end infrastructure in the waste management mix.

Wages were initially paid through the New Enterprise Incentive Scheme - NEIS scheme, now they are generated through shop sales and excellent performance.

In the 1990's we were pioneers in an emerging sector, now we view it as profession that has its own discrete set of required professional skills; our employment preference is for the majority of our workforce to comprise mature people, they have better people skills, broader materials knowledge, and a better attitude towards customer service and encouraging behaviour change.

And now in the 21<sup>st</sup> Century, Recovery as a private company is subject to collection of GST and payment of company tax, it contributes to both the micro economy through direct employment and goods & services purchases, and it contributes to the macro economy through the collection and payment of taxes.

Recovery is proud of its wealth contribution and has no interest in changing its corporate structure to avoid its good corporate citizen responsibilities to society through economic contribution.

### **So What Drives Our Performance**

As a good corporate citizen Recovery Tas focuses on economics, social outcomes, and environmental benefits in equal measure - our reason for existence is to provide waste minimisation services (social & environmental), and our first priority is to reduce waste entering landfill (environmental). However due to relationship between volume deferred, income generated less expense of management, our best overall performance measure is in economic terms.

So what are our economic indicators – that continue to drive performance?

- Generation of income to meet cost of running the business (turnover & trends)
- Increasing recovery rates of materials, products and commodities (productivity)

- Increasing customer numbers & transactions (sales growth)
- Provision of excellence in customer services to deliver repeat visitation and new generation of tip shoppers and waste defers (customer life time value & net promoter score)
- Managing stock levels to meet market demand (supply & demand)
- Number of permanent jobs created, people performance and staff retention
- Secure access to materials representing highest average retail spend, and highest market return for material and products (market share)
- Expansion into new markets that generate new income

It is important to state here from a sustainability perspective, the waste management sector is one of the limited few that is able to deliver exceptional environmental outcomes through economics – or in other words through the generation of wealth.

The economic outcomes deliver the following environmental outcomes:

- resources deferred and put back into circulation
- reduction in pollution – air, water, land
- effective land use
- expression of love of place ( reduction in littering rates, unlawful disposal) through behaviour change
- limited carry capacity of a finite planet
- preservation of natural heritage
- carbon footprint reduction
- energy conservation

And the Economic & Environmental outcomes deliver the following social outcomes:

- maintaining and increasing customer (community and business ) access to goods at affordable price
- empowerment of community through providing a cheaper alternative
- generational behaviour change
- building relationships – between crew and customer, community member and community member
- improvement of socio economic status delivered through permanent full time employment
- Waste Education

- Place for community groups, family groups and individuals to visits
- Wages that are high enough to support a family, and that provide a disposable income for other purchases such as homes, leading to change in socio-economic status
- Protection and preservation of cultural heritage

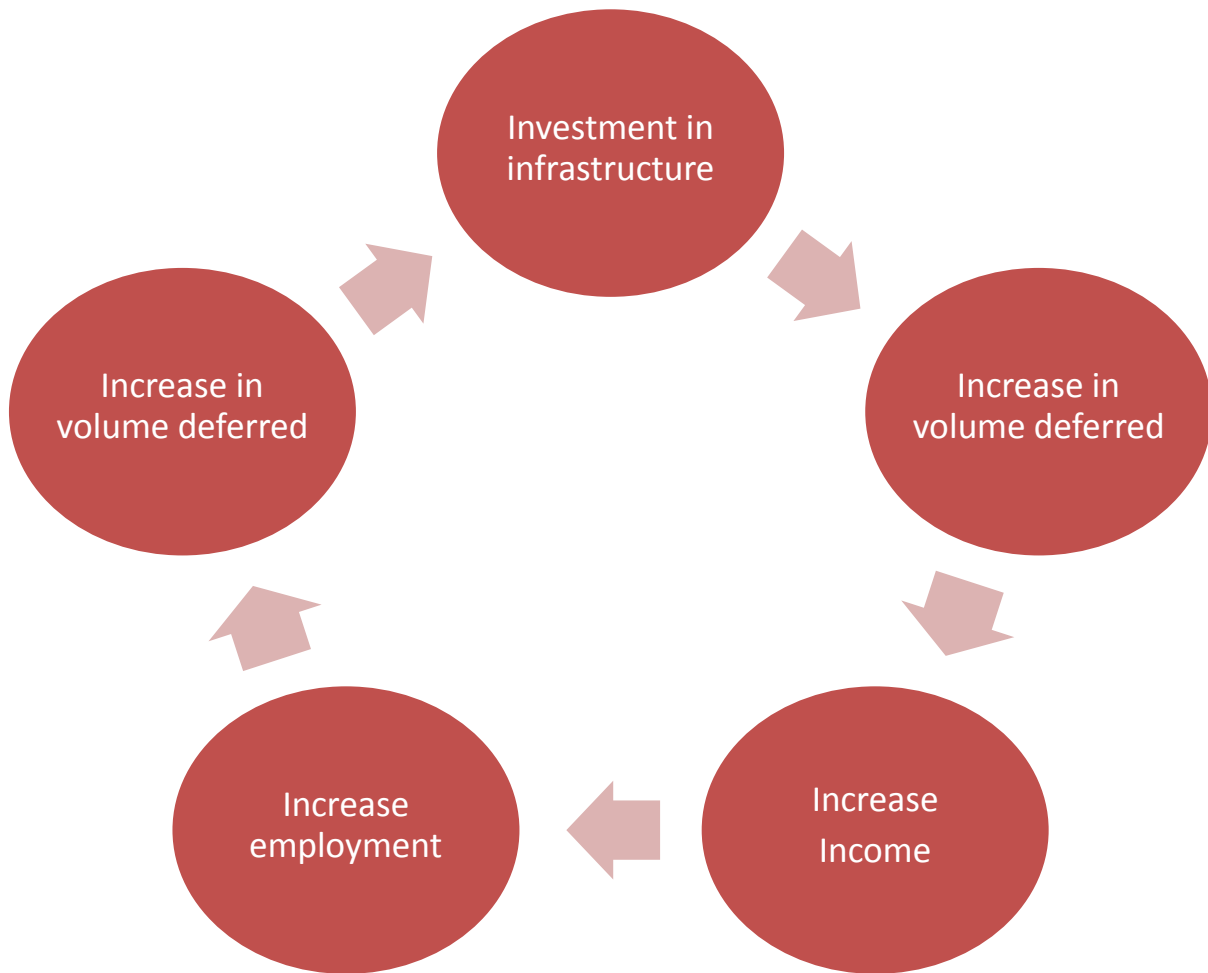
So let's explore the interrelationship of economic and social outcomes leading to better waste minimisation outcomes. Please do not accept that a short term social benefit of people being forced to show up to work for six to twelve months, as part of a wage subsidy programme is the best social outcome or measure that can be delivered from the waste management sector – it's the short end of the carrot. Socio economic status can only improve through long term, full time, permanent employment, which is the real capacity of the sector, and it's the long term macro-economic outcome that should be delivered for Tasmania if the policy settings are right.

Why is full time employment so important? – its economics Put simply full time/permanent employment contracts enable people to get bank loans so they can purchase homes etc. – this then flows into broader economic benefits and the wealth of a nation.

**A WARNING** - a limited view of social benefit as the key driver for the sector is wrong.

If this is the prime performance outcome the government is seeking from the waste management sector then the implementation of this policy will actually will constrain, and eventually economically destroy the re-use industry, and actually put people out of work who are gainfully employed.

## Recovery Tas Business Growth Cycle



### **Innovation in Solid Waste Management Delivered Through Investment in Infrastructure- eWaste Case Study**

So let's apply Recovery Tas business cycle in a real world case study of investment in infrastructure leading to new markets, new income, new employment and increased deferral results of solid waste.

In 2005 Recovery eWaste project manager Brad Mashman undertook a eWaste audit for the State Government determining the volume and value of eWaste in Tasmania.

The audit informed the Recovery tender for the State Governments *Living Environment Program (2008)* to design, build and operate the first integrated eWaste processing facility in Australia.

Funding: \$110,000 invested by Recovery

\$55,000 invested by State Government

\$8,000 invested by Glenorchy City Council,

The Recovery eWaste Facility (hence REF) opened to the public in June 2009, comprising a tag & test workshop area, warehousing, display systems, sales point, new plant & equipment, and a AS/NZS 5377/2013 compliant operating manual, employing one eWaste Technician part time one.

### **Performance Results 2014**

Currently the REF processes 98% of eWaste it manages; selling re-use computers, lighting & heating, white-goods, audio video equipment, games console, kitchen electric, cables & power packs, parts & motor switches –it's a great environmental and economic outcome. Even better Glenorchy kids get access to cheap computers, and families benefit from cheap essential house hold items such as a refrigerator.

Processing by-products are sold to the recyclables market.

Our three-year eWaste income trend of 2012 - 2014, demonstrates steady growth in the number of purchases and revenue generated by eWaste sales. In 2014 - REF sales contributed \$128,000 to Recovery income, 7,800 purchase transactions were made, and Four eWaste technicians were/are permanently employed – this is a social, economic and environmental outcome.

### **What Are the Barriers?**

Perception is driving waste policy not economics. Tip Shops are not perceived by government as real businesses that have potential for ongoing business growth or expansion into new markets. It's a bit like sex discrimination Tip Shops are viewed as feminine – caring, dealing with the soft stuff, whereas the masculine stuff like steel, timber only belongs to the boys - the real businesses. Another way of putting is the social enterprise (feminine) deal with the soft stuff, and real businesses (masculine) deal with the most valuable stuff that generates enough economic activity to make them independent.

Recovery Centres have enormous potential for business growth - over the past five years Recovery Tas income has grown at an average of 6% per annum – what actually limits growth is lack of infrastructure that can handle the volumes of materials that both the public and the commercial sector want to see deferred from landfill – our operating experience tells us both want to participate, but it does appear that collectively government has been operating with a policy of discouragement of public participation, strengthened by a policy of non-action, compounded by what appears to be an aversion to 'girly soft' business.



### So what's a tonne worth?

At the time of writing a tonne of clean plastic is worth around \$300 in the recycling market.

A tonne of steel is worth \$9.00 in the recycling market

A tonne of re-use materials is worth \$715 per tonne in the tip shop market

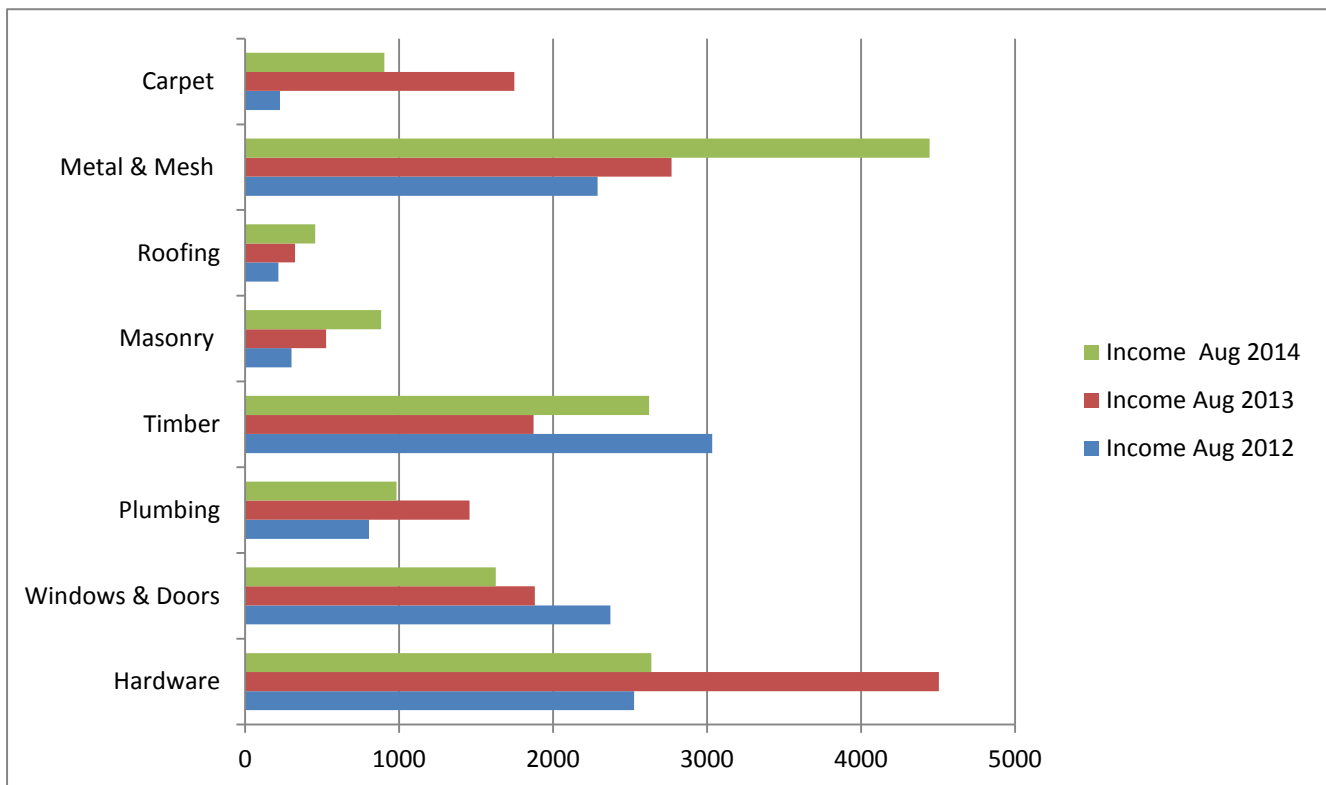
A tonne of waste is worth \$125 per tonne to landfill operators at the tip gate

### Eighty tonne of re-use materials sold = one full time equivalent staff member

For Recovery Tas materials that generate the highest average sale prices are also those that are in the highest demand from the re-use customer base, as follows:

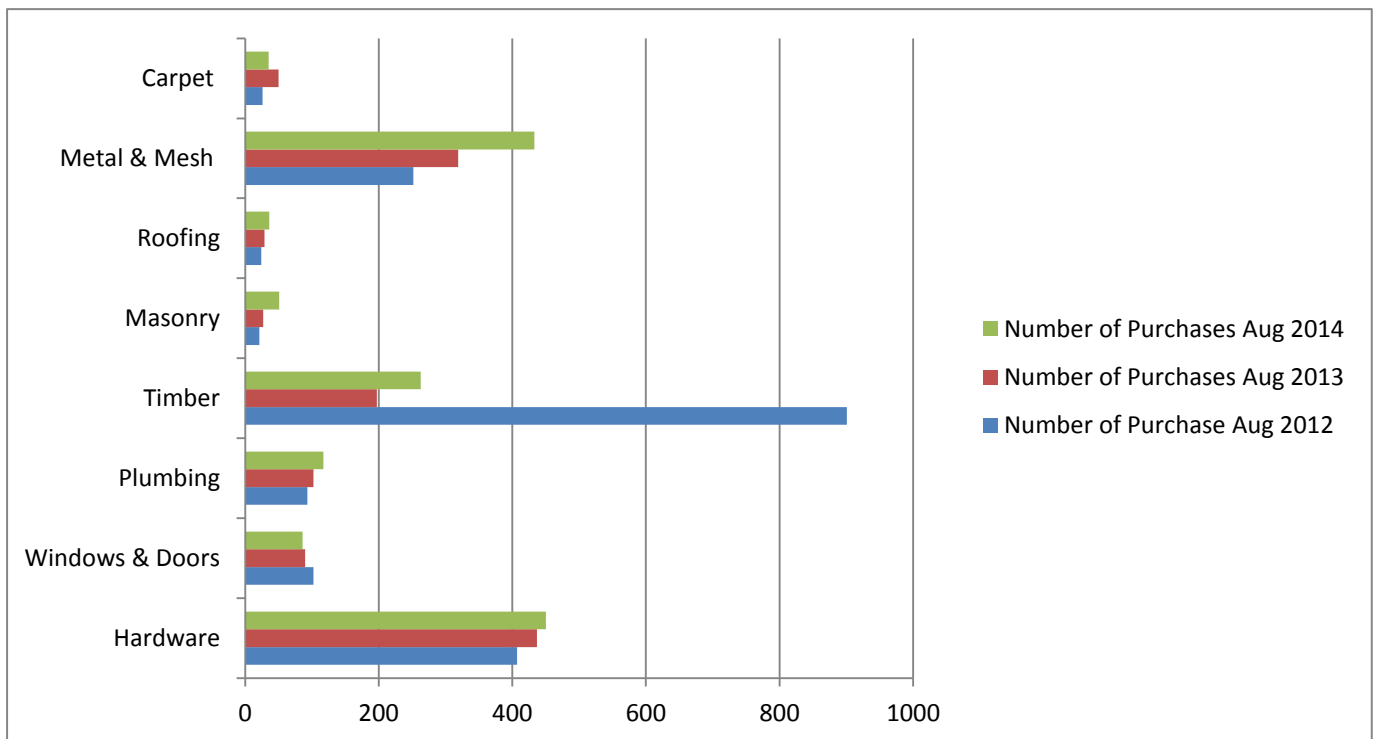
timber, steel, masonry, eWaste, furniture, bric-a-brac & carpet – it's a mix of masculine and feminine.

Let's look at the Recovery Shop three year income trends for construction and demolition reuse products:



This income growth trend is not an accident – it is because Recovery Tas is profit driven - we invested heavily in infrastructure and increased our staff levels in 2012. The performance result is an increase income. The lesson is simple – investment in infrastructure leads to wealth generation. Please note timber sales spike in 2012 was because Recovery Tas received large volumes of framing timber from a Fair Brothers work site.

Now let’s see if market demand matches Recovery's reuse supply of construction and demolition material



This three purchasing trend indicates that market demand is matching increase in supply – the perfect business outcome. The Recovery Centre – as stated previously sells in to thirty three different markets and generates income from those markets – the market is not the issue, increasing supply and the associated infrastructure is the issue.

We Re-use specialists are left wondering:

What is wrong with delivering the best possible outcome for the Tasmanian economy?

What is wrong with business generating income?

What is wrong with the payment of tax as a contribution to the nation’s wealth?

And most importantly why has permanent full time employment been excluded from policy settings as they relate to economic performance of the waste management sector?

Is a \$9.00 return per tonne, better than a \$715 return per tonne from a macroeconomic perspective?

### **The Potential for Broader Economic Benefit to other Businesses & Agencies**

I expect you have noticed that I keep referring to 21<sup>st</sup> Century thinking, as opposed to 20<sup>th</sup> Century thinking. Regardless of our personal opinion, sustainability will become increasingly important in the 21<sup>st</sup> Century - businesses that can attend to and deliver triple bottom line outcomes will have a competitive edge in their market place, measureable and reportable performance results, less social resistance to their proposals, and happier shareholders.

And for business, apart from an environmental performance measure & outcome, waste reduction, deferral policies and procedures also provide the added benefit of an economic incentive as well – a decrease in operating expenses from a decrease in disposal charges.

Hmmm – so it appears if innovative Tasmanian businesses are to move into the 21<sup>st</sup> Century, with new ideas to solve old 20<sup>th</sup> Century problems then expanded waste deferral infrastructure & services is also essential for them. There is no point in business or any other agency for that matter making the conceptual transition from waste to useful to someone else, without government ensuring the policy settings are right to deliver the infrastructure needed, that will enable all of the economic, social and environment sustainability benefits to flow.

All the re-use sector needs is access to investment funds to improve infrastructure, and long term secure contracts. At \$715 per tonne it is a sector that can and should stand alone economically – it does not need more subsidised wage programmes in whatever form (it takes us 12 months to train a crew member so they can work independently and take innovative), and it certainly does not need to compete with Councils over access to supply

### **Can we make the conceptual and economic transition together?**

Decision makers - can you assist us please, can we work together and provide genuine and courageous leadership that will enable macro-economic reform to the waste management sector?

What do I mean? Well it's easy to hide behind the old cost of living chest nut – but we as Tasmanians and Australians must realise the provision of services and associated infrastructure costs money, it may be political unpalatable – but for business this is day to day operating reality. When compared to OECD economies, we all know Australia has one of the lowest tax rates (and highest living stds).

I find in times of confusion its usually best to try and bring matters back down to their most simple level -so simply a compulsory (economically determined) levy will create an investment pool that can be accessed by those with the highest waste deferral performance results, and investment levels. This will in-turn facilitate a dramatic increase in the supply of affordable materials & products in the market place, that will actually off-set some of the pressure of rises in cost of living.

And if not mistaken - hasn't the higher dollar value waste levy contribution in the North and Northwest of Tasmania (and for the record yes it's Tasmania, and no the North and Northwest are not part of Victoria at this point in our geographical history) already delivered better waste management outcomes for the sector?

We ask for a level playing field that provides an economic incentive of an investment pool to continue to drive waste deferral results, and deliver all the associated benefits.