

Buy Back Centre Assessment
Stotts Creek Resource Recovery Centre

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Definitions

Buy Back Centre / Tip Shop – A buy back centre is a place where staff sort through incoming waste prior to landfilling with a view to salvage and sale of that material back to the community.

Landfill – Engineered cell designed for the burial of putrescible and inert waste.

Electrical Standards - The predominant laws applying to the sale of electrical articles in New South Wales are the Electricity (Consumer Safety) Act 2004 and the Electricity (Consumer Safety) Regulation 2006.

Mandatory Standards - The Australian Consumer Law (ACL) is a schedule to the *Competition and Consumer Act 2010* and is administered by the Australian Competition and Consumer Commission (ACCC). The ACL has provisions on product safety, which includes mandatory safety standards and bans. Standards are defined as documents that set out specifications and procedures that ensure products, services and systems are safe, reliable and consistently perform as intended. Mandatory standards set the requirements for appropriate safety or information features on a product. Supply of reusable items at reuse shops must comply with mandatory standards. The ACCC recommends that checks for mandatory standards and bans be undertaken when selling products second hand.

Social Enterprise - are businesses that trade to intentionally tackle **social** problems, improve communities, provide people access to employment and training, or help the environment. They derive most of their income from trade, not donations or grants.

Background

Reuse is a term used with salvage operations where we recognise the opportunity to extend the life of reusable materials rather than disposing of them to landfill. Reuse is part of a suite of waste management approaches identified in the waste hierarchy. The sale of reusable products can provide Council with a source of revenue whilst also reducing the cost of landfill.

The choice of terminology also recognises a transition from considering items as a waste, to focusing on the reuse of products, in line with the concept of a circular economy. .

Recycling or reusing of waste consists of a number of value added chain activities with the operation of a reuse yard (tip shop) being the last chance of recovery prior to landfill. The yards provide an opportunity to extend the life of a reusable item rather than sending it to landfill.

The focus of the buy backs operation is for the repair, clean or maintenance of recovered materials that can be made available to the community for purchase at minimal or no cost.

Due to staffing requirements and the low prices at tip shops the returns on operations are minimal but they can provide other benefits such as:

- Diverting waste from landfill
- Employment and training opportunities for socially disadvantaged
- Opportunity to extend the life of reusable materials
- Encouraging reuse
- Education on sustainable practices

The Tweed Shire Council's Stotts Creek Resource Recovery Centre (SCRRC) has operated a tip shop under contract since the 1990's, with current operations managed by St Vincent de Paul. A decision was made in 2013 to offer the management and operations of the shop using a Not for Profit (NFP) operator as the preferred provider for the service, with this requirement incorporated into the then landfill management contract.

Council has retained the engagement of a NFP operator pending the outcomes of this report.

Council provide a facility at no cost to the NFP including electricity and water, from which to operate to sell and work on salvaged material.

Introduction

The recovery of goods brought to the SCRRC for disposal is undertaken by St Vincent de Paul employees and volunteers. They salvage reusable items that have the greatest potential of being returned to the circular economy with a focus on the reuse or repurpose of materials destined for landfill. Their motivation is primarily on the profitability of operations and not on the diversion of waste as items that do not sell in a relatively short period are disposed of.

When considering waste diversion and recovery, tip shops recover very little by way of tonnes and are only a minor player in a much bigger field of recycling and reuse operations at the site (Table 1). However operations of the tip shop is vital in providing the community with Council's message of sustainability through the education and engagement of residents in a face to face platform, and in the overarching message of resource recovery and waste diversion.

Under the current arrangement Council receives no lease payment for the buildings made available, and we supply water and electricity for free. Waste being diverted to the sale yard is recorded and reported via the weighbridge tracking system which also records materials that do not sale which are returned to landfill.

With customers of the shop having to enter the landfill to access the site Council also carries the risk from incidents involving tip shop visitors being able to walk from the transfer station to the shop or site amenities across the main access road through the site.

Objectives

This report will assess the economic feasibility of the operation of the salvage shop and whether there is a benefit to Council in being the primary operator of the salvage operations (tip shop). The assessment will not be gauged against current operations but more on an operation that is best practice (1) that includes an operating model that focuses on a positive community outcomes whilst maintaining high standards.

The objective of the report is to determine if a Council operated and managed tip shop can deliver the following whilst remaining economically viable. There is also the intent to look at the current operations and to examine this through a lense of better practice to see how we could undertake the operations more effectively. We will also consider whether to include metal salvage which adds significant value to this type of contract and to see whether these should be done together or separately. A tip shop should as a minimum:

- provide a tip shop with good community accessibility,
- conduct business in accordance with relative legislation,
- create informal and formal job opportunities and provide training opportunities,
- promote collection and recovery of reusable materials,
- ensure sustainability by capacity building (capital, education & training),
- promote a sustainable Tweed Shire,
- create partnerships (entrepreneur, local community, disadvantage etc.), and
- divert waste from landfill disposal.

In assessing the feasibility of a tip shop the first consideration needs to be practicality; is there sufficient saleable materials received and available at the site. There is also the additional incentive for Council to save airspace whereas independent operators that run buy back centres under contractual arrangements tend to focus on operating revenue. It may also be worth considering the viability with and without access to scrap, which largely support operations at many sites.

Table 1 below outlines the recovered materials by aspect of operations at the site for diversion from landfill and beneficial reuse.

Table 1: tonnages received

Operation	Tonnes Recovered			
	15/16	16/17	17/18	YTD (2)
Year				
Tip shop	222 (1)	75	149	167
Tip Shop Visitors	14,794	4,168 (4)	14,895	15,398
Recycling cardboard or commingled plastics and glass	297	65	225	178
Soil and sands	0	0	6,200	2789
Scrap Metal	1,552	411	985	960

Household Green Waste	11,278	6,848	14,600	12,789
Concrete, bricks and tiles	0	1,074	3,460	2,804
E-Waste	15	8	33	33

1. *Unsold items not recorded going back to landfill*
2. *9 April 2019*
3. *>5,000 waiting processing*
4. *Shop closed due to changes of contractor*

Benchmarks

The environment in which the shop would be operating is a regulated space. Whilst the diversion of waste from landfill is the focus of the shops operation, there is also a need comply with set guidelines, relevant legislation, codes of practice and the sites Environment Protection Licence (EPL) requirements. The following criteria have been used to inform how the site is operated:

- Site set up
- Criteria set on acceptable items
- Pricing and sales
- Displaying stock
- Marketing
- Operating days and hours
- Human resources and supervision
- Site safety and security

Site set up

The current reuse shop is located after the weighbridge on EPL 6108. When going to the shop, visitors must enter via the weighbridge and be input into the Wasteman software as a visitor. The shop received over 16,000 visitors in 2018/19. Visiting the shop requires access through the main access roads through the site which holds all commercial and operational traffic, and the visitors must drive across a 5 way intersection on entry and exit from the facility.

Guidelines recommend that a tip shop should be located within the facility and fully fenced however due to internal roads network the preferred set up would see the entrance relocated to the front of the facility prior to the weighbridge. This would mitigate Councils risk of incidents whilst reducing traffic and pedestrian movements around internal roads.

The site current master plan addresses these issues.

Criteria set on acceptable items

All materials received for sale at the shop must meet two acceptance criteria's;

1. Is the item safe for further use, and
2. Is it saleable

Items collected for the tip shop may pose a hazard if repaired incorrectly, are part of a product recall or subject to a ban for resale (toys containing beads). Council would need to develop a clear and concise acceptance criteria that meets the "Competition and Consumer Act 2010", and provide training to the staff involved in the operations if we took the operations on.

The sale of electrical items without the item being tested and tagged is not encouraged as they pose the greatest risk to consumers.

Pricing and sales

Pricing and sales guidelines need to be developed to ensure staff are confident and consistent in applying charges. It also promotes a general understanding of the value of items and the approach taken in the determination of a price.

To ensure items do not remain in stock for extended periods prices must be flexible and open to negotiation to promote sales and the quick turnaround of items. Displaying of pricing on items will encourage pricing consistency and save customers having to ask for a price. A cash register is essential and provides quick reconciliation at the end of day whilst eliminating the need to manually write receipts. Training in cash handling would need to be provided and there would be some potential issues with cash security.

Council would have the option to determine how the profits generated by the shop could be used. Alternative include sharing with local charities or funding waste related education activities which provides a connection with the local community.

Implementing a staff discount policy and purchasing through another staff member will also avoid risks of entitlement by staff working at the site.

A preliminary estimate of similar tip shops and shire demographics within the regional area provided us with a conservative estimated revenue of between 150k and 180k per annum.

Displaying of stock

Adequate shelving should be supplied to ensure the stock items can be displayed in a manner that minimises hazards and is attractive to customers. No shelving should be used that is over shoulder height and heavy items should be stored on the lower sections of the racking. This reduces the risk to staff and customers of injury from falling items.

The shop should also be kept uncluttered and organised to provide a better customer experience and also to maintain a safe environment.

Marketing

Good marketing may encourage more people to visit the shop and continually provide waste minimisation education to residents. A simple marketing plan could include advertising and promotions in

- Clear signage
- Council local papers / website / social media
- Press releases
- Local community board or libraries
- Open days and education field events

The diversion of waste should be celebrated and the success promoted with things such as the waste volume sold this month at the shop etc, promoted.

Operating days and hours

An opening and closing rationale including days when the shop is not open should be established to allow time for stock collection and rotation, cleaning, repairs and set up.

Careful consideration should be given when determining operating hours to allow time to recover goods and minimise the costs of staffing the shop. Opening hours differ between Councils with no clear guidelines on the most efficient and effective opening days and hours. The current system of opening at 8am to 3 pm is considered operationally effective however there are significant periods when very little activity occurs at the shop and the long hours restrict the operator's ability to maintain the shop and collect stock.

Currently the shop is opened 6 days per week (only closed Mondays). Opening on weekend increases staff wages as it includes penalty rates, so consideration should be given to opening between Wednesday and Saturday as appropriate. These hours of operation would allow the staff to collect and sort stock whilst reducing costs.

Human resources and supervision

Staffing at the tip shop should be balanced between the shop floor and the picking area (transfer station) to maximise the recovery and sale of items. Training of staff is essential to ensure site safety and maintain a good customer experience. The staffing should be balanced between recovery, repairs and sales to maximise sale potential of goods recovered.

As a minimum the operation of the shop would be the following

- 1 transfer station based staff for collection (7 days a week)
- 1 shop supervisor (opening hours)
- 1 shop general hand (7 days a week)

This may change dependent on volume of recovered materials received. On closed days staff can attend to cleaning and / or repair of goods. This may also include the 'tag and testing' of electrical items. The following table includes the estimated staff costs to operate the shop from a Wednesday to Saturday opening between the hours of 9am and 3pm. (excludes on-costs)

Table 2: Staffing costs (excludes on costs)

Position	Grade	Hours	Hourly costs (\$)	Yearly (\$)
Shop Supervisor	4	26	29.75	40,222
Transfer station attendant 1	2	21	24.26	19,364
Transfer station attendant 2	2	29.5	24.26	37,214
General hand 1	2	26	24.26	32,799
On-costs at 44%				57,024
Penalty rates weekends.				22,708
Yearly staff wages				209,331

Site safety and security

No operation can be allowed to establish on site without considering the need for site safety on both the Council site and at the leased facility. The sale of reusable items involves some inherent risks that need to be addressed, and in particular catered for or addressed. These typically involve the layout of the facility and the sale of second hand electrical goods. The issues associated with these risks have been used in evaluating the setup of the facility.

There is also a need for a level of integration on the Council site where material are sourced to ensure these activities are undertaken in a safe manner.

The shop will also need to have adequate security to allow it to be supported as these facilities tend to be targeted because they are isolated outside of hours.

Operating costs

In addition to staff wages there are capital and operational overheads that need to be included. As a minimum the following will need to be provided:

- Goods transfer vehicle
- Forklift (one currently onsite used for other works which would be available)
- Telephone, computers and internet connection
- Office equipment including cash handling facilities
- Display racking
- Workshop tools

Materials collected at the transfer station need to be transferred to the shop floor by way of a medium rigid covered truck. The truck also acts as a storage area during the picking operations. The procurement of a second hand vehicle has been estimated at \$30,000 for the purposes of this report.

Social enterprise

Under current arrangements only one charitable organisation benefits from the operation. Opportunities exist to introduce a business model that distributes profits to multiple organisations from the operation of the tip shop. The business model could also include the supported employment of disadvantaged or disabled persons.

There is also an opportunity to expand our recovery of problematic wastes such as

- Mattress recycling
- Degassing of refrigerants from household appliances
- Nonferrous metal recovery (stripping of electrical cords)
- Repairs to old mowers, bikes or furniture

Recommendations/Actions

In consideration of the above identified outcomes the efficient operation of the tip shop is achievable at a marginal cost. When incorporated with the recovery of light gauge ferrous and not ferrous scrap metal the operations can be relatively profitable. Initial set up costs are estimated to be \$55,000 with operational expenses to be at a minimum of \$209,331 per annum for wages. There will be additional costs for plant.

Income is unknown as the contractors have never supplied this in the past on goods sold however \$180,000 pa is considered to be a reasonable figure based on other regional council operations. This means at best the operations will be marginal and at worst they will be costing Council significant money to run and operate a tip shop, but as stated earlier in this report, the benefits are not just financial and there are opportunities to integrate the operations and significantly expand the role of the operators to include other activities that are valuable to the site and Council.

The inclusion of salvage rights to the scrap metal however turns the whole operations into a profitable venture. The current salvage has recovered about \$150,000 of metals in seven months with this element of the operations managed by Council.

The shop is considered to be correctly located within the site, and provisional master plan changes to traffic flows will remove a significant operational risk by limiting visitor's exposure to operational elements of the landfill.

If Council were to elect to take over the operations of the tip shop, significant employment and training of staff would be required due to the unique nature of the operation.

Improvements to the site would also be required to provide extended undercover areas for storage. There would also be a benefit if a small workshop was constructed for the storage and repair of items prior to sale.

Table 2 summarises the expected costs.

Alternative options

In preparing this business case Council considered a number of alternatives for the management of the site. These included;

- Council operating and managing all facets of salvage at the site,
- Council operating the metals recovery and salvage operations remaining as either a NFP or commercial salvage operator
- All operations of the recovery including salvage of metals to be managed under contract by the NFP or commercial operator.

This will depend also on Councils preference as to whether to continue to vest this operations in the hands of a NFP for social reasons, or whether they wish to focus on waste diversion and the possible need to incentivise operations to recover non profitable materials that can be reused but which are costly or show minimal returns.

Table 2: Costs and Revenue

ONE TIME START UP EXPENSES	AMOUNT (\$)	NOTES
<u>One Time Start-Up Costs:</u>		
Furniture & Fixtures	600.00	Office furniture
Equipment	1,200.00	Trolley, tools, etc.
Build out/ Renovations	3,600.00	Pallet Racking and shelving
Decorating, Painting and Remodelling	-	Re-Use paints from CRC
Installation of Fixtures & Equipment	200.00	
Starting Inventory	150.00	
Advertising and Promotion	In kind	Tweed link, TSC web site
Software	300.00	\$25 per month (Quick books)
Cash	400.00	Basic float. Money escorts to provide banking services
Vehicle	30,000.00	
Total One Time Start-Up Costs:	\$ 36,450.00	
<u>Monthly Expenses:</u>		
Insurance		Use current site insurance
Maintenance & Repairs	150.00	
Marketing & Promotion: Advertising	200.00	
Payroll: Wages (Employees)	10,883.00	
Payroll on costs @42%	4,570.00	
Supplies: Office	100.00	
Supplies: Operating	80.00	
Telephone/network	-	Connect to sites network
Utilities	-	Connect to sites network
Other:		
Total Monthly Expenses:	\$ 15,983.00	
TOTAL START-UP FUNDS REQUIRED:	\$ 52,433.00	

List of Figures/List of Tables

References

- (1) *Better Practice Guidelines – Reuse shops – WALGA June 2016*
- (2) *Competition and Consumer Act 2010*

Appendix/Abbreviations

1.1 Site Overview

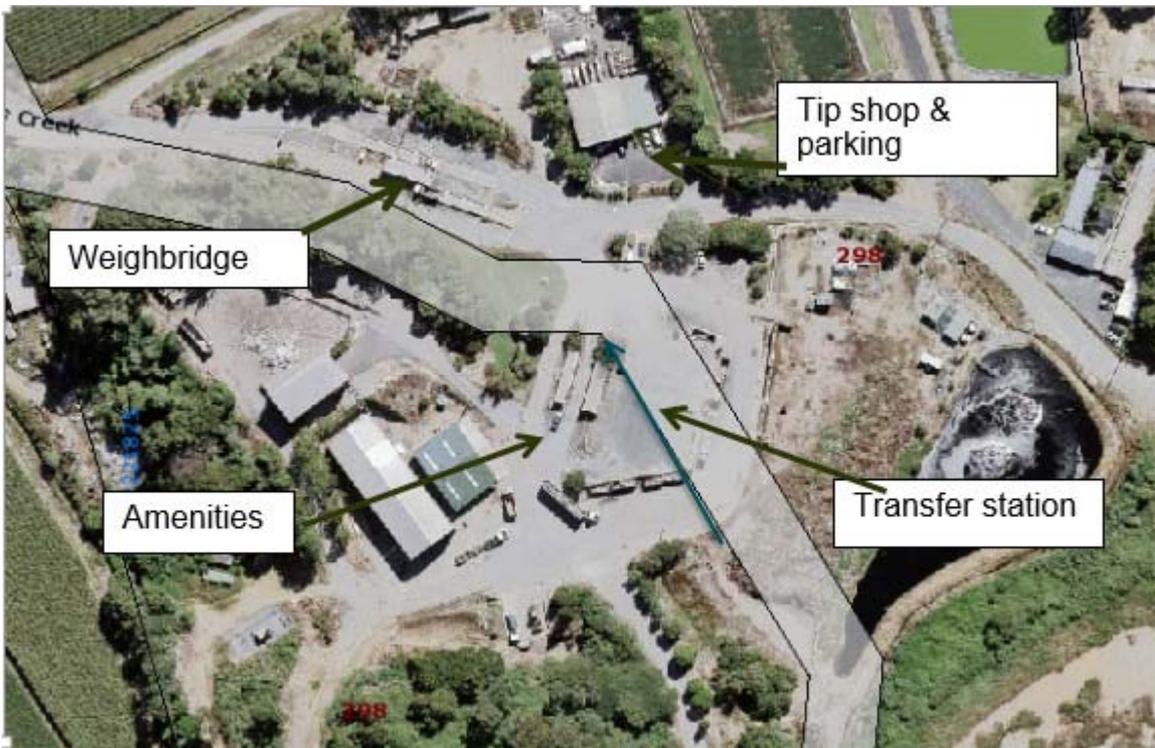


Image one – Site overhead view



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