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PRESS RELEASE

UK waste management contractors benefit from new income streams

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The UK waste management contracting market, which includes collection, treatment & disposal and materials recovery, was estimated to have decreased slightly in 2016 compared to the previous year. The reduction has been partly due to the impact of Central Government cuts to local authority environmental services budgets and the impact of falls in global commodity prices on recyclable materials.

Up to 2015, annual growth was primarily driven by the implementation of EU Directives, aimed at reducing the volumes of landfilled waste and increasing the levels of material recovery through recycling, composting and energy-from-waste. Above all, the impact of the Landfill Tax escalator on landfill gate fees has made these alternative approaches more commercially attractive.

From 2014 through to 2015 the drop in the price of crude oil also contributed towards a fall in prices for key commodities including certain grades of steel, plastics and glass. This then forced down prices for recyclates in turn making single-stream waste collections and recycling financially unviable. Also, with reduced volumes of higher value materials being accepted for treatment at recovery facilities, growth overall gate revenues have also been constrained. However, later in the second half of 2016 through to early 2017, commodity and recyclate prices for some grades have recovered.

Growth in contractors' annual revenues has been driven by the development of relatively new income streams, including segregated recycling collections, organic waste collections and the development & operation of energy-from-waste (efw) plants. Investment in the expansion of efw and recycling infrastructure capacity has contributed towards growth in aggregate industry revenues from these sub-sectors, and diversification into new areas of product recycling e.g. WEEE (waste electronic & electrical equipment), ELV (end-of life vehicles) and mixed plastic packaging have also stimulated growth.

EfW, landfill and other non-hazardous waste treatment & disposal services are estimated to account for up to 45% of industry revenues, with collection and recycling services each contributing around a quarter of the total. However, as a considerable proportion of MSW, CIW and C & D waste management services are delivered under bundled contracts covering most or all elements of waste management, these are only broad estimates. There is still a need for the UK to improve commercial and industrial waste recycling although in recent years there have been improvements in recycling rates, mainly driven by voluntary initiatives, there being far fewer legislative drivers than for municipal waste.

In recent years, there has been substantial market consolidation through acquisition resulting in an increased level of polarisation between the national contractors and also larger regional operators and smaller contractors operating mainly within the commercial and construction markets. The creation of added-value income from the sale of recycled materials, compost, electricity sales and refuse derived fuel (rdf) has also brought in recent market entrants from the energy, facilities management, composting and manufacturing sectors (especially paper).

Keith Taylor, Director of AMA Research, commented *"Over the short term, industry prospects will still be determined by EU legislation. However, now that Article 50 has been signed, there may well be a possible slowdown in household spending combined with rises in imported goods, driven by uncertainties surrounding 'Brexit' and likely volatility in the economy. There are also concerns as to whether the Government will remove some of the more prescriptive elements of EU waste legislation and replace them with voluntary targets for local authorities and businesses."*

Even before the 'Brexit' referendum, the government had already stipulated that after March 2018 there will be no subsidies for new AD plants under 5MW and EfW plants of 5MW and above, thereby most likely leading to a decline in capacity over the medium term. However, there remains a substantial volume of EfW incinerator and gasification capacity in the current development pipeline scheduled for completion by 2020.

The **'Waste Management Market Report – UK 2017-2021 Analysis'** report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience within the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson or Keith Taylor on 01242 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research.

Thank you.

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