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Staff Report

Infrastructure & Public Works

Report To: Committee of the Whole
Meeting Date: January 29, 2018
Report Number: CSPW.18.006
Subject: Amended Blue Box Plan
Prepared by: Jeffery Fletcher, Manager of Solid Waste and Environmental Initiatives

A. Recommendations

THAT Council receive Staff Report CSPW.18.006, “Amended Blue Box Plan” for their review and information.

B. Overview

This report is an update on Stewardship Ontario’s amended Blue Box Program Plan and an assessment of the opportunities and risks of the transition to full producer responsibility. The Plan continues to be developed and municipalities are being consulted on the Plan that will in time form the basis of new regulations. These new regulations will make the stewards fully responsible for blue box and relieve municipalities of the financial burden of operating a blue box system. A municipal collaborative is working within the process to ensure municipal priorities are protected, such as maintaining service standards to residents.

C. Background

Waste-Free Ontario Act & Strategy

In November 2016, the Waste Diversion Act 2002 was repealed and replaced by the Waste-Free Ontario Act, which includes both the Waste Diversion Transition Act 2016 and the Resource Recovery and Circular Economy Act 2016.

This new legislation will have a major impact on municipal waste management and, most importantly, on waste diversion programs municipal governments currently operate.

The cost to operate programs for collecting and recycling paper products and packaging is now split 50/50 between municipal governments and the companies that produce these items (the stewards). The new legislation will make producers fully responsible for the proper management of their products and packaging at the end-of-life.

Municipal Blue Box recycling programs will undergo some of the biggest changes and municipalities will have new roles to play under a producer responsibility system – to act as

service providers to producers who are required to pay for these programs, to work with private service providers, or opt out from providing service altogether.

It is in the best interest of municipal governments that this work gets done as quickly as possible, as the current proposal to transition the Blue Box is expected to take at least another six years and will cost municipalities an estimated \$780 million. Municipalities can collectively save \$130 million per year by accelerating this transition through amending the Blue Box Program Plan.

Amending the Blue Box Program Plan

The new legislation is the first step toward full producer responsibility. Detailed regulations will set out producer responsibilities to properly manage their products at the end-of-life. How these responsibilities are set will impact municipalities.

The Association of Municipalities of Ontario (AMO), Municipal Waste Association (MWA), Regional Public Works Commissioners of Ontario (RPWCO), and the City of Toronto joined forces in February 2017 to form the Municipal Resource Recovery and Research Collaborative (Municipal 3Rs Collaborative). The Collaborative was established to advocate for a smooth and timely transition to full producer responsibility for paper products and packaging (i.e. blue box), and to ensure key municipal priorities, like maintaining service standards to residents, are protected.

Municipal 3Rs Collaborative

The role of the Municipal 3Rs Collaborative is to listen carefully to the Ontario municipal sector, convey this information through appropriate channels, promote municipal interests, and provide updates and resources that will help municipalities manage contracts and make the best possible decisions for their communities.

The group was responsible for developing a joint Accord that was signed between Stewardship Ontario and the municipal sector, submitted on July 7, 2017 to then Minister Glen Murray, Minister of Environment and Climate Change. This Accord was the impetus for the Minister's response letter on August 14, 2017 to require Stewardship Ontario (Industry Funding Organization that represents collective Producer interests such as Unilever, Loblaw, Proctor & Gamble etc.) and the Resource Productivity and Recovery Authority (formerly Waste Diversion Ontario) to hold consultations for an amended Blue Box Program Plan.

The amended Blue Box Program Plan approach was seen as a timely stepping stone and given the scale of the changes, offered an opportunity to enable an orderly transition from a municipally owned and operated system to a system in which producers are fully responsible. The Minister's direction was in keeping with municipal interests.

Consultation Process

Consultations on the proposed amended Blue Box Program Plan have been on-going since September 2017 and municipal representatives have been actively providing input throughout.

In an effort for an amended Blue Box Program Plan to be approved by the Ministry of Environment and Climate Change, before the next election, the timelines are tight. The key decision points are as follows:

- December 22, 2017 – Stewardship Ontario posted a full draft of the amended Blue Box Program Plan for comment by the sector and other stakeholders.
- January 15, 2018 – Comments on draft amended Blue Box Program Plan are due to Stewardship Ontario
- Late January / early February 2018 – The revised Blue Box Program Plan is considered by the Resource Productivity and Recovery Authority Board for approval and submission to the Minister. Municipalities may have an opportunity to provide additional comments.
- February 15, 2018 – The amended Blue Box Program Plan is due to Minister for his consideration to approve, reject or amend.
- Mid-February / March, 2018 – The Minister will likely post the amended Blue Box Program Plan posted on EBR for 30-45 days for public comment.

Status of Amended Blue Box Program Plan

Stewardship Ontario is currently proposing the following be included in the amended Blue Box Program Plan:

- Stewardship Ontario would remove the current cost containment formula that often leads to many municipalities being paid less than the requisite percentage (currently set at 50%) of eligible costs. Under this Plan, they are proposing to pay the requisite percentage based on current eligible cost rules. The only exceptions would be any major changes related to servicing (e.g. frequency in servicing or mode of collection) would no longer be considered eligible costs unless approved by August 14, 2017.
- Over a two-year implementation period, the following will occur:
 - Stewardship Ontario will seek feedback from municipalities and private waste management service providers on the design of supply chain commercial agreements such as Statements of Work (SOW), Master Services Agreements (MSA) and pro-forma paper products and packaging collection contracts.
 - Stewardship Ontario will, in consultation with municipalities and private waste management companies, define the Catchments, which are geographic service boundaries for aggregating, processing and marketing collected paper products and packaging.

- Stewardship Ontario will canvass municipalities on whether they wish to transition, how they will manage their existing contracts and assets upon transition, and if they wish to deliver Collection contract management services upon transition or directly deliver Collection services.
- Stewardship Ontario will sequence the transition of Catchments using data provided by municipalities.
- The first wave of competitive procurement processes for Collection and Post-Collection management will be undertaken.

Stewardship Ontario's prioritization and sequencing of catchments will be based on notification by municipalities regarding their desired transition timing and will be driven by the following planning considerations:

- The volume of collected paper products and packaging associated with municipalities in a catchment who have notified Stewardship Ontario of their wish to transition and whose contracts can be managed to achieve the transition conditions is sufficient to initiate the post-collection competitive procurement process for that catchment; and
- For the remaining municipalities in the same catchment that are not ready to immediately transition, the timing of their desired transition

The ability to transition would occur based on a municipality being unencumbered by collection and post collection contracts, either by expiry, self-delivery and/or termination. Support options would also be available to bridge collection contracts (to assist if collection contracts expire before post collection contracts) and to allow for agreement with collection service provider to assume Stewardship Ontario provisions (to assist if post collection contracts expire before collection contracts).

Municipal councils would retain autonomy to decide whether they want to transition responsibility to stewards.

Under full producer responsibility, the following changes are expected to be proposed by Stewardship Ontario:

- **Obligated Materials:** Materials obligated to pay fees would be widened to include paper products, packaging-like products, convenience packaging and residential transport packaging. Hygiene related paper products would be excluded.
- **Standardized Blue Box list of materials:** Creation of a province-wide standardized list of materials to be collected that would include materials such as coffee cups and mixed rigid plastics that have sorting capabilities and end markets. Initially exclude certain materials, such as coffee pods, that do not yet have end markets. For materials initially excluded, producers would be required to invest in research and development.
- **Targets:** A 75% basket of goods recycling target is being proposed within two years of a municipality transitioning.

- Expansion of Services: Proposal is to expand servicing to privately serviced multi-residential buildings, public spaces, and currently un-serviced municipalities within an unspecified period of time.

A great deal of progress has been made to date to ensure the amended Blue Box Program Plan is in keeping with municipal interests. This includes a number of amendments made by Stewardship Ontario in response to municipal concerns.

The Municipal 3Rs Collaborative has been actively engaged as part of this consultation, attending these sessions and meeting regularly. Formal comments with proposed solutions have been provided related to several issues including:

- Stranded Assets;
- Eligible Sources;
- Expansion of Services;
- Service Compensation and Dispute Resolution;
- Expand and Harmonize the List of Materials Collected;
- Calculating Paper Products and Packaging Recovery Rates;
- Promotion and Education;
- Reuse, Recycling and Reintegration of Paper Products and Packaging into the Economy; and,
- Conditions to Transition to the RRCEA.

M3RC is currently trying to educate other stakeholders on these alternative plans – including the Ministry and Resource Productivity and Resource Authority.

D. Analysis

Progress continues to be made to ensure the amended Blue Box Program Plan is in keeping with municipal principles. The process offers a path for an orderly transition from a municipally managed Blue Box system to a Blue Box system in which producers are entirely responsible.

While issues do still exist, consultation with Stewardship Ontario, the Resource Productivity and Recovery Authority and the Ministry of Environment and Climate Change have been constructive.

Some of the key issues that remain outstanding:

- Terms and conditions of service provision to understand quality of service for residents
- Reasonable timeline for transition
- Conditions to mitigate the ability for Stewardship Ontario to make unilateral decisions
- A pathway to transition from the amended Blue Box Program Plan to Resource Recovery and Circular Economy Act

Summary

The exact timeline for transition has not been established and factors such as a provincial election could have an impact on the timing. It is expected that at the earliest blue box transition could be complete by 2022. Once the transition does begin (possibly 2020) the Town will have a decision to make regarding the type of transition it takes. An option also exists to not transition. Municipalities will be able to hand over all blue box operations to Stewardship Ontario or continue to contract manage existing collections and collect payments from Stewardship Ontario for that service. The Town's existing contract term expires in 2021, therefore the timing for transition could work well. However, the existing contract does also have a 90 day termination clause.

E. The Blue Mountains Strategic Plan

Goal #1: Create Opportunities for Sustainability

F. Environmental Impacts

This transition effectively results in a provincial program, which is intended to create collection efficiencies and develop extended producer responsibility. When the producer of the waste becomes more responsible for the cost of end-of-life management (recycling) this can lead to better design for recyclability and also reduce the amount of packaging.

G. Financial Impact

Most municipalities will experience an immediate (next 2 years) modest financial gain by the removal of cost containment provisions. Once transitioned, municipalities will no longer be burdened by the costs of managing residential paper products and packaging, equal to an estimated \$447,000 by 2020 for the Town.

The Town will need to consider how or if it will continue to provide non-residential (stores, restaurants, etc.) blue box service. Under the proposed plan Stewardship Ontario will not fund the collection of non-residential blue box. However, there may be opportunity for Stewardship Ontario to provide this collection service piggy-backed on to the residential program and have the municipality pay for industrial, institutional and commercial collection.

H. In consultation with

Ruth Prince, Director of Finance & IT Services / Treasurer

I. Attached

None

Respectfully submitted,

Jeffery Fletcher

Manager of Solid Waste and Environmental Initiatives

Reg Russwurm, MBA, P.Eng

Director of Infrastructure and Public Works

For more information, please contact:

Jeffery Fletcher

managersolidwaste@thebluemountains.ca

519-599-3131 extension 238