



City of
Peterborough

To: Members of the Committee of the Whole

From: W.H. Jackson, Director of Utility Services

Meeting Date: June 19, 2017

Subject: Report USWM17-003
Changes to the Blue Box Program: Managing Uncertainty

Purpose

A report to inform Council of recent legislative changes that have set in motion an industry-wide restructuring of municipal waste diversion programs, the largest being the Blue Box program.

Recommendation

That Council approve the recommendation outlined in Report USWM17-003 dated June 19, 2017, of the Director of Utility Services, as follows:

That Report USWM17-003 be received for information.

Budget and Financial Implications

There are no budget or financial implications as a result of this report.

Background

The Blue Box, one of Ontario's best known waste diversion programs, is undergoing a major shift. The Province has commenced a transition to a "full producer responsibility" system for recyclables, through the development of a new legislative framework to replace the **Waste Diversion Act, 2002**. The new "Waste Free Ontario Act" covers not only the Blue Box, but also municipal hazardous/special waste, used tires, waste electronics, organics, and other designated materials. While the Act lays out broad strokes, much of the detail will be determined by regulations, provincial policy statements and action plans that are still under development.

Summary of the Act

On November 30, 2016, the Province proclaimed the **Resource Recovery and Circular Economy Act, 2016** and the **Waste Diversion Transition Act, 2016**, enacted by the **Waste Free Ontario Act, 2016** (WFOA). Together, these statutes will replace the current **Waste Diversion Act, 2002** (WDA). The new legislation, among other things, proposes to significantly revamp the Province's current recycling and waste diversion programs.

The WFOA will require Producers of designated products and packaging to manage their products to the end of their lives, physically and financially. It is the intent of the WFOA that Producers will have the latitude to determine how to meet their regulatory obligations. They may or may not choose to contract with municipalities to utilize existing municipal systems. They may, instead, opt to establish 'return to retail' options such as the existing program for empty beer and liquor bottles and use private processors. Such changes would be subject to any requirements of the pending regulations.

The WFOA is also looking at designating new materials for diversion (e.g. mattresses, carpet, textiles, furniture, appliances and more are on the table), and will certainly be paying special attention to organics. Work has already begun to develop a Policy Statement and Action Plan for organics, which will come with both regulatory and non-regulatory measures.

Current City Waste Diversion Programs

Under the WDA, the City has for many years operated the following four waste diversion programs:

- Blue Box Program;
- Municipal Hazardous or Special Waste (MHSW);
- Used Tire Collection (OTS); and
- Waste Electrical and Electronic Equipment (WEEE) Collection.

The most significant of these in terms of diversion, financial implications, and interaction with residents is the curbside Blue Box Program. The City contracts for collection and processing of blue box recyclables are scheduled to end December 31, 2019.

Under the WDA, Producers are supposed to pay up to 50% of the City's net Blue Box cost. The reality is they pay less than that, leaving taxpayers to fund more than 50%. Under the new "Extended Producer Responsibility (EPR)" system, Producers will, in theory, be responsible for 100% of the cost to manage their end-of-life products and packaging and, they will decide what, where and how those materials are managed.

What Will the Waste Free Ontario Act Mean for Peterborough?

While Extended Producer Responsibility (EPR) is something most municipalities have been wanting for many years, it will mean that municipalities will have little say over how local diversion programs operate. Producers may decide to contract out aspects of the operation (including collection and processing) to service providers, and the City will presumably have the option to act as a service provider.

It is anticipated that most municipalities will continue to provide curbside collection services for the Blue Box, given it occurs on municipal streets and has direct contact with City residents. Details such as payment for this service, contractual terms (e.g., penalties for contamination) and so forth are still to be determined. It is anticipated that the City would receive more compensation than currently received. Staff plans to go out to tender in 2018 for collection services as always, since a new EPR system should not greatly affect the aspects of that contract.

The more complicated piece of this new world of recycling is how much the City wishes to remain involved with processing, and how the Material Recycling Facility (MRF) will be impacted. With the processing contract ending December 31, 2019, staff would ordinarily look to issue an RFP by mid-to-late 2018. But it's not clear this is the most appropriate course of action now.

There are several options the City could consider when it comes to processing recyclables going forward:

1. **Get out of the processing business** - sell the 390 Pido Road MRF and property, and have the Producers provide that service to the region at their cost.
2. **Carry on operating the MRF** – obtain bids for a new contract in 2018/2019, knowing that the contract may need to be broken or may cost more than the Producers will pay once the new Blue Box Program takes effect.
3. **Convert the MRF to a transfer facility** – aggregate materials from the City and surrounding region and truck to a larger MRF closer to the GTA.

Some of the pros and cons of these scenarios are summarized in Table 1:

Table 1: Processing Scenarios under the new WFOA

Options	Pros	Cons
Scenario 1 (Get out of the processing business)	<ul style="list-style-type: none"> • City receives cash for the property (2016 estimated value of \$1.5 M) • Less administration time needed by for City staff • Eliminates uncertainty about costs/changes to the program in future • Property should be very saleable, given that it has a Certificate of Approval from the MOECC for Waste Processing 	<ul style="list-style-type: none"> • Requires a buyer • The Municipal Hazardous/Special Waste (MHSW) Depot is part of the property (400 Pido Road), and its operations are dependant upon the MRFs infrastructure. This facility would need to move at some effort and expense (The new location would need a new ECA, which takes a very long time)* • Fate of local jobs uncertain, since new owner could decide to convert to a transfer facility
Scenario 2 Retain the MRF, continue to process as before and receive a yet-to-be-determined amount of money from the Producers	<ul style="list-style-type: none"> • Keeps local jobs (approximately 30) • The City could choose to recycle more challenging materials that fall outside the standard program but this would be done at City cost because Producers will only finance those items which are designated, and this will be the same province-wide 	<ul style="list-style-type: none"> • The MRF is aging and maintenance will cost more going forward • Staff expect very high costs for the next processing contract, given the uncertainty about how legislation might affect processors and their contracts • It is unclear whether future payments from Producers to do processing would cover the City's costs (they will likely pay a standard price-per-tonne, based on the lowest cost achievable in larger, GTA-based MRFs) • Producers may even decide not to contract with the City, resulting in the facility becoming a stranded asset
Scenario 3 Convert the MRF to a Transfer Depot	<ul style="list-style-type: none"> • This would likely be a better fit on the small footprint of this property, since little storage would be required and no processing 	<ul style="list-style-type: none"> • City would still need to administer the contract to transfer • City would still take on some risk once new EPR system is in place (i.e. will Producer payments cover

	<p>equipment, etc.</p> <ul style="list-style-type: none"> • Could be a better fit with the Producers vision i.e. transferring from less-populated areas into mega-MRFs in the GTA • Would allow the City to continue operating the MHSW Depot where it is 	<p>City costs)</p> <ul style="list-style-type: none"> • The City would be restricted to the basket of goods that the processing MRF we send to accepts • Loss of approx 25 jobs (transfer facility would likely operate with 3-5 people) • Loss of approximately 25 jobs (transfer facility would likely operate with 3-5 people)
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*It is possible that a new MHSW program will also be developed, making the Producers responsible for local diversion programs. Depending on the timing, this could give the City the option of closing the MHSW Depot on Pido Road, leaving the property unencumbered.

Study of the City's Existing Material Recycling Facility

The **Continuous Improvement Fund** (CIF) has awarded a grant to the City to study the financial impacts of converting Peterborough's MRF to a transfer facility and trucking recyclables to the GTA (Scenario 3). The study is expected to be completed by this summer, and will provide staff with better information to base a recommendation on. The results will also benefit other small MRF owners facing the same questions, which is the reason for CIF's involvement.

Timing

One of the biggest unanswered questions is timing. No one can say for certain when the new EPR system will take effect, let alone what exactly it will look like. This uncertainty makes planning and decision making for municipalities extremely challenging. Staff believes the program changes for used tires, waste electronics and municipal hazardous/special wastes will have relatively minor implications for the City, involving mainly procedural adjustments and changes to the funding we receive. Blue Box transitioning will be a much more complex and lengthy process, involving negotiations with many public and private entities. The Ministry of Environment and Climate Change originally proposed transitioning the Blue Box by 2022, with the other (simpler) programs transitioning earlier. However, the Association of Municipalities Ontario (AMO) and other influential parties are pressing the Province to transition the Blue Box earlier. An immense amount of activity is occurring on this portfolio at the moment, and we expect clearer indications of timing will be available by the end of 2017.

Summary

Product stewardship and recycling are at a critical turning point in Ontario, creating both challenges and opportunities. The **Waste Free Ontario Act** will fundamentally change how waste diversion programs are developed and delivered to our community, while a greater share of the financial burden is proposed to be assumed by the stewards. As the legislative framework for product stewardship evolves, staff will continue to work with CIF, AMO, MWA, the Regional Public Works Commissioners of Ontario, and other municipalities to ensure that our interests are well represented. Staff will also continue to evaluate the options for our MRF's future and their implications. Updates will be brought to Council as they become available so that decisions regarding contracts and assets can be made effectively.

Submitted by,

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