



Staff Report for Committee of the Whole Meeting

Date of Meeting: March 19, 2018

Report Number: SREIS.18.003

Department: Environment and Infrastructure Services

Division: Asset Management Planning and Environment Services

Subject: **SREIS.18.003 Update on Draft Amended Blue Box Program Plan**

Purpose:

To update Council on the implications of the draft amended Blue Box Program Plan, which will guide the transition of responsibilities and costs for the Blue Box program from municipalities to Producers.

Recommendation(s):

- a) That Council receive staff report SREIS.18.003 and the Town's commenting submission to Stewardship Ontario (Attachment 1) for information.
- b) That a copy of staff report SREIS.18.003 and all comments from Council be sent to the Ministry of Environment and Climate Change, the Association of Municipalities of Ontario, York Region and local municipalities to advise them of Richmond Hill's concerns with the Draft Amended Blue Box Program Plan.

Contact Person:

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Report Approval:

Submitted by: Italo Brutto, Commissioner of Environment and Infrastructure Services

Approved by: Neil Garbe, Chief Administrative Officer

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), Town Solicitor (as required), Commissioner, and Chief Administrative Officer. Details of the reports approval are attached.

Background:

Across York Region, waste management is an integrated program that includes management of garbage, recycling, organics, yard waste, appliances and other types of residential and household waste. Responsibilities are split between the local municipalities and the Region. Local municipalities collect waste materials from the community, while the Region processes this material. Recycling material is processed at the YR Material Recovery Facility (MRF) where it is sorted and sold to local and international markets.

Over the past several years, Richmond Hill, Vaughan and the northern six York Region municipalities have entered long-term contracts with waste service providers to collect waste from residents in support of the existing integrated waste management program. The Town's upcoming contract was signed with Miller Waste Systems for a period of eight years starting in 2019.

Recently, the Ontario Government has introduced legislation that will require producers of Blue Box materials (the Producers¹) to adopt full responsibility and costs for the Blue Box program. This legislation removes the Blue Box program from the existing, integrated waste management portfolio, and proposes to manage and fund the Blue Box program using a separate business model. The purpose of this report is to provide an update on the development of an amended Provincial draft Blue Box Program Plan, and to outline the specific implications and risks for Richmond Hill.

Waste management legislation in Ontario currently requires Producers to pay 50% of Blue Box costs

Currently Producers are required to pay 50% of the collection and processing costs for Ontario's Blue Box program with municipalities funding the other 50%. For Richmond Hill, the Blue Box program costs are approximately \$1.6M (2016) annually and include collection, administration and resident education. The Town receives annual funding of approximately \$640,000 (2016) from Producers to help offset these costs, and the Region receives a corresponding funding allotment to offset processing costs. The formula used to determine the amount of funding municipalities are entitled to has been subject to increasing criticism from both the Producers and municipalities. Producers object to the allotment based on the belief they could achieve better cost efficiencies if given full control of the system. Municipalities contend that the current funding structure falls short of 50% of the actual cost of recycling programs. In Richmond Hill's case, Producer funding accounts for just less than 40% of total Blue Box costs (2016).

¹ Producer – any organization or company that resides in Ontario and supplies products/packaging or printed materials accepted in the Blue Box. This includes manufacturers, importers and distributors.

The Waste-Free Ontario Act will transition full responsibility and costs for the Blue Box Program to Producers

In November 2016, the *Waste Free Ontario Act* was proclaimed. It aims to move towards a circular economy where waste is viewed as a valuable resource. The Act will have a major impact on municipal waste management as Producers will be fully responsible for operating and funding the Blue Box program. The philosophy behind the Act is that by making Producers responsible for Blue Box materials, they can change how packaging and products are designed, in favour of long-lasting, reusable or easily recyclable products, thereby minimizing their costs and use of raw materials. This concept isn't new and has been embraced by several European countries and the Province of British Columbia. It recognizes that Producers are in the best position to manage the full 'life cycle' of their products.

In February, 2016 Council directed staff to submit a commenting submission to the Ministry on Bill 151 *Waste Free Ontario Act* (SREIS.16.005). The key recommendations were:

- The new legislation needs to consider a “made in Ontario” solution that takes into account the current complexity and functionality of the integrated waste management system.
- The effectiveness, efficiency and environmental performance of the overall waste management system must be maintained or improved.
- There must be a clear, legislated role for municipalities in waste collection and processing.
- Service levels and convenience for residents must be maintained or improved.
- The legislation must ensure fair and transparent compensation for municipal assets and collection contracts.
- The legislation should include clear expectations describing Producers' obligations for promotion and education to ensure efficient and effective communication.
- The future model for total cost recovery from Producers should include the true cost for collection and processing of recyclables, including costs for recyclables put in municipal garbage and organics streams.

The Minister has directed SO (Producers) and RPRA (a Provincial Authority) to draft an amended Blue Box Program Plan

There are three key parties involved in planning for the transition of the Blue Box Program Plan.

- The M3RC – the Municipal 3Rs Collaborative, which represents the interests of Ontario municipalities and includes York Region staff
- SO – Stewardship Ontario² represents the interests of Producers
- RPRA – the Resource Productivity and Recovery Authority, a provincial body established to oversee the transition process

In July 2017, the M3RC signed a joint Accord with SO requesting that the Minister of Environment and Climate Change provide direction to begin the process of transition; this was done to reduce the risk of delays or changes that could arise as a result of the upcoming Provincial election. The M3RC's interest was in securing the remaining 50% portion of un-funded Blue Box Program costs.

In August, 2017 the Minister responded by directing SO and RPRA to work collaboratively to develop a proposal for an amended Blue Box Program Plan in consultation with municipalities. The Minister's letter clearly outlined the expectations for the proposal which included principles such as:

- Ensuring seamless transition of the Blue Box program (i.e. not negatively affecting Ontarians' experience with and access to Blue Box services, etc.).
- Working towards the circular economy by supporting reduction, reuse, recycling and reintegration of Blue Box materials into the economy.
- Providing for continuous improvement of environmental outcomes (i.e. expanding and harmonizing the list of acceptable Blue Box items, etc.).
- Avoiding stranded assets.
- Providing choices for municipalities.

Since receiving direction from the Minister, SO has led the development of a draft amended Blue Box Program Plan, including various consultation sessions across the Province with both municipalities and Producers. AMO, YR and Richmond Hill staff have participated in the consultation sessions and worked closely together to provide feedback on the initial principles presented.

² Stewardship Ontario is the Industry Funding Organization that represents collective Producer interests such as Unilever, Loblaw, Proctor & Gamble etc.

Stewardship Ontario released a draft Amended Blue Box Program Plan, but failed to submit the proposed Plan to the Minister by the required deadline, making it unlikely that the matter will be addressed prior to the June provincial election

A preliminary draft Plan was released by SO on December 19, 2017. Many municipalities (including Richmond Hill) submitted staff comments to SO by the deadline on January 15th (Attachment 1).

Municipalities believe that the Plan, as currently written, fails to meet the principles of the Act and the expectations outlined in the Minister's letter. Further, it does not address the feedback provided by municipalities through the consultation process.

Municipalities, in collaboration with several environmental and waste management stakeholders, voiced their concerns with the Plan to SO and RPRA in order to emphasize overwhelming discontent with the proposed approach.

In response to the feedback received, SO announced that they would not be submitting the draft Plan to the Minister in advance of the February 15th deadline. Instead, SO aims to move forward with more meaningful stakeholder consultation to address concerns, and issue a revised Blue Box Program Plan. A timeline for this process has not yet been established.

Summary of Draft Blue Box Program Plan and Key Concerns

Overall, Richmond Hill supports the philosophies outlined in the Strategy for a Waste-Free Ontario (2017) and in the Minister's direction letter to develop the Amended Blue Box Program Plan. However, the current draft Plan fails to address key concerns submitted by Richmond Hill and other stakeholders during the consultation process

Three Options are Proposed for Municipalities to Transition Blue Box Program Responsibility

In the draft Plan, SO has outlined three options for municipalities, each with its own set of potential benefits, risks and implications. These are explained in greater detail below. Although details of the draft Plan outlined below may change through the consultation process, staff anticipate that the options will remain the same.

It is important to note that due to the shared responsibility for waste management between York Region and the lower tier municipalities, the choices made by York Region and the other lower tier municipalities will influence Richmond Hill's choice and the associated outcomes.

Option 1, Status-Quo+: The Town continues to provide collection services, with added responsibilities and costs for waste processing

Option 1 allows municipalities to remain non-transitioned and continue to provide the Blue Box Program, with Producers continuing to pay approximately 50% of the program

costs. As mentioned earlier, this funding allotment for Richmond Hill is typically closer to 40%. Although this option avoids disruption to current service levels, Richmond Hill may have access to more favourable funding or lower costs through options 2 and 3 as described below.

Risk – May need to secure new processing services. York Region currently provides processing for Blue Box material collected by the lower-tier municipalities. This involves sorting the material, removing contamination and locating end markets to sell the recycled material. To fund this service, York Region collects a tax levy. If the Town chooses not to transition Blue Box collection (i.e. continues to collect Blue Box materials), but York Region chooses to transition processing to Producers, the Town would have to secure processing services independently and would be responsible for these added costs, previously funded by York Region. This could represent an additional cost of \$1M annually for Richmond Hill (as a broad estimate).

Option 2, Contract Administrator - Transition by acting as a contract administrator for SO subject to strict performance standards

Under this scenario, SO will pay Richmond Hill to collect recyclables on its behalf based on a benchmarked unit prices set at SO's discretion. This benchmarked price may fall short of the actual costs to collect recyclables. As an example, when British Columbia transitioned, Vancouver was compensated for approximately 67% of their cost and experienced a \$4M annual funding shortfall acting as contract administrators for Producers.

Risk – Contamination penalties. By choosing this option, Richmond Hill will also be subject to a robust contamination management process and penalties for non-recyclable material placed in the Blue Box by residents (curbside and multi-residential). At this time, the contamination targets and related penalties have not been disclosed; therefore the financial impact to Richmond Hill cannot be assessed. Managing contamination will be particularly difficult in multi-residential buildings where diversion rates are much lower and contamination levels much higher than curbside due to the shared collection methods and use of large front-end containers or large carts. The draft Plan places most of the accountability and costs for contamination on collectors (i.e. municipalities), despite the shift of responsibilities to SO for public education.

Risk – Cost implications to the Town. Under this scenario, Richmond Hill would have to amend the current waste collection contract to include SO's required contractual terms and conditions, or procure a new contract. Amending the waste contract could have cost implications for the Town. Furthermore, new terms and conditions that relate to changes in curb-side management, such as contamination management, would result in higher contract management efforts on the part of the Town.

Option 3, Turn over the keys - Transition by fully turning over collection responsibilities and cost to SO

Under this scenario, Richmond Hill would hand over all responsibility for collection of recyclables and the associated cost to SO. Both agencies would collect waste from residents at the curb – Richmond Hill for organics, garbage and yard waste and Stewardship Ontario for recyclables.

Risk – Cost implications to the Town. Municipalities that choose this option would have to either wait until their current waste collection contract expires (2027 in Richmond Hill's case) or exit the recycling service component of their current contract, however, this may have significant cost implications.

Risk – Lack of customer service standards. The Plan, as currently written, does not address customer service standards or how customer complaints will be handled. Without defined customer service standards, recycling services could be changed or reduced over time, with municipalities having to redirect resident concerns to SO. This may affect the convenience of the Blue Box program potentially lowering residents' participation and diversion rates, and increasing municipal waste management costs (i.e., more recycling material placed in the garbage and funded as part of the municipal program).

Risk – Reduced efficiency of current collection system. Although this option transfers costs for Blue Box collection to SO, it also reduces the efficiency of the current integrated waste management system achieved by co-collecting recyclables with organics in the same truck, stopping only once at each home. Having additional trucks on the road solely collecting recyclables will result in an increase in vehicle traffic and emissions, and would likely increase the cost of remaining waste services funded by the Town, owing to lower overall collection tonnages.

Risk – May result in resident confusion. The effectiveness of the Town's waste management communications (i.e. annual waste calendar, website etc.) would be affected as SO's collection schedules could differ from our own. Further, SO would be responsible for educating residents about expectations for Blue Box or changes to the recycling program. The disconnect between municipal and SO waste education efforts could potentially result in resident confusion.

Additional Key Concerns with the Draft Blue Box Program Plan

In addition to these potential implications and risks to Richmond Hill, the draft Blue Box Program Plan also presents several other areas of concern including:

- **Additional information is needed to assist with municipal decision-making:** Key information that will heavily impact financial outcomes for municipalities is missing from the draft Plan, and further, leaves the development of various costs and penalties solely in the hands of SO. Without the ability to compare cost/service scenarios, municipalities won't have the tools they need to make

informed decisions about if and when to transition. Some of the costs could be significant, which poses risk to municipalities.

- **Blue Box service levels should be improved, not reduced:** The draft Plan proposes reductions in the scope of the acceptable Blue Box materials, as well as reductions in public space recycling (e.g. parks, downtown core, super mailbox). This will negatively impact the convenience of the Blue Box program and result in a lower waste diversion rate.
- **Need for good governance and balanced decision-making:** The proposed Plan gives unilateral decision-making powers over key elements of the transition to Stewardship Ontario. For example, this includes the ability for Stewardship Ontario to unilaterally change the standardized list of materials collected, which would have significant impacts for stakeholders. More balanced decision making powers are required in the Plan. In cases of conflict, a fair dispute resolution mechanism must be established and administrated by RPRA and the Province.

Next Steps and Timing

In response to the concerns raised by municipalities and other stakeholders, SO has announced that they will not submit the Amended Blue Box Program Plan ahead of the February 15th deadline set by the Minister of Environment and Climate Change to consider new policy in advance of the Provincial election. They have committed to moving forward with more meaningful stakeholder engagement.

Over the coming months, it is expected that SO and RPRA will work collaboratively to redevelop and submit a revised Blue Box Program Plan to the Minister for consideration. Once the plan is approved by the Minister, it will be posted on the Environmental Registry for formal comment. At that time, staff will bring forward comments for consideration and seek Council direction. Richmond Hill staff will remain engaged and provide updates to Council throughout the process.

Financial/Staffing/Other Implications:

There are no direct financial implications to the Town as a result of this staff report.

Future cost implications for Richmond Hill will be assessed once the Province has released a formal draft Amended Blue Box Program Plan. At this time, it is difficult to assess the financial implications of the various transition options as many of the details surrounding financial penalties and benefits have not been released. Once more information is available, the Town will be in a better position to forecast the financial implications, opportunities and risks of each transition scenario.

Relationship to the Strategic Plan:

The intent of the Waste Free Ontario Act is in keeping with Strategic Plan Goal Four, Wise Management of Resources. The Town will continue working with SO, RPRA, M3RC and the Province to advocate for a Plan that will continue to provide residents

with convenient and reliable recycling services, while reducing municipal costs and improving environmental outcomes.

Conclusion:

The *Waste Free Ontario Act* will transition full responsibility and costs for the Blue Box Program from municipalities to Producers. At the request of Producers and Ontario municipalities, the Minister directed Stewardship Ontario and the Resource Productivity and Recovery Authority to draft an amended Blue Box Program Plan to guide the transition to Full Producer Responsibility. A preliminary draft Plan was released by SO on December 19, 2017 which includes three transition options for municipalities, each with its own set of potential benefits, risks and implications as described in this report. Town staff reviewed the plan and provided comments to SO and RPRA. Richmond Hill supports the principals of the Waste Free Ontario Act where Producers are environmentally accountable and financially responsible for their products and packaging at end of life, however, the draft Blue Box Program Plan, as proposed by SO, does not stay true to the overarching concepts outlined in the Act and in the Minister's letter. Although municipalities have long advocated for increased Producer responsibility, it is crucial that the Plan meets the needs of municipalities, residents and other stakeholders.

Due to overwhelming municipal and stakeholder concerns, SO and RPRA have decided not to submit the draft amended Plan to the Minister by the Feb 15th deadline in favor of revising the Plan through further consultation with municipalities. This delay in finalizing the Plan makes it unlikely that the final plan will be approved prior to the June 2018 Provincial election. Richmond Hill staff will remain engaged and provide updates to Council throughout the process.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call contact the person listed in this document.

- Attachment 1: Staff Commenting Submission to SO regarding the draft Blue Box Program Plan
- Attachment 2: Draft Amended Blue Box Program Plan

Report Approval Details

Document Title:	Update on Draft Amended Blue Box Program Plan.docx
Attachments:	- Attachment 1 Staff Commenting Submission to SO regarding the draft Blue Box Program Plan.pdf - Attachment 2 Draft Amended Blue Box Program Plan.pdf
Final Approval Date:	Mar 5, 2018

This report and all of its attachments were approved and signed as outlined below:

Vlad Gaiu - Mar 5, 2018 - 10:22 AM

Terry Ricketts - Mar 5, 2018 - 10:59 AM

Italo Brutto - Mar 5, 2018 - 1:34 PM

Neil Garbe - Mar 5, 2018 - 3:55 PM