



# CERB Report Card

On

Ontario's Blue Box



*August 31, 2005*

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**Coalition for an Efficient and Rational Blue Box**  
**Coalition pour un recyclage efficient et rationnel**



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## 1. INTRODUCTION

The Coalition for an Efficient and Rational Blue Box (CERB) is an informal alliance of food and consumer product manufacturers and Blue Box stewards, their packaging suppliers, and companies that take residential packaging and paper back for recycling and remanufacturing. Its members collectively have a broad knowledge of and detailed experience in solid waste management, recycling, and extended producer responsibility (EPR) or stewardship. The Coalition supports Ontario's Blue Box system and is committed to continual improvement in productivity and sustainability. As long term investors and supporters of the Blue Box, it is CERB's goal to work with stewards, all levels of government and the public to find opportunities for improvement.

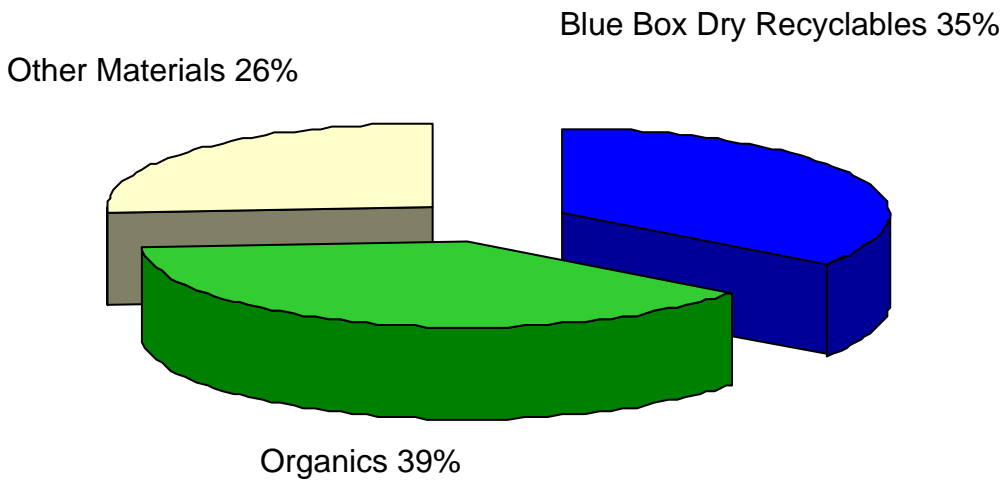
There are critical issues surrounding the Blue Box that need to be addressed now. In addition to the collective knowledge of its members, CERB is uniquely placed to raise these questions since it has no representation on any of the provincial, municipal or industry bodies governing the system or the current Blue Box Plan. Its independent report and analysis is intended to stimulate discussion and to help Ontario achieve a residential recovery system that makes sense; one that is both efficient and effective, and sustainable. Feedback is welcomed to [atthecerb@hotmail.com](mailto:atthecerb@hotmail.com)

This analysis focuses on the Blue Box system, and is structured around five major interrelated themes (the rationale for the Blue Box, efficiency, transparency, fairness, and sustainability). Wherever possible, CERB's analysis is based on verified third-party data, which is referenced for the convenience of the reader. The data cited is most commonly 2003 data, reflecting the Blue Box Plan's first full year of operation. CERB is aware that 2004 data is now becoming available and will update its next *Report Card* accordingly.

It is important in this analysis to understand the Blue Box program in context. Ontario households generate about 4.1 million tonnes of waste per year of which 35% (or 1.4 million tonnes by weight)<sup>1</sup> is what are called "dry recyclables" (paper, plastic, glass or metal). ***It is these dry recyclables upon which the current report focuses.*** The recovery of the remaining 65% of materials in Ontario households (food and yard waste, diapers, animal feces, textiles, rubber, ceramics, carpets and so on) is obviously important in overall residential waste management terms, but it does not form part of this analysis.

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<sup>1</sup> Interim Waste Diversion Ontario (WDO) Report to Minister, September 2000, Table 2-4 and Table 3-1 (Annex 4). Food and yard waste (organics) represent about 39% by weight of what is in Ontario households and "Other Materials" about 26% by weight.



**Figure 1: Ontario Household Waste** (Sept. 2000 by weight)



## 2) REPORT CARD SUMMARY

### CERB's First Report Card on Ontario's Blue Box

	Elements	<u>Grade</u>
	<b>Rationale</b>	<b>C</b>
	<b>Efficiency</b>	<b>C</b>
	<b>Transparency</b>	<b>D</b>
	<b>Fairness</b>	<b>C</b>
	<b>Sustainability</b>	<b>D</b>
	<b>Overall Grade</b>	<b>C - D</b>

The grades shown are the average of the evaluations provided by each CERB member that read the report card and submitted their evaluation, not just signatories.

#### Description of Grades

Grade	Mathematical Rating	Description
A	85 or better	Element/system is very good, minimal improvement required to enhance productivity
B	70 - 84	Element/system is good, one or two elements requiring significant improvement to enhance productivity
<b>C</b>	<b>60 - 69</b>	<b>Element/system is adequate, several elements needing significant improvement to enhance productivity</b>
<b>D</b>	<b>50 - 59</b>	<b>Element/system needs major efforts and attention/all elements requiring significant improvement</b>
F	49 or worse	All elements fail to meet performance expectations, core changes required.



### 3) BACKGROUND

Ontario's residential Blue Box system was introduced in the mid 1980s as an alternative to a provincial regulation mandating a minimum 30% market share for refillable used beverage containers and deposit/return-to-retail for the remainder. Instead of refillables and deposits/return-to-retail, Ontario householders were presented with a simple Blue Box in which to place their bottles, jars, cans and newspapers at curbside, based on a pilot program started in Kitchener.

The Blue Box's convenience and "feel good" factor caught on quickly with a public keen to do something positive and practical about the environment. A three-way split on cost sharing between the newly formed OMMRI<sup>2</sup>, the province, and municipalities, was agreed upon. Several municipalities or regions, such as Mississauga, Caledon, Niagara and Durham began to roll out their programs, and end-markets for recyclable materials invested in equipment that could clean or bale this new source of material feedstock for use in their normal industrial production cycles.

Spurred by the public's appetite for improving the environment, by the mid 1990s<sup>3</sup> the provincial government made it mandatory for all municipalities over 5,000 people to have a curbside collection system (Blue Box) and for five materials to be collected (plus two others from a second list). The five mandatory materials were (and still are) old newspapers (ONP), aluminum and steel cans, glass bottles and jars, and PET<sup>4</sup> plastic.

There were teething problems along the way. At one point, old newspapers had to be stockpiled because the market was sluggish. In 1989, 30% of scrap glass shipments from municipalities were being rejected because of high levels of contamination. A determined and co-ordinated partnership between the glass container industry and recycling operators led to significant improvements in quality, with contamination levels dropping to less than 2% within 18 months<sup>5</sup>, while quantities almost doubled. Improvements in quality management benefited all material types.

The major material in the Blue Box (by weight) was old newspapers but by the early 1990s other paper recyclers were starting to eye the residential sector as well. In particular, packaging recycling mills that could use old corrugated boxes (or OCC) and a mix of other paper materials not wanted by the newsprint mills, began to promote a second (or paper) box for all household paper. Many Ontario municipalities eventually adopted this approach,

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<sup>2</sup> OMMRI (Ontario Multi-Material Recycling Incorporated) Ontario's first Blue Box industry funding organization was incorporated in 1986.

<sup>3</sup> In 1987, fewer than 0.5 million households in Ontario had access to multi-material recycling. By 1995, almost 3.1 million households had curbside recycling in more than 520 municipalities.

<sup>4</sup> PET is polyethylene terephthalate, bearing the number 1 to indicate resin type.

<sup>5</sup> *Glassworks*, Vol.2, Issue 4, September 91 "Glass – A Recycling Success"



making the second (paper) box a different colour (grey, red, green, black) to make it easier for the householder to separate fibres (paper) from containers (plastic, glass, metal).

More and more recyclable materials were added by various municipalities over the years (old boxboard, polystyrene, HDPE<sup>6</sup> bottles, plastic film, gabletop and aseptic containers, aerosols and paint cans). As more materials were added, increasing amounts of capital was spent on public and private sector facilities and equipment to process the various recycled materials into usable raw materials for remanufacturing. Municipalities became part of an industrial supply chain where Blue Box materials were continuously recycled when they met the quality specifications of the marketplace.

Costs for the Blue Box system were by and large borne by municipal and provincial taxpayers indirectly through the tax base, with some voluntary industry funding directly channelled through OMMRI between 1986 and 1996. Thereafter, provincial funding was withdrawn. Voluntary industry contributions changed to become a partnership activity with select municipalities under CSR: Corporations in Support of Recycling.<sup>7</sup> This partnership approach led to the development of the Interim Waste Diversion Ontario (WDO). Financial support from CSR was limited to technical assistance on a shared basis.

With the approval of the Blue Box Program Plan under the Waste Diversion Act on December 22, 2003, however, industry stewards (brand owners and first importers) were now required for the first time by law to share the net cost of the system 50/50 with Ontario municipalities.

This newly introduced cost-sharing arrangement has stimulated industry's interest in and attention to the Blue Box recycling system. Industry "stewards", including CERB members, now have to account to management and shareholders for the cost of recycling Blue Box materials and are thus more closely focused on both the efficiency and effectiveness of the system as a whole. This new cost sharing experience has also led directly to the formation of CERB, the Coalition for an Efficient and Rational Blue Box.

## THE GOOD NEWS

- Ontarians *feel good* about their Blue Box. For most, it's a convenient way of getting used household materials out of the home. Householders feel they are doing something positive and practical for the environment, with the Blue Box becoming a symbol or icon for recycling in the province.

<sup>6</sup> HDPE stands for High Density Polyethylene, bearing the number 2 to indicate resin type.

<sup>7</sup> OMMRI II evolved into CSR: Corporations in Support of Recycling.



- Most Ontarians have *access* to the system (96%<sup>8</sup>). So they do have the opportunity to recycle if they want to. Recycling has become a social norm, especially in single-family homes.
- *More and more* household material is *reported* as being diverted than ever before (779,844 tonnes in 2003<sup>9</sup>), keeping pace with, and sometimes exceeding, population and economic growth.
- *More than 60% of the paper in Ontario households is currently being captured:* with old newspapers and telephone books recording an impressive 75% recovery rate, followed closely by old magazines and old corrugated boxes at 72%.<sup>10</sup>
- The shortfall (or *net cost*) of the Blue Box Program is *now being shared* 50/50 between municipalities and industry.
- The 50/50 cost-sharing arrangement and the creation of an Effectiveness & Efficiency Fund under the Plan have *improved both industry and municipal understanding* of how the Blue Box system works and what challenges it faces.
- Many industry sectors and levels of government have formed *short and long-term partnerships* to work towards common goals (the diversion of more materials from landfill). There is *increased awareness of designing products and packaging with recyclability in mind*, a spin-off from Canada's National Packaging Protocol and the upsurge in residential recycling efforts in the 1990s. CERB estimates that almost 100% of the printed paper and some 80% of the packaging materials in Ontario households are now recyclable based on category characterizations defined by Stewardship Ontario (SO), the WDO and the Minister.<sup>11</sup> The 80% estimate is derived from Stewardship Ontario generation data for paper and plastic laminants, plastic film, other plastics, and aluminum foil tonnages in Ontario households. Some of these materials are actually recyclable.

### **The Bad News**

The Blue Box has failed to maintain performance in some aspects. At the same time the Ministry of Environment (MOE) has stated a new goal of 60% diversion from landfill. The Blue Box needs to do better. How is its performance to be improved?

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<sup>8</sup> Source: MOE Media Backgrounder January 4 2005.

<sup>9</sup> Ibid.

<sup>10</sup> Table 1: Generation and Recovery (2003) Stewardship Ontario Fees Model, October 2004 approved by Waste Diversion Ontario and the Minister of the Environment on December 30, 2004.

<sup>11</sup> Ibid.





#### 4) THE RATIONALE FOR THE BLUE BOX

**A rationale is the logical justification whereby something is undertaken to suit a purpose.<sup>12</sup>**

*The Blue Box system was originally designed in the 1980s to recycle five specific materials. Today it is being used to collect up to 24 different material categories. Is too much expected of it?*

Initially, the five recyclables were “*source separated*”, that is, materials were generally separated from each other on the recycling truck at curbside to reduce cross contamination. The segregated materials became feedstock for local end markets with the material revenues helping offset municipal costs of recovery.

Today’s Blue Box collects not five specific items but up to twenty-four different material categories<sup>13</sup>. To do this, most municipalities have modified their collection systems over the years, now generally mixing everything into two streams (a *fibres* or paper stream, and a *container* or combined glass, plastic, metal stream). The result has been increased cross-contamination of the different recyclable materials, requiring additional labour or technology to then process them into marketable commodities.

The recent introduction of *single stream* collection to some of the larger urban areas of Ontario has further increased cross-contamination because a single stream program deliberately mixes all materials at curbside, and then sorts them out later at a material recovery facility (MRF). More studies are needed to establish the merits of the single stream approach but almost by definition it tends to produce more overall system waste or residue which someone (not necessarily a municipality) has to pay to landfill. The more waste or residue carried forward in the process, the lower the material revenues paid to the municipality. The lower the material revenues paid to the municipality, the higher the net cost of the program to municipal taxpayers and ultimately to Ontario consumers. Ultimately, some studies show there is less marketable product and a higher residue going to landfill. So system design has a critical impact on productivity and overall costs.

The impact of changing system design on container glass is a good example. Glass was one of the original mandated Blue Box materials, which for many years was successfully

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<sup>12</sup> The New Lexicon Webster’s Encyclopedic Dictionary of the English Language, Canadian Edition, 1988.

<sup>13</sup> Newspaper, magazines and catalogues, telephone books, other printed paper, corrugated containers, boxboard, gabletop cartons, aseptic containers, paper laminants, PET bottles, HDPE bottles, plastic film, plastic laminants, polystyrene, other plastics, steel food and beverage cans, aerosols, paint cans, aluminum food and beverage cans, other aluminum packaging, glass food and beverage (flint and coloured) containers and LCBO flint and coloured glass containers.



recycled back into new glass bottles, reaching an average recycled content of 35% in 1998<sup>14</sup>.

As municipalities moved away from separate glass compartments on their recycling trucks, however, the opportunity for glass breakage and mixing with recyclable plastic and metal increased, reducing the quality of the glass feedstock and narrowing its end-market options.

The advent of single stream collection compounds the situation further because glass is now mixed not only with plastic and metal but also with paper. There can no longer be any pretence that Blue Box glass is predominantly going back into new glass containers, which is the public's impression. Changes in system design have thus forced the downcycling<sup>15</sup> or landfilling of one the originally mandated Blue Box materials. Out of the 114,249 tonnes of container glass reported as collected in the Blue Box in 2003, only about 24% ended up as new glass containers and 6% ended up in fibreglass.<sup>16</sup> About 70%, just under 80,000 tonnes, went to alternate uses such as road aggregate. Some glass material is picked up in the Blue Box and then sent to landfill.<sup>17</sup>

The history of curbside glass collection highlights the need to critically analyze the rationale of how specific materials are handled. If the method of handling generates material that ends up going to landfill instead of being recycled, is this acceptable? Is the Blue Box the appropriate means of recovery, when the method of handling a material deliberately reduces its value in the marketplace?

*What should the Blue Box focus on?* The table below outlines the different materials in Ontario households and their percentage composition (by weight), the quantities being collected through the Blue Box, and the gross and net costs per tonne of doing so.

Paper is the predominant material in households and in the Blue Box. Printed paper (primarily old newspapers) has a low gross and net recovery cost. Plastics, on the other hand, have a low recovery rate and a relatively high gross and net cost. Aluminum cans, while small in tonnage and relatively low in recovery terms, contributed a net benefit to the Blue Box in 2003. It is from consideration of these and other basic facts that the appropriate rationale for the Blue Box in the 21<sup>st</sup> century should be deduced. The Blue Box will continue to exist in some form.

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<sup>14</sup> *Glassworks*, Spring, Vol. 10, No.1, 1999 at [www.glassworks.org](http://www.glassworks.org). Recycled content (%) = post-consumer, post-use recycled glass (tonnes) / production (packed tonnes).

<sup>15</sup> Downcycling refers to the practice of recycling a material in such a way that much of its inherent value is lost (for example, recycling plastic into park benches or downcycling scrap glass into aggregate). Not all materials can be remanufactured into the same form, sometimes owing to technical or health reasons.  
[http://www.mbdc.com/ref\\_glossary.htm](http://www.mbdc.com/ref_glossary.htm)

<sup>16</sup> WDO Tonnage Datacall 2003. The material WDO designates as coloured new containers is actually used in fibreglass, not in new glass containers.

<sup>17</sup> Guelph collects scrap glass through its curbside program but landfills it all. "Glass diversion efforts helped by grant," *Guelph Mercury*, page A4, June 11, 2005.



*Is it rational to throw everything into the Blue Box just because it exists?*

It is time to thoroughly review what the existing Blue Box can and cannot deliver in an efficient and effective way and not to assume that the rationale for the Blue Box in the 1980s applies to the much different recycling scenarios of 20 years later.

<b>Table 1: Dry Recyclable (Blue Box) Materials in Ontario Households (2003)</b>				
<b>Material Category</b>	<b>% Composition Generated by Weight</b>	<b>% Recovery</b>	<b>Gross Cost Per Tonne</b>	<b>Net Cost Per Tonne</b>
Newsprint	27.21%	75.02%	\$99.48	\$22.23
Magazines & Catalogues	6.45%	72.45%	\$99.48	\$22.23
Telephone Books	1.02%	75.02%	\$137.44	\$60.19
Other Printed	8.67%	38.70%	\$175.40	\$102.33
Old Corrugated	9.50%	71.63%	\$411.54	\$348.10
Gabletop	0.87%	9.55%	\$803.85	\$752.60
Paper Laminants	2.85%	1.00%	\$375.47	\$375.47
Aseptic Containers	0.19%	9.58%	\$803.85	\$752.60
Old Boxboard	8.85%	41.92%	\$375.47	\$328.26
<b>PAPER</b>	<b>65.60%</b>	<b>60.74%</b>	<b>\$511.80</b>	<b>\$377.52</b>
PET Bottles	2.46%	50.06%	\$1027.50	\$810.55
HDPE Bottles	1.56%	50.22%	\$969.12	\$718.85
Plastic Film	3.64%	5.57%	\$1478.54	\$1471.70
Plastic Laminants	3.89%	1.00%	\$1478.54	\$1478.54
Polystyrene	1.38%	2.65%	\$1782.22	\$1707.06
Other Plastics	1.92%	5.66%	\$956.30	\$950.32
<b>PLASTICS</b>	<b>14.85%</b>	<b>16.16%</b>	<b>\$1062.20</b>	<b>\$867.42</b>
Steel food & beverage	3.92%	52.68%	\$265.66	\$222.95
Aerosols	0.29%	23.44%	\$265.66	\$222.95
Paint Cans	0.33%	23.49%	\$265.66	\$222.95
<b>STEEL</b>	<b>4.54%</b>	<b>48.70%</b>	<b>\$265.70</b>	<b>\$222.95</b>
Aluminum food & beverage	1.63%	40.80%	\$810.03	\$(622.39)
Other aluminum	0.16%	11.69%	\$810.03	\$(622.39)



<b>ALUMINUM</b>	<b>1.80%</b>	<b>38.15%</b>	<b>\$810.00</b>	<b>\$(622.39)</b>
Food & beverage Flint	5.17%	52.93%	\$158.75	\$158.61
Food & Beverage Coloured	0.45%	48.19%	\$150.90	\$150.90
LCBO Flint	3.09%	65.00%	\$158.75	\$158.61
LCBO Colour	4.49%	62.00%	\$150.90	\$150.90
<b>GLASS</b>	<b>13.21%</b>	<b>58.68%</b>	<b>\$155.70</b>	<b>\$155.62</b>

Source: Stewardship Ontario 2005 Fee Schedule and WDO Municipal Tonnage and Financial Data Call 2003



## **5) THE EFFICIENCY OF THE BLUE BOX**

**One definition of efficiency is the ability to produce the desired effect with a minimum of effort, expense or waste.<sup>18</sup>**

*Is the Blue Box system efficient in delivering what it was designed for? Is material recovery rate a sufficient indication of efficiency? Can the Blue Box system be more productive?*

### **The “Desired Effect”**

There are a number of expectations held for the Blue Box. One is that householders have a convenient means of participating in recycling. A second is that the material captured is diverted from landfill. A third is that this material becomes a supply of quality feedstock to local industries for remanufacturing into new products. A fourth is that the costs associated are incorporated as environmental costs into the cost of production (Extended Producer Responsibility or EPR). These commonly held and different expectations are not mutually exclusive and the emphasis placed on each will vary from individual to individual, from company to company, from government to government. How is a balance between these sometimes complementary and conflicting expectations attained? And what constitutes the minimum effort to achieve them?

### **“The Minimum of Effort”**

In many respects, the householder is the key. In addition to making the initial product purchasing decision, it is the householder who makes the decision whether to divert or dump, whether to use the Blue Box or to leave recyclables in the trash or send them down the garbage chute. When 96% of householders have access to a recycling option, virtually no one in Ontario can claim that they don't have access to some form of residential recycling. The Blue Box system is convenient.

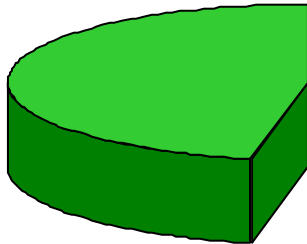
So why aren't more householders using it, or using it better? Generation data supplied to Waste Diversion Ontario indicates that the Blue Box is achieving a 53% capture rate after 20 years of operation. Or, alternatively, that 47% of what are called “dry recyclables” in Ontario households are still going to landfill. Is a 53% recovery rate acceptable? The province doesn't think so, given its new target of 60% Blue Box diversion by the year 2008.

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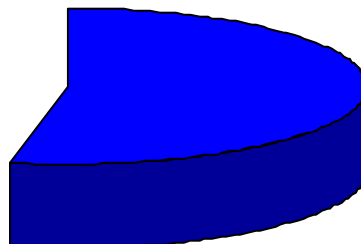
<sup>18</sup> Webster's New World Dictionary, 2nd College Edition, Cleveland, Ohio: The World Publishing Company, 1976.



Blue Box Recovery from Households in 2003 - 53%



Blue Box Materials Not Recovered from Households - 47%



**Figure 2: What's Being Recovered from Ontario Households**

Source: Stewardship Ontario Generation Numbers and WDO Tonnage Datacall for 2003.

Whichever way it is viewed, "Basic Blue" (the original box) can be counted as a qualified success: "qualified" because recovery rates for the five materials are very uneven, ranging from 75% for old newspapers down to 41% for aluminum cans.

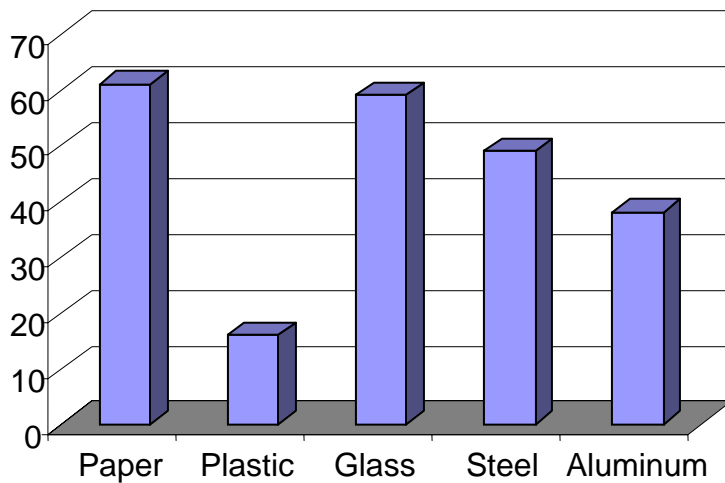
Today's Blue Box, however, is no longer "Basic Blue". As pointed out earlier, the Blue Box is now being used to collect up to twenty-four different material categories. The pressure to divert more and more materials clearly impacts the efficiency and effectiveness of curbside collection. It poses some fundamental questions about the role of the Blue Box as one component of a residential waste management system. What part does it, and should it, play?

### **Why is there such a divergence in material recovery rates?**

Reviewing recovery rates by material type answers some questions but also raises others. Over 60% of all *paper* is currently being recovered from Ontario households with old newspapers, magazines, telephone books and corrugated boxes achieving recovery rates in the low to mid 70% range<sup>19</sup>. The size of the paper fraction of the box (75% by weight) effectively makes today's Blue Box primarily a residential paper recovery operation. Pressure exists to focus municipalities on the next least cost tonne. As WDO itself has pointed out, paper is where the most cost-effective new tonnes can be recovered from households in the future.<sup>20</sup>

<sup>19</sup> Data based on Stewardship Ontario Generation and WDO Recovery Tonnages 2003

<sup>20</sup> Waste Diversion Ontario report April 30, 2004 on *60% Diversion of Blue Box Waste, Material Specific Targets, Municipal Benchmarks*, item 4.1: "Based on their weight to volume ratios, market demand and market price these materials represent the next least costly tonnes available for recovery".



**Figure 3: Blue Box Recovery Rates by Material**

Source: Data based on Stewardship Ontario Generation Numbers and Waste Diversion Ontario Recovery Tonnages, 2003

Recovery of **glass** at 59% is not far behind that of paper<sup>21</sup>. But as noted earlier, today's Blue Box collection methods primarily result in glass being downcycled as aggregate or sent to landfill. Another result of this practice is to effectively reduce the opportunity to increase recycled content in new glass containers. If there are lower volumes of quality glass available for recycling then the level of recycled content will suffer.

**Steel** packaging recovery is currently at 49 percent with food and beverage cans slightly higher at 53 percent<sup>22</sup>. **Aluminum** recovery is only 38% overall – food and beverage cans reaching 41 percent<sup>23</sup>. This rate is low and of concern especially considering aluminum's net financial contribution to the current Blue Box system (\$6.3 million)<sup>24</sup>. The lowest capture rates are for **plastic** at only 16 percent. The PET and HDPE bottle component is at 50 percent<sup>25</sup>. Other materials categorized as non-traditional recyclables have extremely low capture rates, most being well below 10 percent.<sup>26</sup>

If the discussion is limited to the major material types, why is it that paper from Ontario

<sup>21</sup> Data based on Stewardship Ontario Generation and WDO Recovery Tonnages 2003

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Table 2: Gross and Net Costs (full year obligation): Stewardship Ontario Fees Model, October 2004 approved by Waste Diversion Ontario and the Minister of the Environment on December 30, 2004.

<sup>25</sup> Table 1, Ibid.

<sup>26</sup> Ibid.



households is recovered at 61% and plastic at only 16 percent? How is it that old newspapers have a recovery rate of 75% after 20 years and aluminum cans only 41% over the same period of time? There is a gap between current expectations and what the Blue Box actually delivers. While extra promotion of specific packaging has been tried in the past, it has generally failed to increase the material recovery rate over the long term. User fees on garbage or “bag tags” have certainly proven to increase *overall* recovery rates, but there is no evidence that this reduces the wide discrepancies to be found *between* the recovery rates of the major Blue Box materials.<sup>27</sup>

### What lessons can be learned from other jurisdictions?

Recovery rates for some Blue Box materials are *significantly higher* in Canadian provinces that have instituted deposit-return (DR) systems in conjunction with a Blue Box or depot approach. The table below compares recovery rates in provinces that collect materials curbside without a deposit system (Manitoba and Ontario) with recovery rates for the same materials in provinces with deposit systems.<sup>28</sup>

Provinces	BC- non- alcohol	BC- liquor	BC- beer	AB	SK	MB	ON	QC – soft drinks/ beer	NB - liquor	NB – non- alcohol	NS	NF	PE
Glass	58%	87%	-	76%	82%	39%	58%	73%	77%	76%	84%	62%	N/A
PET	-	-	-	71%	80%	39%	38%	74%	-	71%	85%	64%	N/A
Aluminum	83%	-	94%	84%	91%	33%	40%	76%	-	78%	79%	66%	N/A
Plastics/Other	72%	76%	-	57%	80%	N/A	N/A	N/A	-	64%	73%	83%	N/A

**Table 2: Beverage Recovery Rates by Province** Note: (1) Curbside systems in Manitoba and Ontario cover residential generation and recovery only. (2) Data is 2001-2002.

Source: CM Consulting (June 2003) *Who Pays What - An Analysis of Beverage Container Recovery and Costs in Canada*, sponsored by Alcan Aluminum, Brewers Association of

<sup>27</sup> Waste Diversion Ontario reports that 120 of the 190 Ontario programs have bag limits and/or user pay systems: “Bag limits and/or user pay systems have been identified by the Ontario Centre for Municipal Benchmarking as a Best Practice for diversion due to the marked effect these programs have on diversion rates.” Source: WDO Recommendations to the Minister on 60% Diversion of Blue Box Waste, Material Specific Targets and Municipal Benchmarks. For municipal list see Appendix C Bag Limits and User Pay Programs.

<sup>28</sup> More current data on plastic bottles under deposit is available from EPIC, An Overview of Plastic Bottle Recycling in Canada, by CM Consulting, August 2004. See the Epic website for details at [www.cpia.ca](http://www.cpia.ca)





Canada, Beverage Container Management Board (Alberta), Refreshments Canada, Recyc-Québec, Spirits Canada and Tomra North America.

Recovery rates for glass beverage bottles in deposit regimes range from 58% to 87% compared to 39% to 58% in the curbside systems of Ontario and Manitoba. For PET plastic beverage bottles the comparison is a range of 64% to 85% under deposit to 38% to 39% curbside. For aluminum cans the range is 66% to 94% under deposit and from 33% to 40% curbside. Would Ontario householders respond more favourably if materials were diverted through such incentive-based approaches as deposits, drop-off depots or strategically placed reverse-vending machines? Whatever one's view of deposit systems, data on their relative performance is worth considering in terms of assessing the efficiency of the current Ontario Blue Box approach which takes all materials. An independent third-party review of the hybrid option for Ontario (Blue Box plus deposits for some materials) would clearly be useful. Studies sponsored solely by specific industry sector interests tend to lack credibility.

Beyond the operational nature of the Blue Box itself are the broader issues of overall environmental impact or life cycle considerations. Some materials (such as paper) lean towards the recycling option. Some plastic resins, for example, may be better utilised for energy recovery. Other waste management options should be considered, if the ultimate goal is to divert from landfill.<sup>29</sup>

### **The “Minimum Expense or Waste”**

Increased diversion carries a price tag. Industry stewards are keenly aware that their contribution to net Blue Box costs has risen dramatically (by 90%) from \$31 million in the first half of 2004 to \$59 million in 2005, even while acknowledging that the interim fees were a negotiated deal to get the program launched and before all costs could be verified.

The net cost of recovering specific materials through the Blue Box has also drawn close attention. The most recent (2003) net cost for recovery of plastic materials, for example, ranges from \$718 a tonne to \$1,707 a tonne (*See Table 3 below*<sup>30</sup>), raising questions as to whether recycling of all plastics is the best (environmental and/or economic) use of the resource.<sup>31</sup>

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<sup>29</sup> *Blue Box Diversion in Ontario: A Cost Benefit Analysis of Recycling Targets*, Prepared by EPIC, February 2005. Co-sponsored by CERB and PPEC.

<sup>30</sup> Table 2: Gross and Net Costs (full-year obligation), Stewardship Ontario Fees Model, October 2004 approved by Waste Diversion Ontario and the Minister of the Environment on December 30, 2004.

<sup>31</sup> *Blue Box Diversion in Ontario: A Cost Benefit Analysis of Recycling Targets*, Ibid.



**Table 3: Material Types and Their Net Cost per Tonne**

Material Type	Net Cost per Tonne
Old Newspaper	\$22.23
Old Magazines and Catalogues	\$22.33
Old Telephone Directories	\$60.19
Other Printed	\$102.33
Old Corrugated Containers	\$348.10
Gabletop/Aseptic Cartons	\$752.60
Paper Laminants	\$375.47
Old Boxboard	\$328.26
PET Bottles	\$810.55
HDPE Bottles	\$718.85
Film Plastic	\$1471.70
Plastic Laminants	\$1478.54
Polystyrene	\$1707.06
Other Plastics	\$950.32
Steel (Food & Bev.)	\$222.95
Steel Aerosols	\$222.95
Steel Paint Cans	\$222.95
Aluminum (Food & Bev)	(\$622.39)
Other Aluminum	(\$622.39)
Glass – Food and Bev. Flint	\$158.61
Glass – Food and Bev. Coloured	\$150.90
Glass – LCBO Flint	\$158.61
Glass – LCBO Coloured	\$150.90

Source: Stewardship Ontario 2005 Fees Schedule approved by WDO (Table 2 Gross and Net Costs, 2003 data).

### Recent study of municipal contracts identifies good and poor performers

A recent WDO study developed a database that lays out key information on Ontario's 190 municipal programs and helps identify those that are relatively good performers and those that are relatively poorer performers based on a number of measurements.<sup>32</sup>

The best performing *group of municipalities* (described as "Urban Regional") averaged a net cost of \$118 a tonne and a recovery rate of 198 kilograms per household served. The poorest performing group (rural depots in the north) had a net cost of \$617 a tonne and a recovery rate of 74 kilograms per household served. Not unexpectedly, efficiency and effectiveness tends to decrease sharply as programs become more rural and northern in nature, with some programs capturing less than 10 kilograms per household at a cost of over \$1,000 a tonne. One program exceeded \$3,500 a tonne.

<sup>32</sup> A Study of Opportunities for Cost Savings in Municipal Blue Box Contracts, REIC Perth for WDO, April 2005). See [www.wdo.ca](http://www.wdo.ca)



Of the four large urban programs, Guelph stands out as having the highest cost per tonne (\$192) and highest cost per household (\$46). London is the lowest at \$111 per tonne and \$17 per household.<sup>33</sup>

The study identifies forty-eight programs as “comparatively poor value” (see **Table 4 below**) and says the upcoming expiry of some of these collection and/or processing contracts offers an opportunity for corrective action. It also outlines a number of measures that municipalities can take to maximise the number of competitive bids received (a problem in rural areas) and how to improve contract writing.

**Table 4: Ontario Programs Providing Comparatively Poor Value** Source: Report on Ontario Blue Box Material Recovery Facilities, RIS International for WDO, May 2005 available at [www.wdo.ca](http://www.wdo.ca).

		CPV Contracts	I - Integrated C - Collection P – Processing M - Municipal			
	code	Program	Company	End date	Tonnes	Net \$/t
P	521	ADDINGTON HIGHLANDS TOWNSHIP OF	Bowman Industries		103	\$637
P	521	ADDINGTON HIGHLANDS, TOWNSHIP OF	Monco Recycling			
C	703-	ALBERTON, TOWNSHIP OF	Greg's Recvcling	31/03/2003	2	\$1,056
I	600	ALFRED & PLANTAGENET TOWNSHIP O	Sita Ontario 418 St-Louis Gatineau PQ	31/12/2005	402	\$446
P	173	ALGONQUIN HIGHLANDS TOWNSHIP OF	Muskoka Contracting Services		348	\$366
C	282	ATHENS, TOWNSHIP OF	C. Kelly & Son Cartage	5/7/10	120	\$435
C	710	ATIKOKAN TOWNSHIP OF	Recool Canada Inc.	31/08/2008	62	\$985
C	279	AUGUSTA TOWNSHIP OF	Canadian Waste	13/1/2009	585	\$408
I	618	BALDWIN, TOWNSHIP OF	Earth care Waste & Recycling	31/03/2005	9	\$767
M	416	Brudenell, Lyndoch and Raglan Twp.	Renfrew		48	\$684
M	611	Calvin	Nipissing		3	\$847
P	372	CARLING, TOWNSHIP OF	Muskoka Containerized Services	12/2/07	84	\$698
I	508	CARLOW MAYO, TOWNSHIP OF	HGC Management Inc	Unknown	26	\$621
P	629	CENTRAL FRONTENAC TOWNSHIP OF	Kimco Steel Sales Ltd /tire recycling		215	\$333
P	629	CENTRAL FRONTENAC, TOWNSHIP OF	Manco Recycling Systems, Napanee			
P	739	CHAPPLE, TOWNSHIP OF	Greg's Recycling	Dee 31/03	13	\$717
I	429	CHATHAM-KENT, MUNICIPAUTY OF	Waste Management of Canada Corp	31/12/2004	3,747	\$323
I	429	CHATHAM-KENT, MUNICIPAUTY OF	Bluewater Recycling Association	30/11/2005		
I	429	CHATHAM.KENT, MUNICIPAUTY OF	South Buxton Recycling Ltd.	31/12/2005		
I	429	CHATHAM-KENT MUNICIPAUTY OF	Windsor Disposal Services	30/11/2005		
I	214	CORNWALL CITY OF	HGC Management	16/09/2005	2201	\$264
M	758	Dryden	Kenora		174	\$550

<sup>33</sup> The four are Guelph, London, Barrie and Toronto.



I	382	DUTTON. DUNWICH MUNICIPALITY OF	Green Lane Environmental Group Ltd	1/4/11	132	\$394
I	764	EMO TOWNSHIP OF	Greg's Recycling	1/13/07	12	\$1,174
P	774	FORT FRANCES TOWN OF	Koochiching Country Board		167	\$875
M	36	Guelph	Wellington		8,236	\$192
C	172	HAMILTON CITY OF	Halton Recycling Ltd	31/12/2005	30,780	\$167
M	796	Hillard Twp	Timiskaming		3	\$1,097
M	811	Kenora	Kenora		979	\$260
I	324	KINGSTON, CITY OF	BFI Canada Ltd.	31/12/2003	9,669	\$239
I	414	KIRKLAND LAKE TOWN OF	TNR (Teck Northern Roads)	8/10/08	205	\$545
M	835	Machin Twp	Kenora		4	\$3,526
P	375	MCDUGALL, TOWNSHIP OF	SAME AS COLLECTION CONTRACT	OPEN	81	\$1,309
I	375	MCDUGALL TOWNSHIP OF	MUSKOKA CONTAINER SERVICE	OPEN		
M	413	McKellar Twp	Parry Sound		3	\$630
I	89	MUSKOKA DISTRICT MUNICIPALITY OF	Capital Environmental Resources Inc.	18/11/2017	4781	\$330
I	89	MUSKOKA DISTRICT MUNICIPALITY OF	Capital Environmental Resources Inc.	11/19/21		
M	626	Nairn & Hyman Twp.	Sudbury		14	\$503
M	862	Newbury	Middlesex		24	\$388
I	136	NEWMARKET TOWN OF	Capital Environmental Resources Inc.	31/05/2004	6071	\$165
C	630	NORTH FRONTENAC TOWNSHIP OF	Manco Recycling Systems Inc. PO box	31/12/2003	348	\$351
I	39	NORTH HURON TOWNSHIP OF	Brian Leyser Recycling	30/11/2004	201	\$466
C	12	NORTHUMBERLAND COUNTY OF	National Waste Services	1/6/12	6,982	\$249
I	75	ORANGEVILLE, TOWN OF	Core Waste Control	4/7/10	2,082	\$153
C	239	OTTAWA VALLEY WASTE RECOVERY CE	CHV of Pembroke	31/12/2006	2,713	\$546
C	239	OTTAWA VALLEY WASTE RECOVERY CE	Township of Laurentian Valley	31/12/2006		
C	239	OTTAWA VALLEY WASTE RECOVERY CE	Town of Petawawa	31/12/2006		
I	223	PARRY SOUND, TOWN OF	Muskoka Containerized Services	31/12/2007	669	\$249
I	223	PARRY SOUND, TOWN OF	Muskoka Containerized services	1/1/12		
C	270	PEEL REGIONAL MUNICIPALITY OF	Sandhill Disposal and Recycling Inc.	30/04/2005	82,231	\$151
C	270	PEEL REGIONAL MUNICIPALITY OF	Waste Management of Canada	30/04/2005		
I	55	SAULT STE. MARIE CITY OF	Green Circle Environmental	30/09/2012	3852	\$220
C	907	SIOUX NARROWS NESTOR FALLS TOWN	Greg Recycling	31/12/2004	8	\$1974
I	612	SOUTHGATE, TOWNSHIP OF	Canadian Waste	Mar 31/03	370	\$647
I	612	SOUTHGATE TOWNSHIP OF	Core Waste	16/06/2003		
I	8	STRATFORD, CITY OF	Brian Leyser Recycling Ltd.	31/12/2006	2,347	\$193
I	245	THE ARCHIPELAGO TOWNSHIP OF	Muskoka Containerized Services	31/12/2004	211	\$588
I	232	WHITESTONE MUNICIPALITY OF	Muskoka Containerized Services	30/09/2004	6	\$2 901



## Are there too many material recovery facilities (MRFs)?

In the “green” 1980s and 1990s a large number of public and private sector processing centres or MRFs were built across the province, often without due regard for economies of scale. Today the “right” number, location, and type of MRF, and whether it is built with public or private money, are matters of continuing debate, especially now that “industry” is paying 50% of the net cost of the Blue Box program.

A recent study commissioned by the WDO identifies both the capacities and location of MRFs in Ontario and outlines some options for creating greater efficiencies in siting new MRFs and replacing old ones.<sup>34</sup> *In theory*, the province currently has *double* the capacity it needs for processing Blue Box tonnages, but this is *misleading* since not all MRFs handle Blue Box recyclables. Many private sector MRFs only process industrial and commercial materials. The study identifies 64 “Blue Box MRFs” which it defines as either processing Blue Box recyclables or capable and willing to process them. Some 28 were municipally owned and 36 privately owned, operating at an estimated average residue (or wastage) rate of 6.7 percent.

The study acknowledges that “it is fair to say that significant additional (Blue Box) processing capacity (exists) in the province” and it targets several municipalities for special attention:

- Simcoe County should “thoroughly investigate” the option of transferring Blue Box materials to suitable neighbouring MRFs rather than building its own
- the City of Hamilton (about to retrofit its MRF) and the Region of Durham (about to issue a tender for a new regional MRF) should both “thoroughly investigate” opportunities to use remaining Blue Box processing capacity at other MRFs and ensure that their tenders allow for outside municipalities to bid on these services
- Municipalities in eastern Ontario need to assess their processing options because they are currently under-serviced by a patchwork of MRFs with limited remaining processing capacity
- There is also a need, say the authors, to study Ontario’s transfer stations and bulking facilities to help municipalities identify and evaluate options for transferring recyclables to remote MRFs.

“Conflicts often develop between municipalities (over the years) that hinder regional co-operation,” concludes the study. “In addition, the private sector has considerable control of not only what quantities of Blue Box recyclables it is willing to process at each MRF but

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<sup>34</sup> Report on Ontario Blue Box Material Recovery Facilities, RIS International for WDO, May 2005 available at [www.wdo.ca](http://www.wdo.ca).



(also) what tipping fees are charged for these services.” It notes that “WDO and Stewardship Ontario have financial mechanisms available to them (whether to reward or to penalise Blue Box municipalities) to assist in bringing about desired changes and should consider how best to use these to identify viable options and to influence the decisions made by Blue Box municipalities.”

The study notes that two new and large single stream MRFs in Peel and York Regions will mean that 39% of the estimated 2005 Blue Box tonnages processed in Ontario will be for single stream recyclables and that the remaining single stream capacity will jump from 87,000 tonnes to 225,000 tonnes. “As MRF renovations and replacements continue so will the trend to move to more and more commingling of collection and processing systems. Municipal MRFs will hold about 75% of the remaining single stream capacity in 2005.”

Industry insiders say the move to single stream is really being driven by major municipalities becoming involved in organics collection and their choice of how to modify the way they collect both organics and Blue Box materials from households (by changing their collection fleets and truck compartments, for example). Whether such programs actually reduce Blue Box costs is a debatable point (and one that Blue Box stewards are keenly interested in).

Once the choice is made to collect Blue Box materials in a single stream, the municipality loses some geographic (and hence cost) flexibility in where it can send those materials for processing into usable commodities. This is because materials collected in a single stream system can only go to a single stream MRF for processing, because it has specific screens to sort out useful materials from the mix. The municipality cannot send the materials to a two or more stream MRF that may be closer.

Another industry concern is that overall economies of scale are lost when municipalities build and own single stream MRFs that do not handle industrial, commercial and institutional (IC & I) materials. Private sector MRFs, these insiders say, can handle both residential and IC & I streams, providing economies of scale and allowing municipalities to focus more on the Blue Box collection side where they are closer to the householder and thus better positioned to increase Blue Box recovery rates.<sup>35</sup>

### **Will benchmarking municipal performance encourage productivity improvements?**

Measuring the efficiency of a Blue Box program has always been fraught with difficulty since there are a multiplicity of program types and demographic and geographic differences.

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<sup>35</sup> Toronto now has two single stream MRFs, one owned and built by the private sector and one owned by the city but managed by the private sector. The private sector MRF has complete flexibility to improve its economies of scale by also processing industrial, commercial and institutional (IC & I) materials. The city owned facility focuses only on Blue Box materials.



A “benchmarking” process is in development that will enable similar-sized municipalities with similar demographics to assess their relative performance. This benchmarking or “cost-band” approach, in conjunction with a municipal pay-out formula that is tied to efficiency improvements, is intended to drive system costs downward. The question behind the question is whether the programmes used to set the bar of performance within each band are “best in class”, or merely “the best within the band.”

The WDO’s Municipal Industry Program Committee (MIPC) has recently come up with a measure of *individual* program performance that weeds out the better performing programs (those with relatively low cost combined with relatively high recovery) from the not so good performers. This so-called Efficiency and Effectiveness Factor (E & E Factor) will come into effect in 2006, taking \$10 million off the total net cost of the 2006 program and \$14 million off the net cost of the program in 2007.<sup>36</sup>

However, the existing cost bands do not address the larger issue, which is how to optimize the performance of the recycling system *overall*. If cost bands merely pressure municipalities to cut costs but not to improve *the productivity of the system as a whole* (including what happens to materials *after* they leave municipal hands), then the system’s total potential for diversion is reduced. There is no point in collecting material through the Blue Box if it just ends up as residue that someone other than a municipality later sends on to landfill. The Blue Box was never intended to be a secondary garbage collection system.

The following tables outline the performance of three cost bands (large urban, urban regional and small urban) in 2003, ranking them according to the amount of industry funding they will receive in 2005. The percentage of funding is tied to their calculated relative efficiency; that is, the higher the percentage value in the column on the far right the more efficient the program. (The other cost bands are tabled in Appendix A.)

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<sup>36</sup> Approved by the WDO Board at its meeting of July 18, 2005 after agreement was struck by the boards of Stewardship Ontario and the Association of Municipalities of Ontario (AMO).





**Table 5: 2005 Municipal Funding Allocation**

<b>Program Name</b>	<b>2003 Net Program Cost</b>	<b>Revised 2005 Funding</b>	<b>Funding as % of Net Program Cost</b>
<b>Large Urban Program Funding as % of Net Program Cost</b>			
London	\$2,531,857	\$1,478,694	58%
Toronto	\$19,592,037	\$9,859,825	50%
Barrie	\$1,191,871	\$553,130	46%
Guelph	\$1,577,722	\$406,861	26%

**Urban Regional Programs Funding as % of Net Program Cost**

Essex-Windsor Solid Waste Authority	\$1,702,924	\$1,096,513	64%
Waterloo	\$2,574,483	\$1,657,709	64%
Niagara	\$2,590,000	\$1,576,177	61%
Halton	\$3,922,353	\$2,342,855	60%
Ottawa	\$9,464,967	\$4,882,418	52%
Peel	\$12,448,010	\$6,144,859	49%
Durham	\$3,574,576	\$1,638,738	46%
Hamilton	\$5,147,595	\$2,111,997	41%
York	\$6,284,560	\$2,192,401	35%

**Small Urban Programs Funding as % of Net Program Cost**

Orillia	\$259,848	\$167,316	64%
Brockville	\$181,150	\$102,083	56%
Timmins	\$282,759	\$157,634	56%
Orangeville	\$317,576	\$156,380	49%
Owen Sound	\$140,426	\$67,269	48%
Brantford	\$637,122	\$304,260	48%
Sarnia	\$536,357	\$246,959	46%
Newmarket	\$998,934	\$426,401	43%





Peterborough	\$941,140	\$401,344	43%
Thunder Bay	\$658,384	\$273,440	42%
North Bay	\$511,785	\$180,973	35%
St. Thomas	\$248,157	\$85,677	35%
Kingston	\$2,314,677	\$781,368	34%
Stratford	\$453,936	\$141,077	31%
Sault Ste. Marie	\$848,871	\$245,247	29%
Cornwall	\$581,883	\$150,055	26%

The programs highlighted were clearly not performing as well as their peers in 2003. Of primary interest is the performance of the major urban groupings, since they represent the majority of the overall system cost. It will be interesting to see *individual* municipal performance that will be included in a future *Report Card* using both 2003 and 2004 data.

### **The good news is the E & E Fund**

To municipalities' credit, they agreed to set aside 10% of the industry funding due to them under the Blue Box Plan for effectiveness and efficiency improvements. This amounts to about \$9 million available for 2004 – 2005.

The agreed priority of the Effectiveness & Efficiency Fund is to reduce program and system costs with cost containment the goal. Some of the projects already underway include work on program benchmarking and waste audits, improving recycling contracts and tender documents, MRF rationalization and multi-residential recycling. The latter is of particular note because recovery rates for multi-family homes (e.g. apartments) are typically significantly lower than for single-family homes and require a different approach.<sup>37</sup>

This is a positive step towards improving the system, especially on the MRF rationalization and multi-residential recycling fronts. Future reports will monitor the Fund's direction and expenditures closely. The E & E Fund Project Approvals List (tabled March 7, 2005 with WDO) can be found in Appendix B.

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<sup>37</sup> Some 29% of Ontario households are multi-family units, according to 2001 Statistics Canada data quoted in the approved Blue Box Plan, item 6.1.1 Baseline Estimates of Blue Box Waste Generation, page 32.



## 6) TRANSPARENCY

**Transparency ensures that information is available that can be used to measure the performance of authorities and to guard against any possible misuse of powers. In that sense, transparency serves to achieve accountability, which means that authorities can be held responsible for their actions. Without transparency and accountability, trust will be lacking between a government, its agents and those whom it governs.<sup>38</sup>**

*Transparency and accountability are the twin towers enabling good governance. Is the information available good enough to promote trust and ensure good governance of the Blue Box and the current Plan?*

There are three key authorities that have specifically defined roles in the implementation of the Blue Box Program Plan:

- the province through the Ministry of Environment (MOE)
- Waste Diversion Ontario (WDO, an agent of the Ministry) and in turn an industry funding organization (Stewardship Ontario), which reports to the WDO
- Ontario municipalities (responsible for managing Blue Box programs).

There are other industry participants, some of whom are defined as stewards<sup>39</sup> and others such as packaging supplies and end markets who have a role but with no authority (and are not stewards). Another important participant, the public or consumers, is less clearly defined but may be described as having the responsibility to be well informed and to actively participate as much as possible in the recycling programs offered.

### ***What is the Ministry's role?***

While the Ministry of Environment has a broad *environmental* mandate<sup>40</sup>, it has also been struggling with *economic or funding* issues related to the Blue Box for many years. In 2002, this culminated in the passing of the Waste Diversion Act, in response to intense lobbying both by municipalities seeking Blue Box funding and by a coalition of industry sector interests led by CSR, Corporations Supporting Recycling.

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<sup>38</sup> Adapted from an address by Agustin Carstens, Deputy Managing Director of the International Monetary Fund At the Regional Workshop on Transparency and Accountability in Resource Management in CEMAC Countries, Malabo, Equatorial Guinea, January 27, 2005

<sup>39</sup> Stewards are defined in the Blue Box Plan as brandowners and first importers (sections 9.2 and 9.3)

<sup>40</sup> <http://www.ene.gov.on.ca/envision/org/moeintro.htm>



The Waste Diversion Act is what is called enabling or umbrella legislation whereby all those waste streams of interest to the ministry can be gathered together under one piece of legislation rather than having separate legislation for used oil, used paint, used tires, Blue Box materials, electronics, and so on. Specific waste streams such as Blue Box waste can then be defined, industry funding organizations or IFOs set up, and waste diversion plans developed and implemented. The Act is a vehicle for raising funds from industry while allowing it to have some say in the actual management of the programs themselves.

While the umbrella approach suggests some benefits (*in theory* there should be less bureaucracy), it also means that the wording of the legislation is by necessity broad and general. This is because it is intended to apply to a wide range of waste streams that the province plans to designate for action. One practical drawback of Ontario's Waste Diversion Act model, however, has been the continuous (and expensive) exchange of legal opinions and memos between the various participants, to argue, clarify, and define what it all means, and who has the power to do what, and who represents whom.

Political considerations are often paramount in this environment.<sup>41</sup> To some politicians, the Blue Box "levy" must never be seen by the public as a tax, even though ultimately it is Ontario taxpayers and/or consumers who will be paying the bill. To reduce the chances of the law being challenged as a tax, the ministry *pre-determined* how the industry pay-in formula was weighted, tying the fees closely to the estimated costs of managing different materials in the Blue Box and portraying them as a "fee for service."

The overall effect of this politically-driven approach, of course, (as described in the chapter on *Fairness*), is to penalize those materials that are being managed in the Blue Box over those that are less widely collected or not collected at all. In effect, the government's political desire to find new funding sources for the Blue Box took precedence over the principles of fairness and equity. Nor has the ministry been completely honest with the public in describing how the Blue Box "levy" works in practice.<sup>42</sup>

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<sup>41</sup> Political considerations impact many WDO activities. A used oil program, called for by the ministry in March 2003 is stalled (partly over the exact meaning of a phrase in the Act that says any plan shall not "promote" burning). A used tire plan, also called for by the ministry in March 2003 and approved by the WDO, was abruptly withdrawn recently, shortly after the premier said there would be (new) tire "tax" in the province. Many industry and municipal participants are wondering why WDO is going to some considerable expense to develop plans for the ministry only to see them stalled or axed for what appear to be largely political reasons.

<sup>42</sup> Ministry staff insisted on adding two new paragraphs to a WDO report (*Guide to the Blue Box Program*) without the WDO board having the opportunity to discuss them. The additions (in a panel on page 10 of the above document) are *technically accurate* but give a misleading impression. The three-factor industry funding formula does transfer "a small portion" of costs from those materials with the highest recycling rates to those with the lowest recycling rates, and the formula is *intended* to offset the costs of increased diversion. The problem is that the *small portion* makes no significant difference to the overall (100%) impact of the levy, and that while the formula is *intended* to offset the costs of increased diversion, it *patently does not do so in practice*. See examples in the chapter on *Fairness*).



While the ministry is able to portray to the public that the WDO is at arms' length from the government (because it is a non-crown corporation), it is abundantly clear from the Act that it is the provincial minister of the environment (and not the WDO) who calls the shots. It is the Minister who defines and designates waste materials for action, who determines the composition of the WDO and IFO boards of directors, who approves the rules for stewards (including the fee structures), who can make a regulation on any matter related to the Act, and who can announce a review of the Act at any time. In addition to these powers under the Act, the Minister has chosen in what are called Program Request Letters and in other correspondence to the WDO board, to amplify, clarify, and order new activities, often at short notice.<sup>43</sup>

While the Minister has *powers* under the Act, she also has *obligations* to ensure that the Act is followed. Information on the "potential economic impact of a proposed waste diversion program on markets, the waste management industry and consumer prices" was never provided for the Blue Box program despite it being a condition of approval in the draft Operating Agreement between the minister and the WDO. Now that the Minister has signed the agreement (March 8, 2005) this fundamental requirement of good governance should be completed in time for widespread discussion of it during consideration of the 2006 version of the Blue Box Plan.<sup>44</sup>

The same agreement talks about ensuring "openness and transparency to serve the public interest".<sup>45</sup> There is evidence, however, that the ministry has been less than open and transparent in its public descriptions of how the Blue Box Plan works. The paper industry, in particular, has taken the ministry to task for making what it claims are false and misleading public statements about the Blue Box 'levy', challenging the ministry to provide examples to back up its claims over a period of several months. The ministry has failed to do so.<sup>46</sup>

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<sup>43</sup> The Minister's Blue Box Program Request Letter of September 2002 can be found on the WDO website ([www.wdo.ca](http://www.wdo.ca)). When the Plan was approved by the incoming Liberal government in December 2003, new conditions were attached (the development of cost containment policies and practices, policies and practices to encourage effectiveness and efficiency, and an analysis of the financial and operational impact of the Plan on the small business community).

Again, in December 2004, when Minister Dombrowsky approved the 2005 Schedule of Blue Box Fees, she added new requests (that the Plan be amended to allow an expansion of the in-kind contribution from newspaper publishers, an accelerated timeframe for cost containment measures including a study of material recovery facility (MRF) capacities and locations, an analysis of municipal contracts, and a "Plain Language" Report on the Blue Box).

<sup>44</sup> Operating Agreement between Her Majesty the Queen in Right of Ontario as Represented by the Minister of the Environment and WDO, effective June 2, 2003 and signed by the Minister on March 8, 2005. Schedule E outlines "additional information to be submitted for a waste diversion program approval" under Section 26(2) paragraph 9 of the Waste Diversion Act.

<sup>45</sup> Ibid, article 1.01(c)

<sup>46</sup> The paper industry's concerns relate to statements made on page 28 of the MOE's June 10, 2004 Discussion Paper *Ontario's 60% Waste Diversion Goal*. These were to the effect that the Plan's financial incentives encourage companies to use recyclable materials (they don't in the paper industry's view); that companies will pay fewer fees when they package products in materials that are easily recycled (they don't, according to the paper industry); and that there will be less and less recyclable materials used in packaging in the future (doubtful under this Plan, says the Paper & Paperboard Packaging Environmental Council). See PPEC *Infosheet* on Blue Box Myths (May 2005) at [www.ppec-paper.com](http://www.ppec-paper.com)



## What is Waste Diversion Ontario's role?

While the Minister remains ultimately accountable for the Blue Box program, the Act has granted some authority to Waste Diversion Ontario, the non-crown corporation created to develop, implement and operate various waste diversion programs across the province and to monitor their effectiveness and efficiency.<sup>47</sup>

WDO, in turn, has the legal responsibility (if not the final say so) to cause an industry funding organization (IFO) to be established for a designated waste. In the case of the Blue Box, the IFO created was Stewardship Ontario (SO). Stewardship Ontario, in turn, has chosen to delegate its secretariat functions to another industry organization (CSR, Corporations Supporting Recycling).

The industry associations represented on the boards of WDO and SO were not elected by industry at large, however. They were chosen and approved by the Minister. In the case of CSR, its board is elected from among its 30 member companies.<sup>48</sup> This situation has given rise to industry claims of "taxation without representation" whereby companies paying the Blue Box levy, which are not represented on the WDO and SO Boards of Directors, have limited influence. There is also potential conflict of interest since many of the same participants or industry associations sit on the same boards and/or their various committees.<sup>49</sup>

It can be argued, for example, that there was never any doubt that the original Blue Box Plan would be approved by the ministerial-appointed WDO board of directors since seven of the 13 votes at the February 2003 meeting to consider the Plan were also represented (by their respective industry associations, in some cases) on the board of Stewardship Ontario, the IFO tasked with producing the Plan in the first place.<sup>50</sup> Indeed, as the chair of the WDO Board (at least in its first year), CSR had a further tie-breaking vote, if that were necessary.

The same participants and/or industry associations continue to have a majority vote on Blue Box issues, and as members of the WDO board, are charged with reviewing the performance of their own Plan every year. One item they could immediately address is the WDO's obligation under the Operating Agreement and section 26 (2) paragraph 9 of the Act to provide "information on the potential impact of (the Blue Box Program) on markets, the waste management industry and consumer prices."<sup>51</sup>

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<sup>47</sup> Section 5 of the Waste Diversion Act

<sup>48</sup> Spring 2005 membership, [www.csr.org](http://www.csr.org). This list was modified 07/12/2005

<sup>49</sup> Appendix C contains a list of the industry representation on the WDO, SO and CSR.

<sup>50</sup> WDO Board Minutes of February 19, 2003.

<sup>51</sup> Schedule E of Operating Agreement, Ibid. See footnote 44.



This obligation, and others set out in section 5 of the Act, are meant to be “carried out in a responsible, complete and thorough manner, and on a timely basis.”<sup>52</sup> The WDO Board also recently failed to act on a suggestion from its executive director that it may wish to undertake an assessment of the effects of the Blue Box Program Plan on Ontario’s marketplace, something the WDO is obligated to do under section 5 (c) of the Act.<sup>53</sup>

The governance model adopted for the WDO and SO thus raises legitimate concerns of individual companies or industry associations taking positions for their commercial benefit and/or asserting commercial pressures on their competitors and/or customers. The WDO *does* have a Code of Conduct<sup>54</sup> and Stewardship Ontario has recently recommended changes to its board structure to make it more representative.<sup>55</sup> But individual stewards will not have one vote per steward at annual general meetings, for example. Their vote will be allocated in proportion to their size of financial contribution by sector group.

There is also concern over the role of CSR as secretariat to Stewardship Ontario. CSR is an industry organization in its own right with an agenda of its own and a responsibility to its own board of directors<sup>56</sup>. How can these roles be satisfactorily separated from its secretariat functions on behalf of Stewardship Ontario? Have all potential conflicts of interests been appropriately declared? One way of avoiding these overlapping areas of policy direction and influence and potential conflicts of interest would be for Stewardship Ontario to have its own separate executive director and staff with no direct or indirect links to any other industry association.

While it is brand owners and first importers who are clearly targeted for Blue Box fees and who should have first consideration for representation on the WDO and SO boards, there are other industry participants such as material suppliers and end-markets who are impacted by their deliberations and decisions on Blue Box matters. This was recognized in the development of and selling of the Plan to government but has been downgraded since.<sup>57</sup>

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<sup>52</sup> Operating Agreement, article 4.02

<sup>53</sup> Blue Box Monitoring discussion at WDO Board Meeting, January 19, 2005.

<sup>54</sup> WDO website [www.wdo.ca](http://www.wdo.ca)

<sup>55</sup> SO is recommending a 15-member board of directors based on the following allocation: consumable products (6 representatives), retailers and distributors (4 representatives), Liquor Control Board of Ontario (LCBO) (2 representatives), printed media (1 representative), durable products (1 representative), and a director at large. It is also recommending the establishment of three committees (Executive, Policy and Technical) to allow for broader input.

<sup>56</sup> CSR appears to operate as three different entities: as Corporations Supporting Recycling, Corporations Sharing Responsibility and Corporations in Support of Recycling ([www.csr.org/pdf/historical\\_overview.pdf](http://www.csr.org/pdf/historical_overview.pdf)). It is widely perceived as being dominated by bottler and large grocery retail interests who are opposed to any consideration of a deposit system existing alongside the Blue Box (the hybrid approach in most other Canadian provinces). This hinders an independent analysis of this option for Ontario and a rational look at alternatives for the province.

<sup>57</sup> SO established a Materials Packaging Advisory Committee to develop the methodology for allocating costs to Blue Box materials, which the committee achieved in record time, but then basically terminated the committee once the Plan was approved. There has been little interaction between CSR/SO and the material supplier/end-market industries since, although SO is now recommending such representation on proposed new committees. The



On a practical level, this has given minimal or no time for these industry sectors to respond to documents presented to the WDO Board, and has encouraged a climate of mutual frustration and distrust. Much of the operational aspects of the Blue Box Plan, for example, have to do with the materials collected and processed in the Blue Box, and where they end up. The WDO Committee which focuses on these issues (Municipal–Industry Program Committee or MIPC) has no industry representation on it apart from SO/CSR staff (who do not represent the paper, plastic, glass, aluminum or steel industries).

### **What is the municipal role?**

Municipalities are responsible by law for the operation (but not necessarily the management) of their Blue Box programs, and for submitting Blue Box tonnage and financial data to the WDO for verification on an annual basis. The establishment of protocols on waste audits, collection and processing costs, capital investment (direct and indirect), and performance benchmarking with Stewardship Ontario through the WDO's MIPC Committee, in addition to the operation of the Effectiveness and Efficiency Fund, are to be highly commended. The amount of data and analysis of municipal programs on the WDO website is unheralded.

Two areas where municipal accountability and transparency could be bolstered are the public acknowledgement to their respective taxpayers that Blue Box funds are now coming from industry, and declaring exactly where these Blue Box funds are being dispersed. When municipalities lobbied for Blue Box funding from industry prior to the passing of the Waste Diversion Act they made great political play about how they would have to close down their Blue Box systems for lack of funds.

Now that they have those funds, in most cases there does not seem to be a clear trail for either taxpayers or industry to see whether the money provided is actually going towards Blue Box costs. It may go into the broader residential waste management budget or just to the general municipal fund with absolutely no guarantees it will be used for anything to do with waste management.

Municipalities have a responsibility to their taxpayers to account for these funds. Some 11 Ontario municipalities or municipal groupings have dedicated waste management boards where taxpayers can clearly see that the industry money provided is dedicated to waste management. In all other cases, there seems to be no transparent mechanism for assuring taxpayers and industry that its contribution is being appropriately used.<sup>58</sup>

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WDO is also supporting a recommendation from the material supplier/end-market industries for the creation of a Markets Committee, chaired by the WDO Executive Director.

<sup>58</sup> These programs include: Essex-Windsor Solid Waste Authority, Bluewater Recycling Association, Bruce Area Solid





## 7) FAIRNESS

**The concept of administrative fairness is based on the recognition of ‘natural justice’ or ‘procedural fairness’ which has evolved through the courts to ensure that decisions of administrative bodies are arrived at fairly. In Ontario, as in other jurisdictions, there are standards which the Office of the Ombudsman uses to evaluate decisions and actions or omissions of governmental organizations. These standards have been used as a guide to evaluate the fairness of the Blue Box Program Plan.<sup>59</sup>**

*Is the way the Blue Box Plan works fair? If not, who within the system is being treated unfairly and how can this be remedied?*

Section 5 (c) of the Waste Diversion Act says that any waste diversion program developed under the Act “shall seek to ensure that...(it affects) Ontario’s marketplace in a fair manner.” In August 2003, Waste Diversion Ontario asserted that the Blue Box Program Plan that it had developed with Stewardship Ontario did, in fact, meet these requirements, in the following ways:

- (1) there was extensive consultation with potential stewards, materials and packaging suppliers, municipalities and the public
- (2) a broad range of stewards and their material and packaging suppliers were directly involved in the development of the Plan
- (3) a key principle underpinning the cost allocation and fee setting methodologies was that there would be no cross-subsidization of packaging and printed paper material groups
- (4) that stewards had a clear incentive to ensure that all designated Blue Box wastes were treated in a fair and equitable manner and that all material and packaging options remained available to them
- (5) that the Plan addressed all Blue Box materials in the Ontario market, regardless of whether they were produced in the province or imported
- (6) that the proposed fee setting methodology supported the stated purpose of the Act, encouraged diversion, and had the intention of “providing a financial incentive to achieve higher diversion rates”, encouraging stewards “to select materials that (had) a lower net cost to manage”, and sharing Blue Box Plan costs across all Blue Box materials

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Waste Recycling Association, Ottawa Valley Waste Recovery Board, Centre & South Hastings Recycling Board (Quinte), Cochrane-Temiskiming Waste Management Board, Almaguin Recycling Initiative, Tri-Neighbours, Hawkesbury Joint Recycling, R.A.R.E, East Nipissing Recycling Association and Pembroke and Area Recycling Board.  
<sup>59</sup> Source: Ombudsman Fairness Standards.





- (7) that the board of Stewardship Ontario, collectively representing more than 90% of potential Blue Box stewards, had concluded that the Plan treated all affected companies in a fair manner, and
- (8) that the WDO Board had reviewed and approved all elements of the Plan and had concluded that the Plan as submitted treated all affected companies in a fair manner.

Not all stewards would agree with the WDO's assertions of fairness and/or their completeness. For example, while it appears true that there is no cross-subsidisation between printed paper and packaging *groups* (Assertion # 3), there is clearly cross-subsidisation *within the collective packaging group itself*, creating the potential for unfairness in the commercial marketplace. The most obvious example of this is the \$6.3 million net benefit that aluminum contributes to the program that is then shared among glass, plastic, steel and paper packaging stewards.

There is also cross-subsidisation *within* packaging material groups. For example, paper laminants are cross-subsidised by other paper packaging materials and polystyrene and plastic laminants cross-subsidised by other plastics packaging.<sup>60</sup>

It is Assertion # 6 regarding how the fee-setting methodology works, however, that is most clearly misleading and unfair in practice. The assertion is that the proposed fee setting methodology supports the stated purpose of the Act, encourages diversion, and has the intention of "providing a financial incentive to achieve higher diversion rates," encouraging stewards "to select materials that (have) a lower net cost to manage," and sharing costs across all Blue Box materials.

### **Fees do not provide "a financial incentive to achieve higher diversion rates"**

*Technically* it is correct that there is a financial incentive within the overall industry levy formula to achieve higher diversion rates, but this is inconsequential in the total impact of the end-fee to stewards. The overall (100%) impact of the fee is to penalise those materials with the highest recycling rates, something the WDO itself has pointed out to the Minister:

"Under the current weighting factors in the formula, those materials with the highest recycling rates (and therefore the stewards of those materials) will attract the highest costs."<sup>61</sup>

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<sup>60</sup> The fee for paper laminants is calculated at \$87.78 a tonne but its stewards pay only the collective "paper packaging" fee of \$79.04 a tonne. This situation is similar with plastics packaging. The collective plastics packaging fee is \$139.07 a tonne, effectively cross-subsidizing polystyrene and plastic laminants, calculated at \$152.47 and \$353.80 a tonne respectively. Source: Stewardship Ontario 2005 Fees, approved by WDO and the Minister).

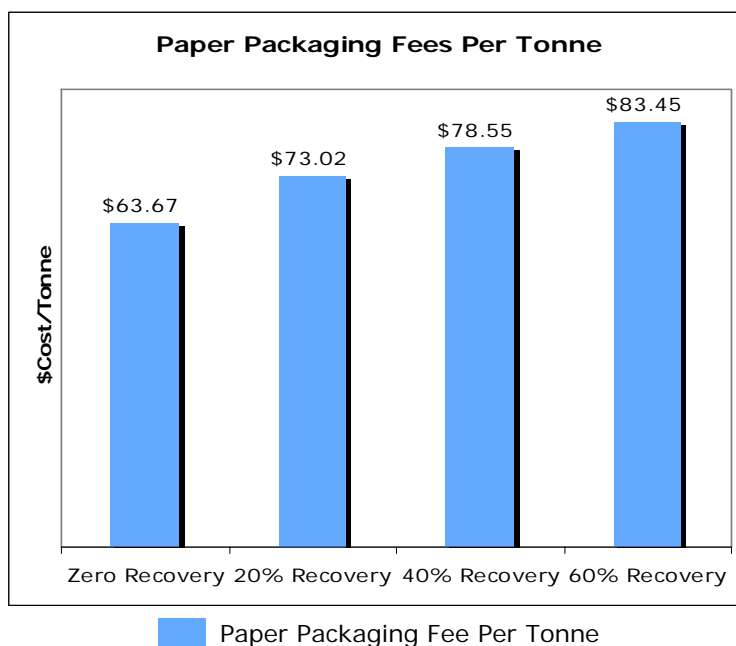
<sup>61</sup> *WDO Recommendations on 60% Diversion of Blue Box Waste, Material Specific Targets, Municipal Benchmarks*, April 30, 2004, section 5.1.2.



The WDO also notes elsewhere that because the “fees paid by stewards are tied in large measure to the cost of managing the amount of each material type recovered, there is a potential for *a growing inequity (emphasis added)* in the fee rates paid by stewards of materials with the lowest recycling rates who could not be making a fair contribution to total system costs.”<sup>62</sup>

Three examples of how the levy works *in practice* are given in the following tables. The tables show the increase in steward fees up to 60% recovery. In each case, the overall impact of the fees is to discourage greater recovery. Why would users of paper packaging encourage greater recovery of paper packaging when the fee for 60% recovery is 31% higher than no recovery? Why would users of plastic packaging push for greater plastics recovery when their fees for 60% recovery are almost 700% higher than if no plastic was recovered for recycling? These are *reverse incentives* to recycle and act as a *disincentive* to increase recovery (contrary to the stated purpose of the Waste Diversion Act itself).<sup>63</sup>

“The *more* you recover, the *more* it costs! It’s cheaper *not* to collect plastic packaging!”

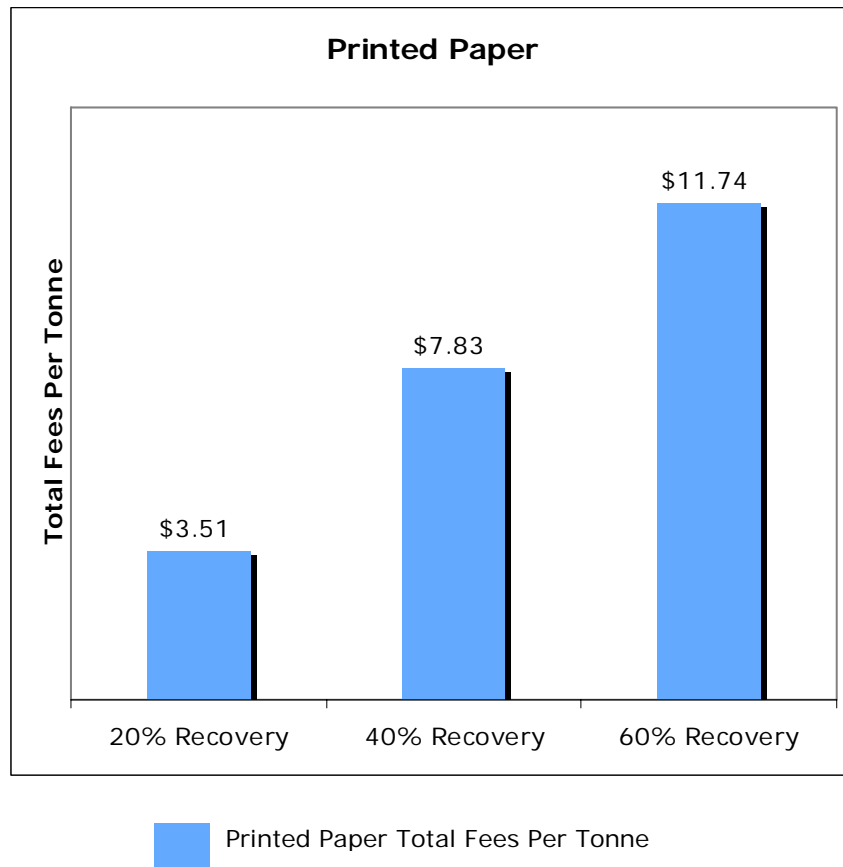


<sup>62</sup> Ibid. section 5.2.2

<sup>63</sup> Purpose of the Waste Diversion Act, section 1: “to promote the reduction, reuse and recycling of waste ...” It is somewhat ironic that the current chair of the WDO spoke out against such “reverse incentives” when commenting on Bill 90, which became the Waste Diversion Act in 2002. The CEO/President of CSR, who is also the CEO of SO, is reported as stating that “the legislation and regulations should not allow free riders to shirk their responsibilities or create a disincentive to use recyclable materials.” See Appendix D.

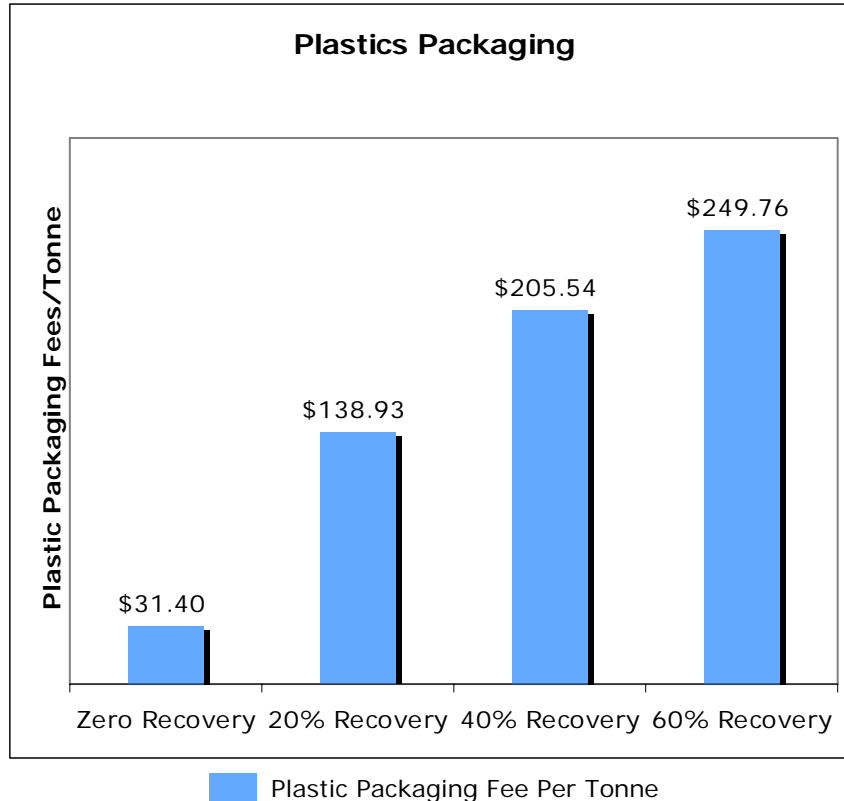


“The *more* you recover the *more* it costs! It’s cheaper *not* to collect paper!”





“The *more* you recover, the *more* it costs! It’s cheaper *not* to collect plastic packaging!”



Source: PPEC Infosheet May 2005 and presentation to WDO Board (January 2005).

The WDO’s warning about the potential for a “*growing inequity*” in the fee rates and widespread recognition of the reality of how the fee scheme actually works in practice, appear in stark contrast to recent statements by former environment minister, Leona Dombrowsky.<sup>64</sup>

In December, Minister Dombrowsky told the Canadian Institute that Ontario was “shifting (its) emphasis to ensure that good environmental players are rewarded and bad players are penalized.” Earlier, in October 2004, she said that the Liberal government planned “to send a clear message that in Ontario, good performers are rewarded with incentives while polluters will pay for their actions.” *The current Blue Box industry formula does the reverse.*<sup>65</sup> *Nor does industry have any control over what materials municipalities collect.*

<sup>64</sup> New Minister Laurel Broten appointed in June 2005.

<sup>65</sup> Hon. Leona Dombrowsky to Canadian Institute, 7<sup>th</sup> Annual Conference, December 8, 2004 and to Joint Meeting Canadian Manufacturers & Exporters/Ministry of Environment, October 5, 2004.



**The fees do not encourage stewards to “select materials that have a lower cost to manage”.**

There is no clear evidence of stewards switching packaging to materials with a lower net cost to manage. If the fees were achieving this objective, the market would reflect the following order: (1) aluminum (2) glass (3) steel (4) paper (5) plastic. This is not the current market profile. Indeed, WDO itself has noted to the Minister that plastic film, some of the rigid plastics and composite materials are among “the fastest growing components of Blue Box waste.”<sup>66</sup> The province itself, through the government controlled LCBO, this month introduced a new composite or multi-material package for wine and expects more such composite packaging for wine products to follow.<sup>67</sup>

**The targets set for material recovery are unfair**

The unfairness in the industry pay-in formula is exacerbated by the diversion targets in the Blue Box Plan and by the proposed strategies to achieve them. The existing and ministry approved differential recovery rates in the Plan (Table 6.6 of the Blue Box Plan, page 39) are *already discriminatory*. The recovery target for printed paper and paper packaging is 58% but it is only 19% for plastic and 48% for aluminum. The more material recovered under the existing formula, the higher the fees paid by those stewards.

The Ministry of Environment has also announced a policy goal of achieving a 60% Blue Box diversion target by 2008. To accomplish this, Stewardship Ontario and Waste Diversion Ontario are promoting increased recovery based on what is called a “*next least cost tonne*” approach. What this means is that the efforts of Stewardship Ontario and municipalities will focus on recovering materials that are relatively low in cost to recover and in sufficient tonnages in households to meet the minister’s target.

The WDO is recommending that residential printed paper, corrugated boxes, magazines and telephone directories become province wide mandatory Blue Box collectibles. “Based on their weight to volume ratios, market demand, and market price these materials represent the next least costly tonnes available for recovery.”<sup>68</sup> Under an industry funding formula that penalises higher recovery, that simply means that paper stewards will pay higher fees while stewards of the “*most cost*” tonnes will pay relatively less.

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<sup>66</sup> WDO Recommendations on 60% Diversion of Blue Box Waste, Material Specific Targets, Municipal Benchmarks, section 5.2.2.

<sup>67</sup> “French Vintner, LCBO touting LCBO wine in a juice pack”, *Toronto Star*, page. D1, August 6, 2005

<sup>68</sup> WDO Recommendations on 60% Diversion of Blue Box Waste, section 4.1.



## **There has been no economic impact study of the Blue Box Plan**

As pointed out in the chapter on Transparency, the Blue Box Plan has not met a condition of its approval because the Operating Agreement between the Minister and WDO had not yet been signed. That agreement is now signed and CERB expects that significant “information on the potential economic impact of (the Blue Box Program Plan) on markets, the waste management industry and consumer prices” will be available well before discussion of the 2006 Blue Box Plan fee structure.<sup>69</sup>

The Plan has fundamental economic impacts on a broad range of stakeholders and it is irresponsible of any government to not address this issue, especially when it is claiming to support small and medium enterprises and to promote Ontario recycling industries.

It is curious that so much attention has been paid to ensuring that municipalities are rewarded for better performance through changes to the municipal Blue Box **pay-out** formula but absolutely no apparent action is taken to reward the better performers on the industry **pay-in** side. This is a fundamental unfairness that the Liberal government needs to address urgently. It is not acceptable for the province to sit back and wait for more “consultation” on this issue with a view to maybe doing something next year.<sup>70</sup>

The demonstrated unfairness in the Act and in the industry pay-in formula demands a review of the Act itself, which the minister has authority to announce at any time (section 44 of the WDA). The inequities in the existing Act and Plan are so substantial that stalling a review of the Act until the legal five-year review obligation date (June 2007) will only exacerbate the tensions that already exist over this issue. The government has enough evidence to act now and should move to rectify the Plan’s fundamental unfairness as soon as possible.

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<sup>69</sup> Schedule E of Operation Agreement, see chapter on Transparency.

<sup>70</sup> Stewardship Ontario told WDO in July that it did not intend to change the current industry funding formula for 2006 fee purposes but would be undertaking “a separate comprehensive review and consultation program specific to the fee calculation methodology prior to setting fees for the 2007 program year.” (WDO Board Meeting, July 18, 2005).



## 8) SUSTAINABILITY

The traditional explanation of sustainability (a condition or state) hails from the Brundtland Commission<sup>71</sup> whereby *sustainable development* was popularized as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” The Oxford Concise Dictionary of Ecology<sup>72</sup> defines it as “*economic development that takes full account of the environmental consequences of economic activity and is based on the use of resources that can be replaced or renewed and therefore are not depleted.*”

*The Minister<sup>73</sup>, the MOE, WDO and SO have used the word "sustainable" in relationship to the Blue Box in various ways. What do they really mean, and does it meet all three criteria indicated above (economic, social and environmental sustainability)?*

The Minister, MOE and WDO use sustainability in almost purely *economic* terms. Minister Dombrowsky<sup>74</sup> has referred to the Blue Box Plan as providing a "sustainable system to keep (materials) out of landfills"<sup>75</sup> and has described the "sustainability of the Blue Box Program Plan through public-private cost-sharing an essential element of the province's overall waste management strategy."<sup>76</sup> There are two problems with these statements. One is that sustainability is not just about funding. Two, not all the materials being collected in the Blue Box are being treated as recyclables, some are sent directly to landfill, and some are funnelled through a second party before being sent.

An MOE press release<sup>77</sup> puts it more bluntly: "This (50% funding by industry) will make municipal Blue Box programs sustainable ...". The WDO Annual Report for 2004 echoes this emphasis on *financial* support: "Ontario municipalities have for the first time in over a decade, sustainable funding for their Blue Box programs."<sup>78</sup>

<sup>71</sup> Our Common Future, The World Commission on Sustainable Development, Oxford Press, 1987.

<sup>72</sup> Allanby, Michael, Oxford Concise Dictionary of Ecology: Oxford University Press, 1994.

<sup>73</sup> Minister Dombrowsky has changed portfolios since this time, replaced by Minister Broten.

<sup>74</sup> Focusing on one aspect of sustainability is not uncommon. However, when the Minister of the Environment is responsible for protecting the environment, it is unusual to focus on the economic aspect at the risk of ignoring environmental and social aspects.

<sup>75</sup> Minister Dombrowsky, letter to WDO, SO and the Association of Municipalities of Ontario (AMO) of November 18, 2004.

<sup>76</sup> Minister Dombrowsky, letter to WDO of December 30, 2004.

<sup>77</sup> MOE News Release of January 4, 2005.

<sup>78</sup> Bas Balkissoon, WDO Chair, WDO Annual Report, 2004.



*Does 50% industry funding of the Blue Box Program make it truly sustainable, however? Is something economically sustainable when there is no cap on what the program's net cost might be in any particular year and when the current (2003) net cost or shortfall was \$117.5 million? A business could not continue to operate under such conditions for long.*

A more accurate picture of the Program's overall *economic* sustainability would be to factor in the *avoided costs* of landfill operation, siting and closure, but Ontario municipalities strongly resisted a full activity-based costing approach to the Program Plan.

There is clearly more to sustainability than just funding a shortfall in Blue Box operational costs.

### **How should sustainability of the Blue Box be defined?**

Would sustainability of the Blue Box mean that it genuinely diverts waste from landfill with the costs shared appropriately and where all parties (government, industry and the public) participate in an appropriate and timely manner? If yes, then one could agree with the *goal* of the Blue Box Program<sup>79</sup>.

To be sustainable, the Blue Box would have to meet the three criteria affiliated with the "triple bottom line": economic prosperity, environmental quality and social equity<sup>80</sup>. This means that:

- the costs of the Blue Box should be shared without disbenefit to any one stakeholder, or component of the total system,
- it should improve the quality of the environment (and not merely shift environmental burden to another issue or geographic location). To achieve this goal it is expected that real improvements in total diversion should take place, and not just credit one group of stakeholders for temporary avoidance. In addition, this increase in diversion should not be gained at the disbenefit of another aspect of the environment, such as increased greenhouse gases.
- it should be fair to all the stakeholders that are part of the recycling system (this includes consumers right through to end markets and back to consumers supporting the cradle to cradle option, not cradle to grave)<sup>81</sup>. This does not mean that stakeholders are expected to do the same things. Rather each shareholder group is

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<sup>79</sup> *Guide to the Blue Box Program*, WDO, Feb 15 2005, Item 2, page 2 and page 35 of the Blue Box Program Plan Section 6.2.1

<sup>80</sup> The concept of the Triple Bottom Line (TBL) was first introduced by John Elkington in "Triple bottom line revolution - reporting for the third millennium" *Australian CPA* November 1999. It is one way to discuss all three aspects of sustainability.

<sup>81</sup> At one time environmental policies in general favoured the concept of taking responsibility from cradle to grave, this meant to include the option of disposal. There is a new view being discussed where the control and influence of governments and producers of goods and services should be on cradle to cradle. This infers closing the loop on the product or service with emphasis on design. As 70% of the environmental and economic costs are in design, this option provides value and competitive advantage when properly understood and applied. At this time it is still a novel concept not well embraced by any group.





expected to understand its respective role in the recycling system and to meet its responsibilities to make the recycling system operate in a productive manner.

In a utopian situation, preference should be given to doing *better with less*. The focus of those involved with the ongoing management of the Blue Box should be on improving productivity. Materials collected through the Blue Box would serve as feedstock to the industries supporting it (stewards and end markets) and favour recycling, with preference to closed loop opportunities over downcycled<sup>82</sup> options.

Where distance from markets creates other problems and adds to the environmental and financial costs of a program, or where the technology limits the ability for the recycling system to process 'waste materials' back into a form that could be used to displace virgin material, there are two preferred options. One is to fall back on downcycling as an option or to return the material to the base currency of productivity, which is energy. While these are not recognized as preferred options by the Waste Diversion Act, these would still result in diversion from landfill.

The Ministry's reasoning on the *environmental* benefits of the Plan is somewhat confusing. The MOE appears to believe that "design for recyclability" will "reduce Blue Box costs" and/or "increase Blue Box revenues," according to a press release and media backgrounder of December 30, 2004. However, most Blue Box materials are *already recyclable* (almost 100% of printed paper and about 80% of packaging), as CERB has pointed out elsewhere in this Report Card). Would re-designing the 20% of packaging represented by paper and plastic laminants, plastic film, other plastics and aluminum foil **really** reduce Blue Box costs by much? Some of these material categories address specific needs (technical, health and safety, etc.) for the products inside. If the Ministry is serious about pushing "design for recyclability", why is the provincial crown corporation, the LCBO, openly encouraging the use of more 'composite' packaging that has one of the lowest recovery rates?

As for "design for recyclability" increasing Blue Box revenues, revenues for Blue Box materials come from the sale of commodities on regional and international markets over which Ontario (population 12 million) has absolutely no control.

Nor should the issue of social equity be forgotten. The Blue Box system should be fair to all stakeholders. That is, responsibility for the system must be borne equally. How this is applied varies depending on the role of the stakeholder within the system. This includes the participation of the householder, good policies and practices from governments, competitive markets for feedstock, and support from industry to improve its operations towards a more sustainable position, based on the stability of a triple bottom line.

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<sup>82</sup> Downcycling results when the practice of recycling a material occurs in such a way that much of its inherent value is lost (for example, recycling plastic into park benches or glass into aggregate).  
[http://www.mbdcc.com/ref\\_glossary.htm](http://www.mbdcc.com/ref_glossary.htm)



Evidence indicates that the level of Blue Box diversion inferred in public documents is misleading and that not as much diversion is *actually achieved* as inferred. There is concern that productivity of the whole system is down.<sup>83</sup> Local Ontario recycling industries have noted a drop off in the quality of the Blue Box feedstock supplied to them in recent years. In some cases, because they need the feedstock, they have managed their best with it, at an increased cost. The remainder, if too contaminated, is then sent to landfill, at their cost. The net result is that the goal of diversion is not attained. In some cases, recyclers have to search for cleaner industrial sources of material, and not use municipal sources.

The impact of the industry funding formula has caused commercial disruption in the marketplace. There have been a few reported cases where expansion of an industry has been curtailed or moved to another marketplace, with the funding formula being tagged as the straw that broke the proverbial camel's back. Intended or not, an Ontario government agency with representation on both the WDO and Stewardship Ontario Boards of Directors is openly encouraging changes to packaging materials with lower recovery rates.<sup>84</sup>

Given that it is householders who make the initial decision to divert or dump by their actions, WDO data indicates that the householder could do a lot more to help the Blue Box. How can they be made aware of this opportunity?

If the Ministry of the Environment and the Liberal government were serious about sustainability (in all its aspects) it would be addressing the following with actions:

- (1) What is the best option (sustainably) for each material in Ontario households? Is recycling the best recovery option for all materials? If not, which ones? What are the options for other materials? A Review Panel commissioned by the government recently recommended that it "undertake an independent study of the life cycle of beverage alcohol containers, focusing on different management systems (e.g. bottle return/reuse, Blue Box/recycle) in an effort to determine the best approach for Ontario's containers." <sup>85</sup> Why not do it?

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<sup>83</sup> In the 1950's, productivity was limited to being a cost reduction strategy. However, it has evolved into a means to enhance quality, increasing the quality and quantity of the output by optimizing the throughput of a process. Merely increasing the appearance of recovery rates through the creative use of definitions does not result in productivity improvements. For example, collecting a material in the Blue Box and then shipping it off to landfill directly or through a secondary party does not improve the productivity of Ontario. Nor does it lessen the dependency of the province on landfill.

<sup>84</sup> [http://www.lcbo.com/socialresponsibility/french\\_rabbit\\_information.shtml](http://www.lcbo.com/socialresponsibility/french_rabbit_information.shtml)

An LCBO promotional brochure on the wine, French Rabbit, contends that aseptic cartons are less costly to recycle than glass bottles. According to SO numbers, approved by WDO and the MOE, aseptic cartons are *five times* more expensive to recover in the Blue Box on a net cost per tonne basis than coloured glass. Aseptic cartons cost \$752.60/tonne whereas LCBO coloured glass costs \$150.90, according to Stewardship Ontario. Aseptics have a low recovery rate.

<sup>85</sup> *Strategy for Transforming Ontario's Beverage Alcohol System*, A Report of the Beverage Alcohol System Review Panel, July, 2005.



- (2) What is the best and most effective way to give incentives to preferred sustainable behaviour and disincentives to non-preferred behaviours?
- (3) What is the overall impact on Ontario recycling industries of the current Blue Box system of collecting up to 24 different material categories? Is *real* diversion being achieved? What percentage of Blue Box materials "sent to market" by municipalities actually end up being recycled? Is the Blue Box by the quantity, range of materials and way in which they are assembled in danger of becoming a secondary garbage service?



## Appendices

### Appendix A

The following tables outline the performance of three cost bands (rural regional, rural collection north and rural collection south) in 2003, ranking them according to the amount of industry funding they will receive in 2005. The percentage of funding is tied to their calculated relative efficiency; that is, the higher the percentage value in the column on the far right the more efficient the program.

#### Rural Regional Programs Funding as % of Net Program Cost

Bruce Area Solid	\$409,012	\$263,363	64%
Quinte Waste Solutions	\$1,368,091	\$814,295	60%
Northumberland	\$1,735,533	\$725,041	42%
Oxford	\$1,299,972	\$491,768	38%
Brant	\$268,024	\$101,101	38%
Bluewater Recycling Association	\$2,451,856	\$902,055	37%
Greater Sudbury	\$2,106,860	\$702,549	33%
Haldimand	\$558,680	\$172,718	31%
Peterborough	\$935,616	\$280,271	30%
Norfolk	\$686,518	\$204,805	30%
Wellington County Recycling	\$984,528	\$280,468	28%
Muskoka	\$1,579,451	\$414,909	26%
Chatham-Kent	\$1,209,909	\$316,148	26%
Simcoe	\$3,682,979	\$959,067	26%
Kawartha Lakes	\$2,033,137	\$524,303	26%
Ottawa Valley Waste Recovery	\$1,479,994	\$381,659	26%

#### Rural Collection North Program Funding as % of Net Program Cost

Black River-Mason	\$3,845	\$2,476	64%
Armour	\$42,942	\$26,500	62%
Elliot Lake	\$52,431	\$26,181	50%
West Nipissing	\$112,095	\$52,563	47%
Johnson	\$6,988	\$3,188	46%
Kenora	\$254,981	\$114,075	45%
Espanola	\$55,533	\$22,993	41%



Parry Sound	\$166,853	\$50,844	30%
Prince	\$14,680	\$3,889	26%
Baldwin	\$6,685	\$1,724	26%
Carling	\$58,833	\$15,172	26%
Fort Frances	\$146,251	\$37,715	26%
The Archipelago	\$124,195	\$32,027	26%
Dryden	\$95,899	\$24,730	26%
Almaguin Recycling Initiative	\$126,798	\$32,698	26%
Central Manitoulin	\$87,054	\$22,449	26%
Atikokan	\$61,317	\$15,812	26%
Tri-Neighbours	\$20,685	\$5,334	26%
Nairn & Hyman	\$7,062	\$1,821	26%
Chapple	\$9,029	\$2,328	26%

**Rural Collection South Program  
Funding as % of Net Program  
Cost**

Southwold	\$15,224	\$9,803	64%
Hanover	\$31,602	\$20,349	64%
West Grey	\$81,076	\$52,205	64%
Tay Valley	\$36,942	\$23,787	64%
Edwardsburgh Cardinal	\$46,540	\$29,967	64%
Chatsworth	\$35,633	\$22,944	64%
East Luther Grand Valley	\$35,675	\$22,971	64%
Perth	\$56,711	\$36,516	64%
Prescott	\$25,764	\$16,589	64%
Elizabethtown-Kitley	\$44,922	\$27,941	62%
Gananoque	\$43,400	\$26,888	62%
Morris-Turnburry	\$22,841	\$12,976	57%
West Perth	\$46,403	\$25,570	55%
Georgian Bluffs	\$98,027	\$52,923	54%
Russell	\$139,891	\$71,494	51%
Stone Mills	\$83,944	\$42,122	50%
Beckwith	\$62,431	\$29,436	47%
Mono	\$115,842	\$54,480	47%
Drummond-North Elmsley	\$79,753	\$37,392	47%
Smiths Falls	\$77,644	\$36,244	47%
Bonnechere Valley	\$20,865	\$9,515	46%
Shelburne	\$47,857	\$21,736	45%



Clarence-Rockland	\$290,928	\$130,942	45%
Mississippi Mills	\$132,455	\$58,160	44%
North Dundas	\$226,171	\$97,034	43%
Thames Centre	\$179,193	\$76,800	43%
Meaford	\$160,341	\$61,560	38%
Deep River	\$51,674	\$19,100	37%
South Stormont	\$119,743	\$42,519	36%
St. Clair	\$120,759	\$41,523	34%
Madawaska Valley	\$120,075	\$40,403	34%
Loyalist	\$271,430	\$90,205	33%
Mulmur	\$143,027	\$45,841	32%
West Elgin	\$48,677	\$15,169	31%
Montague	\$67,893	\$21,079	31%
Whitewater Region	\$102,930	\$31,577	31%
Mcnab-Braeside	\$132,494	\$39,892	30%
Arnprior	\$113,686	\$34,207	30%
South Dundas	\$82,666	\$24,513	30%
Hawkesbury Joint Recycling	\$273,901	\$73,748	27%
Bayham	\$88,253	\$23,100	26%
Carleton Place	\$134,394	\$34,886	26%
North Stormont	\$79,474	\$20,498	26%
Carlow Mayo	\$16,254	\$4,192	26%
Huron East	\$17,992	\$4,640	26%
Merrickville-Wolford	\$20,660	\$5,328	26%
Howick	\$23,642	\$6,097	26%
Casselton	\$43,453	\$11,206	26%
Plympton-Wyoming	\$178,361	\$45,996	26%
Alfred & Plantagenet	\$179,536	\$46,299	26%
The Nation	\$188,091	\$48,505	26%
Renfrew	\$127,571	\$32,898	26%
Highlands East	\$116,946	\$30,158	26%
Grey Highlands	\$132,651	\$34,208	26%
Rideau Lakes	\$81,856	\$21,109	26%
Laurentian Hills	\$46,894	\$12,093	26%
The Blue Mountains	\$184,885	\$47,678	26%
Dutton-Dunwich	\$51,877	\$13,378	26%
East Garafraxa	\$33,446	\$8,625	26%
Central Elgin	\$235,297	\$60,678	26%
South Frontenac	\$257,230	\$66,334	26%
South Glengarry	\$104,088	\$26,842	26%



Malahide	\$94,130	\$24,274	26%
North Grenville	\$174,804	\$45,078	26%
Greater Napanee	\$243,232	\$62,724	26%
Southgate	\$238,990	\$61,630	26%
North Huron	\$93,472	\$24,104	26%
Hastings Highlands	\$30,736	\$7,926	26%
Aylmer	\$93,488	\$24,108	26%
Newbury	\$9,443	\$2,435	26%
North Glengarry	(\$136,005)	\$0	0%

## Appendix B

Table 4.2 - E&E Projects Approved as of December 31, 2004

Ref No.	Project Title	Description	Proponents	Funding Approved
18	Development and Review of Baseline Information of Multi-Residential Recycling Programs in Ontario	Surveys to identify best practices, key barriers, etc. for multi-residential recycling programs in more than 20 communities. Prepare a next steps report.	Essex Windsor Solid Waste Authority (EWSWA), Association of Municipal Recycling Coordinators (AMRC), Quinte Waste Solutions, the Region of Peel and the Cities of Hamilton, London and Waterloo	\$28,550
19	Building on 'Smart Contracts, Smart Marketing'- an AMRC 2004 Workshop	Ensure that municipal staff have access to AMRC's 'Smart Contracts, Smart Marketing' workshop	Quinte Waste Solutions	\$7,250



Ref No.	Project Title	Description	Proponents	Funding Approved
36	Multi-residential Recycling: Optimizing Recycling Performance by Using a Focused Delivery	Develop a multi-family recycling performance classification tool. Identify barriers to improved performance. Develop solutions to increase recycling rates.	City of London	\$10,000
44	RECYCLE AWAY	Best practices research on open space recycling. Test identified best practices at arenas and parks.	Quinte Waste Solutions	\$15,000
45	Quinte Depot Review	Determine best practices for rural depots. Review Quinte's cart-based depot program. Field test best practices.	Quinte Waste Solutions	\$31,650
60	Carts Versus Bags for Household Recycling	Cost/benefit study comparing the cart based systems to bag based systems for collecting 'single stream' recyclables	City of Toronto	\$235,000
63	Identifying and Applying Best Practices in Recycling in Ontario	MRF optimization work in Toronto. MRF regionalization work in and around London and Alexandria. Transfer best practices from MRFs in EWSWA, Ottawa and Waterloo to Kingston and other areas.	London, AMRC, Township of North Glengarry, Kingston, Waterloo, EWSWA	\$225,000





Ref No.	Project Title	Description	Proponents	Funding Approved
68	Identifying Best Practices in Municipal Blue Box Promotion and Education (P&E)	Baseline assessment of P&E practices in various representative municipalities across the province.	County of Oxford with AMRC, Waterloo, Essex-Windsor and Commexus Inc.	\$142,100
81	Recycling Program Optimization Study	Costs/benefits of a dry stream system versus recyclables only.	County of Northumberland	\$23,000
95	Recycling Collection Contracts	Stewardship Ontario is working with York municipalities to find efficiencies in tendering Blue Box collection contracts.	York Region municipalities	\$45,000
96	Stewardship Ontario Blue Box Waste Audit Program	Seasonal waste audits in seven municipalities.	Ottawa, Toronto, Durham, EWSWA, North Glengarry, London, Sudbury	\$283,900
97	Model Recycling Contracts and Tender Documents	Develop model collection and processing recycling contracts and tender documents.	Kingston with REIC and AMRC	\$72,600
94	A-Team and Peer Review Support	Proactive work to identify opportunities to reduce costs/increase tonnes. Short term, one-time interventions on specific needs. Support E&E peer review process.	Stewardship Ontario, AMO and WDO	\$25,000
<b>Total E&amp;E Funding Approved as of Dec. 31, 2004 =</b>				<b>\$1,144,050</b>



## Appendix C

### Industry Representation on the WDO, SO and CSR

*WDO Board and Committees	SO Board and Staff	CSR Board and Staff
<b>Board</b>	<b>Board</b>	<b>Board</b>
J. Newton (Brewers)		
A. Kothawala (CNA)	A. Kothawala (CNA)	L. Richmond (Yellow Pages)
G. Zecchini (CSR)	S. Banks (Refreshments Canada)	P. Cohen (W. Ralston)
A. Van Heyningen (CSR)		T. Fowler (Pepsi)
D. Wilkes (CSR)	D. Wilkes (CCGD)	T. Barlow (Coca-Cola)
L. Clarke (LCBO)	L. Clarke (LCBO)	D. Reith (Sobeys)
D. Brisebois (Retail Council)	D. Brisebois (Retail Council)	G. Wilson (Loblaws)
M. Kovrig (CCSPA)	S. Coombs (CCSPA)	
B. Palardy (CPCA)	S. Peterson (CPCA)	
* Voting members only		D. Franklin (SC Johnston)
		B. Miller (CKF)
<b>Committees</b>		S. Blanchet (Cascades Tissue)
		E. Watson (Tetra Pak)
D. Darby (SO)	D. Darby (FCPC)	T. Penner (P&G)
	<b>Staff</b>	<b>Staff</b>
D. Bassett (SO)	D. Bassett (CEO)	D. Bassett (CEO)
G. Day (SO)	G. Day (SO)	G. Day (CSR)
G. Love (SO)	G. Love (SO)	G. Love (CSR)
G. Perry (SO)	G. Perry (SO)	G. Perry (CSR)
D. Stephenson (SO)	D. Stephenson (SO)	D. Stephenson (CSR)

Full names for acronyms in Appendix C table.

CNA	Canadian Newspaper Association
CSR	Corporations Supporting Recycling
LCBO	Liquor Control Board of Ontario
Retail Council	Retail Council (of Canada)
CCSPA	Canadian Consumer Specialty Products Association
CPCA	Canadian Paint & Coatings Association
SO	Stewardship Ontario
CCGD	Canadian Council of Grocery Distributors
FCPC	Food and Consumer Products of Canada



**Appendix D**  
**Product & Packaging Stewardship Review Excerpts**

<h1>Product &amp; Packaging Stewardship Review</h1>	<p><b>INSIDE THIS SIX-PAGE ISSUE</b></p>
<p><i>MANAGING WASTE RESPONSIBLY</i></p> <p>An information service for municipal governments  <b>Vol 2, Issue 4, July/August 2001</b></p>	<p><b>Cartoon</b> 2/6  <b>Green Dot</b> 3/6  <b>BC Polycoats</b> 4/6  <b>Calendar</b> 5/6  <b>Editorial</b> 6/6</p>

## Bill 90 formula a disincentive for producer responsibility

Bill 90 was introduced into the Ontario Legislature during the last week of the spring session. A summary is posted on the Environmental Registry ([www.ene.gov.on.ca/envision/env\\_reg/er/registry.htm](http://www.ene.gov.on.ca/envision/env_reg/er/registry.htm)).

Expected to be proclaimed this fall as the Waste Diversion Act, the Bill contains many loose ends and leaves several questions unanswered.

But of greater significance is that far from encouraging producer responsibility, the formula proposed appears to penalize producers whose packaging materials have high recovery rates.

While there are provisions to designate other wastes, the "blue box waste" definition used in the Bill limits the packaging material covered by the legislation to that in the municipal blue box system.

If the blue box regulations are amended to include other materials, as senior ministry staff have suggested, Ontario municipalities may be forced to collect more materials at a high cost, receiving only low or negative revenues.

The problem is with the Province's self-imposed inability to bring in a general levy on packaging. It might be viewed as a tax.

Instead, there will likely be a handling fee based on the cost of the material recovered through the blue box. Therefore, if the material has a very low recovery rate in the recycling system, the producer's cost will be low. If the material is not recovered in the recycling system, the producer doesn't pay—even though it is of course recovered in the municipally-operated and funded garbage system. For producers, this means the more municipal recycling (101/94), there is a mandatory list of materials, all of which must be collected, and a supplementary list, two of which must be collected.

If a material were transferred from the supplementary list to the mandatory list, municipalities would be obliged to collect it. The more successful the recovery program, the more the producer would have to pay. So if market conditions were poor, this would favour the producer, as recovery would be low and municipalities would have no incentive to promote recovery by its residents. On the other hand, if a material were on the supplementary list, poor market conditions would see fewer municipalities inclined to add the material (and some to consider dropping it) and the producer would again pay less.

Any material that is currently not recyclable (e.g. chip bags, PVC and some PP packaging) will effectively be exempt from the regulation and municipal funding obligations, unless the regulation is amended to include it. This provides brand-owners with a direct incentive to package their products in non-recyclable material, non-blue box designated materials or materials with a low recovery rate.

**Rather than promote the reduction, reuse and recycling of waste, there appears to be a reverse incentive to producers. It is in their interest to discourage recovery.**

collected, the greater their cost.

How this fits in with the much-heralded level playing field industry has been asking for is uncertain.

Rather than "promote the reduction, reuse and recycling of waste," which is the Bill's declared intent, there appears to be a *reverse incentive* to producers on the issue of their packaging material choice. It is in their interest to discourage recovery.

Under the regulation which covers

continued on Page Five



# ONTARIO'S BILL 90

## Presenters agree on one thing: formula *would be* disincentive

On August 31 and September 7, various organizations and individuals spoke to the Ontario Government's Standing Committee on General Government about Bill 90, which, if passed, would see the creation of Waste Diversion Ontario.

All submissions and the discussions that followed each presentation can be viewed in the Hansard section of the Ontario Legislature website ([www.ontla.on.ca](http://www.ontla.on.ca)).

In the past edition of *Product & Packaging Stewardship Review* (see inset, next page) the cover story highlighted, among other things, the fact that the way the bill is written, those who use recyclable packaging would be levied while those that use non-recyclable packaging would be exempt. This theme has been picked up by many of the presenters to the committee. Here are some extracts from the submissions and from the discussion that followed.

"The legislation and the regulations should not allow free riders to shirk their responsibilities or create a disincentive to use recyclable materials."  
*Damian Bassett*  
CSR: Corporations Supporting Recycling

AMO  
"Rosario Marchese (NDP) to Andrew Pollock, part of the delegation from the Association of Municipalities of Ontario: We're told that the levy on industry is being designed in a way that will tax recyclables rather than overall waste. Is that your reading?  
Andrew Pollock: Yes, there is a concern. It's a little bit vague, but the

legislation seems to focus on recyclable materials as they're defined in provincial legislation. So it could be that only materials that are currently recyclable have to pay into the fund and companies that are using non-recyclable materials perhaps don't have to.

"Bill 90 and its incentives incent exactly opposite to what we would look for in the 3Rs hierarchy."  
*Gord Perks*  
Toronto Environmental Alliance

So there's an issue there. I think that's an issue with industry, that they would like to see a broader base for raising funds, and particularly making sure packaging that currently isn't recyclable is also paying into the cost of recycling.  
Mr Marchese: Right. That wasn't part of your submission. Is there a reason -- an oversight, perhaps?  
Mr Pollock: It's not part of AMO's presentation, I think because it's more of an industry issue. As long as municipalities get the funding, we'll be satisfied to pay for our programs.

CSR  
Damian Bassett (CSR: Corporations Supporting Recycling): The legislation and the regulations should not allow free riders to shirk their responsibilities or create a disincentive to use recyclable materials.

PPEC  
Mr. Marchese to John Mullinder, (Paper and Paperboard Packaging Environmental Council): One of our concerns is that we're told the levy on industry is being designed in a way that will tax recyclables rather than overall waste.

"You're penalizing the good guys who are in the box."  
*John Mullinder*  
PPEC

In our view, this runs the risk of actually encouraging companies to stop producing recyclable products.  
Mr Mullinder: That's one of the points we make. You're penalizing the good guys who are in the box.  
Mr Marchese: You touched that, and I wanted you to speak a little more to it because I think this is serious. It's not just a little thing; it's a big problem.  
Mr Mullinder: If the levy is going to be based on the recovery cost -- and that's the question we're asking because there has been no clear delineation of that issue -- then whoever is declared to be the steward of the materials that are being recovered will be paying for those materials. There is no incentive for materials that are currently going to the dump to do anything. There are no landfill fees that they are charged, so there is an incentive to shift to materials which are not paying a fee.

TEA  
Gord Perks (Toronto Environmental Alliance): Unfortunately, Bill 90 and its incentives incent exactly opposite to what we would look for in the 3Rs hierarchy.

MORE  
BILL 90  
on Page  
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# Bill 90 presentations continued

CSDA

*Gemma Zecchini (Canadian Soft drink Association):* Lastly, and moreover something that is as important to industry as it is to municipalities, the government must avoid creating reverse incentives that undermine both the spirit and intent of the waste diversion organization

*Colin Isaacs, environmental consultant:*

Bill 90 is environmentally perverse legislation; that is, it's likely to do the exact opposite of what would be best from an environmental perspective and, in this case, the exact opposite of what its title says it seeks to achieve. Every study of economic incentives to achieve environmental objectives makes it clear that the most effective approach is to provide economic benefit to companies or individuals who take measures to reduce their impact on the environment and/or to penalize those who cause increased harm to the environment. Bill 90, as proposed, does the reverse. Under Bill 90, as proposed, those companies which use recyclable packaging or which market recyclable products will be forced to pay a levy to help pay for the cost of recycling.

"Bill 90 is environmentally perverse legislation; that is, it's likely to do the exact opposite of what would be best from an environmental perspective and, in this case, the exact opposite of what its title says it seeks to achieve."  
*Colin Isaacs  
Consultant*

Those companies that use non-recyclable packaging or which market goods which are not recyclable will not have to pay a levy. This is a clear example of an environmentally perverse incentive. Companies, always looking to reduce

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MANAGING WASTE RESPONSIBLY  
Bill 90 formula a disincentive for producer responsibility

**You read it here, first...  
The July/August issue of PPSR**

costs, will make every effort to move their packaging from recyclable to non-recyclable materials; for example, from recyclable PET to non-recyclable PVC, or they'll seek to stay in non-recyclable package types. Opportunities to increase recycling of both packaging and products will be resisted because getting involved in recycling, something which is obviously environmentally preferred over disposal, will increase distribution costs in Ontario.  
*Mr Dave Levac (Brant-Liberal):* Having heard your presentation and your using such language as "environmentally perverse" -- why do you think this kind of legislation was put forward?  
*Mr Isaacs:* First I should explain that "environmentally perverse" is a technical term from the economic community. It is not as bad as it might sound. It does mean something in the context of the OECD and the UN etc. Second, I think the biggest problem, as I've indicated, comes from the pressure from municipalities for money to pay for recycling programs. There is a problem with the way municipal accounting works under the Municipal Act in that municipalities basically deal with all of their costs on an annual basis and are not required to

account for the costs of capital investments such as new landfills, which are incredibly expensive. If you look purely at year-to-year operating costs, recycling can look more expensive than landfill, and municipalities are therefore saying they want money to pay for their recycling programs. I think that's understandable. They are the new kid on the block. On the other hand, if you take into account the costs of a new landfill, which are enormous in Ontario today, then clearly every time you divert a tonne of waste from landfill to recycling, you're extending the life of your landfill and saving a tremendous amount on capital costs down the road.

I think the ideal would be to go back to municipalities and talk to them about the fact that they really ought to be asking for money to pay for their waste disposal programs and that the products and packages that go to the dump are the ones that should be charged a levy, and let's start the process all over again and get it right. On the other hand, I recognize that municipalities are eager for revenue. I'm not sure that anyone wants to hold up this legislation. So if we at least give the WDO the power to charge a levy to those companies that are marketing a product or package which is competing with a recyclable product or package, then the WDO will have the power to redress the concern I have by the way it charges levies, and it will be charging not just the people who produce recyclables but the people who produce non-recyclables.

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