
TO: Carey McIver
Manager of Solid Waste

DATE: August 14, 2003

FROM: Alan Stanley
Solid Waste Program Coordinator

FILE: 5380-20-STEW

SUBJECT: Dairy Industry Product Stewardship Proposal

PURPOSE

To consider a product stewardship proposal submitted by the BC Dairy Council (BCDC).

BACKGROUND

Of all of the product stewardship programs in operation in BC, the most effective has been the deposit-refund systems for beverage containers. In a relatively short period of time, a very high diversion rate for beverage containers has been achieved. For some container types, diversion rates of around 90% are being reported. The BC system is highly regarded around the world and works far better than most alternative systems. In Ontario, beverage containers are generally collected in municipal blue box programs and they divert less than 30% of the beverage container stream, very poor performance when compared to the deposit-refund system.

When the expanded deposit-refund system for beverage containers was introduced in 1998, the dairy industry lobbied for a reprieve from the regulation and was exempted from participating. As a result high-density polyethylene (HDPE) milk containers are still being collected in curbside recycling programs rather than through deposit-refund as is the case for liquor, wine and juice containers.

Since the exemption was granted, many organizations including the Recycling Council of BC have formally requested that milk containers be included in the deposit-refund system. Recently, the Regional District of Kootenay Boundary (RDKB) has requested support from other regional districts to have milk containers added to the deposit-refund system (attached).

Many regional districts, including the CRD and GVRD have supported the RDKB position through letters to the Minister of Water, Land and Air Protection. There appears to be a consensus amongst local government organizations that milk containers should be included in the deposit-refund system. As a result the MWLAP has requested that the dairy industry provide stewardship options or possibly face imposition of the deposit system.

Nevertheless the dairy industry has been very resistant to the deposit-refund system, lobbying the Ministry of Water, Land and Air Protection (MWLAP) and the Ministry of Agriculture to continue the exemption. Based on a recent one year pilot project undertaken in Abbotsford that collected plastic milk jugs and polycoat dairy cartons in the City's blue bag program, the BCDC is informally circulating a proposal that would pay local governments a "top-up fee" based on the market value of milk jugs and polycoat containers collected in the blue box. The RDN has received the BCDC proposal (attached).

ALTERNATIVES

1. Accept the BCDC proposal and do not support the RDKB request.
2. Do not accept the BCDC proposal and support the RDKB request.

FINANCIAL IMPLICATIONS

Alternative 1

The Abbotsford pilot project achieved a claimed 80% capture rate for plastic milk jugs and 30% for polycoat containers. Based on total units sold in the RDN (extrapolated from provincial sales and RDN population) and the Abbotsford recovery rates, the RDN curbside program could collect 42 tonnes of plastic jugs and 19 tonnes of polycoat containers. This would result in an annual top-up fee of roughly \$8,600.

The extra work to collect the polycoat cartons and the additional sorting, weighing and remittance of weigh slips would add costs of around \$5,000 per year based on initial projected recovery rates. These marginal costs would increase with the higher recovery rates that would be expected over time. Additional administrative costs for RDN staff are estimated at \$1,200 per year resulting in a total cost to the RDN of roughly \$6,200 per year. Subtracting the estimated BCDC subsidy, results in a net benefit of \$2,400 per year or about 11 cents per household serviced per year.

The true cost to the RDN recyclables collection program is determined by the volume, or space the containers take up, not the weight. HDPE milk containers are currently collected and are a lightweight, high volume material. On average, milk containers consume approximately 30% of the space of the recyclables collection trucks. The limiting factor in collection is the space consumed by a given material, not the weight, therefore the percentage of space consumed by a material stream is directly related, and dictates the overall system costs of the material.

Recyclable collection contract costs and the administration and public education associated with recyclables collection comprises approximately 30% of the total garbage and recyclables collection budget, or \$509,000 annually for 23,000 households. Of this, 30% of the costs, or \$153,000 are for the handling of milk containers. The BCDC proposes taking responsibility for less than 6% of the true costs to handle their waste stream and has attached administrative overhead to be done by the RDN and their contractors as a condition. The net benefit of their proposal to the RDN is less than 2% of the current cost to handle milk containers.

Alternative 2

If milk containers were included in the deposit refund system, there would be no cost or administration overhead to the RDN. Costs of the system would likely be far less than the current curbside collection costs and would be correctly borne by the producer and consumer. Deposit refund systems are proven to be the most effective way to divert a given material stream from disposal. It is likely that over time, as the deposit refund system captured more of the material currently collected at curbside, costs could be reduced. Adding milk containers to the deposit refund system would mitigate the financial burden of solid waste management on local government, provide a consistent, level playing field for producers and consumers and correctly place responsibility for managing milk container recycling with the producers rather than the general taxpayer. Also, deposits are fully recovered by the consumer and do not add any additional costs to milk. The BCDC proposal would internalize all program costs and must inevitably add these internalized costs to the price of milk, potentially harming low-income consumers of milk.

PUBLIC RELATIONS IMPLICATIONS

Based on the public participation level in the deposit-refund system for other beverage containers, the public would respond very favourably to the inclusion of milk containers in this system. Rejecting the BCDC proposal and the minute cost benefit per household of adopting the proposal would likely be a non-issue. On the other hand, including milk in the deposit-refund system would create an alternative to the blue box system. In the other cases where the RDN was collecting material streams that went under deposit-refund, specifically glass wine and liquor bottles, RDN customers showed a clear and overwhelming preference for the deposit-refund system. Within two months of inclusion of the glass and liquor bottles, the amount of these containers in the blue box dropped to almost nothing.

ENVIRONMENTAL IMPLICATIONS

Including milk in the deposit-refund system and operating the system without local government subsidies will encourage private sector innovation in the handling of the milk containers and in the design of the product packaging towards more recyclability and removal of hard to recycle container types such as polycoat milk cartons. This will result in a greater positive environmental impact than could be anticipated by continued subsidization by local government of the costs to handle milk containers.

In the absence of a stewardship plan and clear targets, the main purpose of the BCDC proposal appears to be avoidance of the imposition of a deposit-refund system for milk containers. Adoption of the proposal would have negligible positive impact on the environment.

INTERGOVERNMENTAL IMPLICATIONS

The BCDC proposal has not been approved by MWLAP. There has been little consultation with stakeholders and there are no waste diversion goals indicated in the proposal. In the absence of a plan, it is impossible to determine if the BCDC proposal is consistent with the MWLAP vision and guiding principles for stewardship plans. All regional districts contacted, including the GVRD, CRD and FVRD have declined participation in the BCDC proposal and would prefer milk containers to be included in the deposit refund system.

The BCDC proposal, if widely implemented would result in a complex network of agreements and cross-subsidies and would likely result in uneven access to the program across the province. Additionally, the cumulative administrative burden would be unfunded by BCDC with the financial burden for this work being borne by local government. There is concern amongst other local government jurisdictions that adoption of the BCDC proposal by any local government agency will set a precedent that would encourage other stewardship agencies to seek a shared partnership model of stewardship, resulting in what would be in effect, de facto subsidies.

SUMMARY/CONCLUSIONS

Of all of the product stewardship programs in operation in BC, the most effective has been the deposit-refund systems for beverage containers. When the expanded deposit-refund system for beverage containers was introduced in 1998, the dairy industry lobbied for a reprieve from the regulation and was exempted from participating. Since the exemption was granted, many organizations including the Recycling Council of BC have formally requested that milk containers be included in the deposit-refund system. Recently, the Regional District of Kootenay Boundary (RDKB) has requested support from other regional districts to have milk containers added to the deposit-refund system.

The dairy industry has been very resistant to the deposit-refund system, lobbying the Ministry of Water, Land and Air Protection (MWLAP) and the Ministry of Agriculture to continue the exemption. The BCDC is informally circulating a proposal that would pay local governments a “top-up fee” based on the market value of milk jugs and polycoat containers collected in the blue box. The RDN has received the BCDC proposal. The net benefit of their proposal to the RDN is less than 2% of the current cost to handle milk containers or about 11 cents per household serviced per year. Adoption of the proposal would have negligible positive impact on the environment.

If milk containers were included in the deposit refund system, there would be no cost or administration overhead to the RDN. Costs of the system would likely be far less than the current curbside collection costs and would be correctly borne by the producer and consumer.

The BCDC proposal has not been submitted to, or approved by MWLAP. There has been little consultation with stakeholders and there are no waste diversion goals indicated in the proposal. In the absence of a plan, it is impossible to determine if the BCDC proposal is consistent with the MWLAP vision and guiding principles for stewardship plans.

RECOMMENDATION

That the Board send a letter to the BC Premier, copied to the Minister of Water, Land and Air Protection, BC Dairy Council, UBCM and all regional districts supporting the Regional District of Kootenay Boundary position that milk containers be included in the deposit refund system and that the Board request all RDN municipalities to send similar letters.

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COMMENTS: