

## WILL MUNICIPALITIES BE LEFT HOLDING THE MRF?

# 100% industry dollars would be nice, but some big questions need answers

While municipalities may be delighted at the notion of no longer having their taxpayers fund the blue box, there are lingering concerns about what may happen to the program as we know it when industry takes over.

Last fall, Ontario Environment Minister John Gerretsen called for full extended producer responsibility (EPR) for the blue box—100% industry funding.



**In  
depth**

The new minister had used the concept as a basis for the municipal hazardous or special waste and electronic waste stewardship programs he requested, but to many, the blue box seemed an unlikely contender for such treatment, given the pre-existing “shared responsibility” approach envisioned in the Waste Diversion Act.

In December, the Association of Municipalities of Ontario (AMO), along with the Municipal Waste Association, reminded the Province of their contention that industry should be paying for the management of discarded packaging and consumer paper products whether they end up in the blue box, the garbage pail or the street.

### NOT AN UNUSUAL CONCEPT

“This is not an unusual concept to most of the stewards to the Ontario Blue Box program as EPR programs exist in other provinces of Canada and other countries in the world where these stewards market printed paper and packaging,” AMO notes. (Right now, it’s just what ends up in the blue

box that is on the table.)

AMO believe the handover can be done in three years.

However long it may take, AMO wants to be sure there is no change in the level of service “to ensure an increase in the rate of participation and to ensure resident satisfaction.”

### JOB LOSS

A series of beefed up regulations may take care of the service levels from the householder’s point of view, but will the drive for “efficiency” leave most of the current recycling infrastructure mothballed? It will certainly mean job loss.

If, as some fear, one organization has what amounts to monopoly control over the blue box system, the awarding of contracts could change how the recycling program is delivered, and by whom.

The current system, which sees contracts for the most part awarded at the single municipality level, means a lot of smaller, local companies are able to bid on collection and processing contracts.

Notwithstanding the efficiencies that may result, if contracts were awarded on a regional basis, most of the smaller companies could be squeezed out, leaving the playing field open to maybe a dozen large-scale companies or combinations of companies. This approach would also squeeze out places where municipal forces are used to collect recyclables.

It should be noted however, that a large number of Ontario communities already have their blue boxes emptied by big companies with no apparent impact on the service levels.

There will be a number of complicating factors in the collection equation, with co-collection being one of the biggest.

If co-collection is more efficient the recycling part of it should be competitive with any single-source collection. If a broad-brush regional approach is taken by those offering the contracts, however, then a municipality (and/or its contractor) could lose part of the collection and be

left with half a truck load of waste to collect and a whole truck to collect it.

Given that there will have to be a gradual changeover because of the length of some existing contracts, the challenges posed by co-collection should not be insurmountable.

### REAL POTENTIAL FOR CONCERN

Where the real potential for concern lies is in the municipally-owned, and in some cases, municipally-operated material recovery facilities (MRFs).

If Ontario’s blue box program goes down the regional road, we could see five or six super-MRFs serving the entire province.

The troubling issue of material quality versus recovery, which appears to be becoming an issue of dual versus single stream, may be solved by ever-increasing technical fixes. And fewer MRFs would mean fewer sites to install the new technology.

But will all the stewards want to pay for new technology if all it does is make a marginal material a little less marginal?

Until steward fees truly reflect the cost of managing a certain kind of packaging, there will be a lot of cross subsidies. How long will it be before the majority of stewards start saying that maybe polystyrene and plastic film do not belong in the blue box but could be collected by some other method?

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# Industry takeover could result in empty buildings and job loss

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When the municipalities were paying the full shot, and even when they were paying at least half, they were continuously lectured about efficiency. To address this, a portion of the money raised from stewards to offset recycling costs was set aside to fund projects aimed at improving efficiency. And recently that portion was doubled, as the Continuous Improvement Fund (CIF) was set up.

Since early last year, 20 cents of every dollar collected through a stewards' fees goes into the CIF kitty. That amounted to \$13 million in 2008.

CIF's three-year mandate is to direct funding support to projects that will identify and implement best practices, examine and test emerging technologies, employ innovative solutions to increase blue box materials marketed, and promote gains in cost-effectiveness that can be implemented province-wide.

In theory then, after three years, the CIF's mandate and \$35-\$45 million budget over that period will have gone a long way to bringing municipal programs to more acceptable levels of efficiency.

The amount of funding support varies from 25 to 100%, depending on the project, with most in the 25 to 50% range.


Municipalities then will have invested a lot of their taxpayers' dollars directly, and a lot of monies that were deducted from the regular steward fees payments. And while some of that cash has gone to pay consultants, a lot of that money has paid for bricks, mortar and equipment in municipally-owned MRFs.

If some MRFs are determined to be of value to the operators of an industry-run blue box program, then one assumes municipalities will be invited to sell them. The big question then is how much and

whether or not the investments made in them will be reflected in the purchase price. It's unlikely.

Those MRFs not determined to be of value will be sitting empty, unless they can be sold to another buyer.

There will be few likely buyers. The small time operators (who may have just lost their blue box contracts and could have their own MRFs for sale) may not be interested.



**“An efficient white elephant is still a white elephant.”**

The big service providers who pick up the regional contracts would presumably be using the new superMRFs, but may be looking for some satellite plants for consolidation, preprocessing, etc.

Whoever may be in the market to purchase these municipal MRFs, it will be a buyers' market and unless they can be put to use in other ways, local councils can anticipate fire sale prices and a huge loss on their investment.

## **FEW NEW POSITIONS**

Along with a loss of local MRFs will come a loss of local MRF jobs, and because the superMRFs will be more technology-based, workers can expect few new positions there.

There will still need to be drivers for whoever's truck is collecting the blue box materials so that is likely one employment area where net job loss would be minimal.

AMO recognizes there are also a lot of municipal staff doing non-MRF and collection work.

Municipalities, it notes, have the expertise and associated infrastructure

to support recycling collection activities (complaint response system, mapping for routing, etc.), even if other people are driving the recycling trucks.

AMO suggests municipalities be allowed to bid on those services, although if the programs are being offered regionally to save money, one assumes the back-up staff would be similarly based. It remains to be seen if municipalities could organize themselves to deliver regional level support of the blue box program.

It may take some creativity but would likely be doable if the political climate locally allowed it to happen. Either way, it would surely result in fewer jobs.

The WDO has suggested it facilitate a process on “how to best transition to full EPR.”

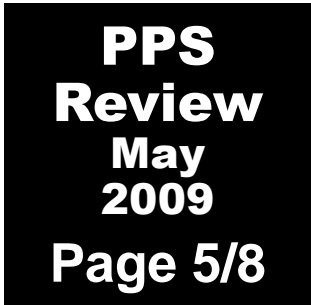
This process would include consultation, research and analysis into how and when stewards would assume full financial and physical responsibility, and how to best deliver program services.

## **ENCOURAGED**

WDO recommends that municipalities and stewards be encouraged “to continuously improve the performance of printed paper and packaging collection and processing systems.”

But until some of the transition questions are answered, some municipalities may be reticent to commit any more of their taxpayers' dollars to increase efficiency.

An efficient white elephant is still a white elephant.



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