

**REPORT TO ENVIRONMENTAL SERVICES COMMITTEE  
MEETING OF WEDNESDAY, JULY 24, 2013**

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**SUBJECT**     **PACKAGING AND PRINTED PAPER STEWARDSHIP PROGRAM – OFFER FROM MULTI MATERIAL BC**

**ISSUE**

To respond to Multi Material BC's offer of financial incentives for the implementation of the new packaging and printed paper stewardship program.

**BACKGROUND**

In May 2011, the BC Recycling Regulation was amended to include packaging and printed paper (PPP) from residential generators. The amendment shifts the financial responsibility for managing these materials from local governments to producers as of May 19, 2014. Producers subsequently formed a not-for-profit stewardship agency called Multi Material BC (MMBC) to manage and fund the collection and processing of these materials on their behalf.

On June 17, 2013, MMBC presented the Capital Regional District (CRD) with an offer of financial incentives. There are separate incentives for curbside and depot collection as well as top-up allowances for education and administration. The annual payment amounts are fixed for three years. If the CRD accepts the offer, it will continue to be responsible for administration of recycling collection and education services. If the CRD declines the offer, MMBC will implement a competitive procurement process for these services. The deadline for responding is September 16, 2013.

There are significant variations in cost recovery for individual programs. In addition, a number of issues have been identified. Highlights of the impacts of the MMBC offer on CRD programs are as follows:

**Curbside Collection**

The CRD has a contract for the collection of recyclable materials with Halton Recycling Limited to May 31, 2014, with the option to extend to April 30, 2015. MMBC's financial incentive for curbside collection exceeds current costs; however, the education and administration incentives to support these programs are below current costs. The CRD has the first right of refusal to continue to provide curbside service if it accepts MMBC's offer.

CRD staff advised MMBC that their household density calculation of 3.80 households per hectare is higher than the CRD estimate of 1.90, resulting in a difference of more than \$230,000/year in potential incentive payments to the CRD. Staff believe the CRD numbers are correct, and this will be a point of discussion during contract negotiation.

The most significant change affecting the curbside program is MMBC's stipulation that glass be collected separately from all other PPP. The incentive for collecting glass separately at the curb is too low to make a separate collection financially feasible. The financial incentive to collect glass at depots is reasonable and may be a more cost-effective option in the long term. MMBC

recognizes that the change of separating glass from other materials at the curb will take time and is allowing a transition period of up to 18 months to remediate the quantity of glass contamination to below 3% by weight. This transition period would allow the CRD to continue its current commingled container stream collection program until April 2015.

#### Depots

The CRD provides several depot collection services for the collection of blue box materials. On the Gulf Islands, the CRD provides funding to contract with local recycling or community services societies for the provision of services. In Port Renfrew, the CRD operates a transfer station for garbage and recyclables. Blue box materials are also accepted at Hartland recycling facility as a one-stop-drop service for the convenience of residents. There is currently a fee for this service; however, MMBC will not allow local governments to charge for collecting PPP materials. This will result in an estimated \$100,000 per year reduction of tipping fee revenues at the Hartland facility.

MMBC's financial incentives for depots are offered to local governments, non-profit groups and private operators. Staff and current depot operators are concerned as MMBC's financial incentives for depots are far below cost recovery. It is unclear what MMBC will do if no one accepts their depot incentives. In their stewardship plan, which was approved by the Ministry, MMBC committed to provide service levels according to the Stewardship Agencies of BC (SABC) depot service standards. SABC is not expected to publish the standards until September 2013, resulting in lack of clarity and uncertainty about the level of PPP collection services in areas with depots.

Depot operators across BC have expressed concern about the low financial incentives and uncertainties to Ministry staff and MMBC.

#### Multi-Family Buildings

MMBC also offers incentives for collection from multi-family buildings. These are not available to the CRD, as collection services are provided by the private sector. The CRD currently provides funding of approximately \$450,000 annually to multi-family dwellings to help offset the cost of recycling collection. MMBC will assume financial responsibility for PPP from multi-family buildings on May 19, 2014, resulting in a cost savings to the CRD. MMBC has indicated it may be interested in the CRD providing education services to multi-family dwellings in the region, which could result in additional funding of up to \$40,000 per year; however, this is yet to be negotiated.

#### Education and Administration

MMBC's top-up allowances for education and administration are below current CRD costs. MMBC will provide standardized generic province-wide communication tools, such as branding and messaging, but local governments are expected to be the first point of contact for local information if they accept the offer. MMBC requires regular reporting, which will result in additional administrative work.

#### Processing

MMBC will take sole responsibility for processing and marketing of all materials, thus taking on all associated risks and benefits. Processing includes transportation from a collector's site,

which eliminates transportation costs for some CRD depot programs. MMBC is planning to issue a Request for Proposals for processing in the fall of 2013.

Next Steps

There are numerous outstanding questions and issues (Appendix A). At the point of writing this staff report, the Union of British Columbia Municipalities working group is planning to meet with Ministry staff on July 19 to discuss province-wide concerns about inadequate financial incentives for curbside collection of glass, depots and education. Staff continue discussions with MMBC to obtain information and clarification prior to the response deadline.

**ALTERNATIVES**

That the Environmental Services Committee recommend to the CRD Board that:

- 1) All incentives offered by Multi Material BC be accepted to April 30, 2015, and staff be directed to:
  - (a) negotiate an agreement with Multi Material BC from May 19, 2014 to April 30, 2015, for approval by the Board; and
  - (b) investigate options beyond April 30, 2015 and report findings to the Board.
  
- 2) All incentives offered by Multi Material BC be declined, and staff be directed to:
  - (a) inform Multi Material BC that the CRD declines their offer of financial incentives; and
  - (b) terminate all CRD residential recycling collection and education programs as of May 19, 2014.

**FINANCIAL IMPLICATIONS**

Appendix B provides a cost comparison of expected MMBC revenues compared to current expenses. The new PPP Extended Producer Responsibility (EPR) program will result in significant cost savings as MMBC is offering to pay \$4.8 million to the CRD for delivering residential recycling collection and education programs. However, there are significant variations in cost recovery for individual programs. The principle of EPR is full cost recovery and only some of MMBC’s financial incentives achieve this. It is unknown if MMBC will increase any of their financial incentives, due to the high level of concern expressed by various stakeholders across the province, prior to September 2013.

Alternative 1 will result in an estimated 90% cost recovery of CRD residential recycling program costs.

Alternative 1	MMBC Offer	CRD Program Costs
Total	\$4,797,560	\$5,165,940

Alternative 2 will turn full responsibility for PPP over to industry, resulting in reduced CRD financial expenditures and staffing implications.

### **CONTRACTUAL IMPLICATIONS**

There are no contractual implications for CRD contracts as they have been structured to align with the implementation date of the PPP stewardship program.

### **COLLECTION SERVICE IMPLICATIONS**

Alternative 1 will result in no service changes until May 2015 and will allow time to transition the program until some of the outstanding issues are resolved.

Alternative 2 will result in immediate significant service changes starting May 19, 2014. It is anticipated that MMBC will not collect glass at the curb, which is a major reduction in the level of service for local residents. The level of service for depots is unknown and may result in service interruptions or reductions. The quality and quantity of education materials will likely be more generic and less specific than current recycling information for CRD residents and there may not be a local point of contact.

### **ENVIRONMENTAL IMPLICATIONS**

The BC Recycling Regulation requires that a stewardship plan adequately provide for the management of a product in accordance with the pollution prevention hierarchy. MMBC's stewardship plan indicates they will work with producers to encourage sustainable sourcing of materials, reduce environmental impacts by eliminating toxic components, and redesign packaging to improve reusability and recyclability. They also plan to increase the current provincial baseline PPP recovery rate of 55% to 75%, as stipulated in the Recycling Regulation. Once these measures are fully implemented, the new PPP EPR program will result in significant positive environmental impacts over time.

### **INTERGOVERNMENTAL IMPLICATIONS**

Alternative 1 provides an opportunity to consult with local municipalities and electoral areas on preferred long-term strategies. Alternative 2 will preclude any local government input due to the tight response deadline and shift full responsibility to industry.

### **CONCLUSION**

On May 19, 2014, the responsibility for managing residential packaging and printed paper will shift from local governments to producers. Producers have formed a not-for-profit stewardship agency called Multi Material BC (MMBC) to manage and fund the collection and processing of these materials on their behalf. MMBC has presented the CRD with an offer of financial incentives for curbside and depot collection as well as top-up allowances for education and administration with a tight deadline for responding prior to September 16, 2013. There are significant variations in cost recovery for individual programs and a number of outstanding issues. The continuation of all existing recycling collection and education programs until April 30, 2015 will allow time to resolve outstanding issues, identify options for the future and maintain the same level of service for residents during the transition.

**RECOMMENDATION**

That the Environmental Services Committee recommend to the Capital Regional District Board:

That all incentives offered by Multi Material BC be accepted to April 30, 2015, and staff be directed to:

- (a) negotiate an agreement with Multi Material BC from May 19, 2014 to April 30, 2015, for approval by the Board, and
- (b) investigate options beyond April 30, 2015 and report findings to the Board

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AB:dd

Attachments: 2

**LIST OF OUTSTANDING ISSUES REGARDING  
MULTI MATERIAL BC FINANCIAL INCENTIVES**

ISSUES	COMMENTS
<b>General</b>	
<p><b>PPP EPR start date is May 19, 2014</b></p> <ul style="list-style-type: none"> <li>May 19, 2014, is a statutory holiday.</li> <li>Contract dates usually are mid-month or end of month.</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry may allow MMBC to adjust the implementation start date.</li> <li>CRD contracts are effective to May 31, 2014 and April 30, 2015 respectively.</li> </ul>
<p><b>Financial incentives are fixed for 3 years</b></p> <ul style="list-style-type: none"> <li>CRD contracts allow for annual Consumer Price Index revisions to reflect actual costs (e.g., fuel, labour).</li> </ul>	<ul style="list-style-type: none"> <li>MMBC offers can only be evaluated for three years.</li> <li>There is uncertainty about financial impact beyond the initial offers.</li> </ul>
<p><b>Financial incentives include capital costs</b></p> <ul style="list-style-type: none"> <li>MMBC will not assume cost of new collection containers if the program is transferred in the future.</li> </ul>	<ul style="list-style-type: none"> <li>Blue box/bags may have to be replaced with new containers in the future.</li> </ul>
<p><b>Full cost recovery</b></p> <ul style="list-style-type: none"> <li>EPR programs are based on full cost recovery.</li> </ul>	<ul style="list-style-type: none"> <li>Cost recovery levels vary for different programs. They are too low for curbside glass collection, depots and education.</li> </ul>
<p><b>Master service agreement</b></p> <ul style="list-style-type: none"> <li>Local governments have expressed concern about terms and conditions (e.g., heavy fines).</li> </ul>	<ul style="list-style-type: none"> <li>UBCM working group will present concerns to MOE and MMBC.</li> <li>CRD will obtain legal review of agreement if Alternative 1 is approved.</li> </ul>
<p><b>Streetscape</b></p> <ul style="list-style-type: none"> <li>The BC Recycling Regulation requires streetscape PPP collection.</li> <li>MMBC's plan only offers streetscape collection from municipalities with more than 20,000 residents.</li> </ul>	<ul style="list-style-type: none"> <li>MMBC is planning a waste audit to obtain a baseline and will conduct a pilot.</li> <li>City of Victoria has offered to work with MMBC to conduct the pilot.</li> </ul>
<p><b>Local governments as producers</b></p> <ul style="list-style-type: none"> <li>MMBC's position is that local governments are producers of PPP.</li> </ul>	<ul style="list-style-type: none"> <li>UBCM working group is obtaining legal opinion on this issue.</li> </ul>
<b>Curbside Program</b>	
<p><b>Household density</b></p> <ul style="list-style-type: none"> <li>MMBC identifies household density in the Capital Region as 3.80 households (HH) per hectare, which results in an incentive of \$35.00/HH.</li> </ul>	<ul style="list-style-type: none"> <li>CRD staff provided MMBC with a household density number of 1.90 households per hectare which would qualify for an incentive of \$37.00/HH.</li> <li>CRD staff will continue discussions with MMBC.</li> </ul>

<p><b>Performance Bonus</b></p> <ul style="list-style-type: none"> <li>• Curbside collection performance bonuses seem high, especially if glass is removed.</li> </ul>	<ul style="list-style-type: none"> <li>• A dedicated education campaign may increase tonnages to qualify for the performance bonus.</li> </ul>
<p><b>Special Collection</b></p> <ul style="list-style-type: none"> <li>• MMBC will not pay for “enhanced” services, e.g., backyard collection from elderly residents.</li> </ul>	<ul style="list-style-type: none"> <li>• CRD curbside collection program currently has provision to provide special collection services.</li> </ul>
<p><b>List of PPP</b></p> <ul style="list-style-type: none"> <li>• Glass has to be separated.</li> <li>• Refundable beverage containers are not included in PPP EPR as they are covered under the Beverage Container stewardship program.</li> </ul>	<ul style="list-style-type: none"> <li>• MMBC has identified an 18-month transition period to reduce glass below 3% by weight.</li> <li>• MMBC processors may accept refundable containers as they generate revenue.</li> </ul>
<b>Depots</b>	
<p><b>Low Financial Incentives</b></p> <ul style="list-style-type: none"> <li>• Financial incentives only cover 25% of operating costs.</li> <li>• Gulf Island tonnages are low.</li> <li>• MMBC has not yet identified depot standards which creates uncertainty.</li> </ul>	<ul style="list-style-type: none"> <li>• Current Gulf Islands recycling agreements pay per household.</li> <li>• Some Gulf Island depots are located on CRD property due to a lack of appropriately zoned sites.</li> <li>• CRD staff have asked Ministry staff that service standards be published prior to September 2013.</li> </ul>
<p><b>ICI Deduction Protocol</b></p> <ul style="list-style-type: none"> <li>• MMBC will deduct 25% of the PPP reported as collected at depots on the assumption that it is from small industrial, commercial or institutional (ICI) PPP generators.</li> </ul>	<ul style="list-style-type: none"> <li>• CRD staff estimate ICI materials at Hartland to be 10%.</li> <li>• Gulf Islands do not have many ICI generators.</li> <li>• CRD staff is in discussions with MMBC.</li> </ul>
<p><b>List of PPP</b></p> <ul style="list-style-type: none"> <li>• All depots will accept Styrofoam and multi-laminated packaging.</li> </ul>	<ul style="list-style-type: none"> <li>• The CRD is currently piloting Styrofoam collection at Hartland recycling depot.</li> </ul>
<b>Education &amp; Administration</b>	
<p><b>Education Top Up Allowance</b></p> <ul style="list-style-type: none"> <li>• MMBC will provide generic communication tools, branding, messaging.</li> <li>• Top-up allowance does not cover all education costs.</li> </ul>	<ul style="list-style-type: none"> <li>• If local governments accept the incentive, they will remain first point of contact for local information.</li> <li>• CRD solid waste education programs focus on diversion from landfill and include outreach and school programs.</li> </ul>
<p><b>Administration Top Up Allowance</b></p> <ul style="list-style-type: none"> <li>• Available to local governments that accept the collection incentive.</li> <li>• Top-up allowance does not cover all administrative costs.</li> </ul>	<ul style="list-style-type: none"> <li>• CRD staff will spend more time on reporting to MMBC.</li> <li>• Time spent on processing invoices will be eliminated.</li> </ul>

**MMBC FINANCIAL INCENTIVES FOR PACKAGING AND PRINTED PAPER  
COMPARISON OF CRD COSTS VERSUS MMBC OFFER**

<b>Program/Function (For Collection Only)</b>	<b>MMBC Incentives</b>	<b>CRD Costs (Projected 2014/15 Annual)</b>
<b>Curbside Blue Box</b>		
Curbside Blue Box	\$4,197,270*	\$3,872,150
Administration	\$299,140	\$349,970
Education	\$119,660	\$287,790
<b>Sub-Total</b>	<b>\$4,616,070</b>	<b>\$4,509,910</b>
<b>Depots</b>		
Hartland	\$25,000	\$169,870
Port Renfrew	\$2,500	\$9,280
Gulf Islands	\$114,990	\$426,880
Administration	30,000	\$40,000
Education	9,000	\$10,000
<b>Sub-Total</b>	<b>181,490</b>	<b>\$656,030</b>
<b>TOTAL MMBC/CRD Comparison</b>	<b>4,797,560</b>	<b>5,165,940</b>

\* Based on 3.8 households per hectare. MMBC funding could increase by \$230,000/year if CRD household density of 1.9 households is used.

\*\* The total estimated cost difference is slightly less than the annual estimated costs as the agreement with MMBC would run for 11.42 months (May 19, 2014 to April 15, 2015) only.