

# PPSReview

**Product & Packaging  
Stewardship Review**

**MANAGING WASTE RESPONSIBLY**

An information service for municipal governments  
Vol 3, Issue 6, February 2003

## Some Ontario brand owners bristling at blue box costs

Citing concerns about the level of cost and the unevenness of the playing field, some Ontario brand owners are backing off in their support for Ontario recycling programs.

This became evident at the third of three consultation events held by Stewardship Ontario, January 16 in Toronto. After the presentations, a veteran of stewardship discussions over the past several years presented a letter to CSR CEO Damian Bassett containing 22 "issues and concerns".

Tim Woods of Nestle Canada said the list of concerns came from a meeting of brand owners and industry associations held December 19.

"We want to go on record to express our dismay at the extremely high level of costs industry will have to fund," said Mr. Woods.

The formula used to calculate the stewards' obligations is "very complex, even for those of us who have been part of the process since the CIPSI days," said Mr. Woods.

Another concern for the brand owners is the change from the "basket of goods" approach to activity based costing when calculating fees. Mr. Woods said the former approach was "the cornerstone of industry support".

"The basket of goods was a safeguard against any one material type gaining a market advantage at the expense of other material types because of a commitment to support recycling," he said.

Those attending the January session were given a chart showing projected fees assuming a 60% and a 95% compliance rate. There is a substantial difference in the fees allocated to cooperating stewards when the compliance rate is lower, noted Mr.

Woods, who added the brand owners had asked for regulations to ensure "a level playing field" that would stop free riders from gaining a competitive advantage.

"This is appalling. What we now have is a terrain that is not at all level," he said.

"And Damian, you wonder why some industry representatives are no longer supportive of this initiative."

Responding to the concerns, Stewardship Ontario Program Manager Derek Stephenson said the wording of the Waste Diversion Act and other legislation have provided constraints which have been responsible for the changes.



This cartoon is available from the PPSReview website: [www.productstewardship.org](http://www.productstewardship.org)

"We didn't get everything we looked for," he said.

Continued on Page 3/6

### INSIDE THIS SIX-PAGE ISSUE

News in Brief	2/6
Guest column	3/6
How costs change	4/6
PPEC'S concerns	5/6
Editorial	6/6

## Briefly...

### THOUSANDS PROTEST BAG BAN IN TAIWAN

The China Post reports that more than 10,000 protesters took to the streets of Taipei in January for the second time in a month to demonstrate against a ban on plastic bags implemented at the beginning of the year. Taiwan EPA Director General Hau rejected the protesters' demand for a postponement of the ban and vowed to take full responsibility by stepping down if the phase-out policy fails, saying that the aim of the program is to lessen the impact of plastic waste on the environment. Premier Yu Shyi-kun said that the ban was crucial for creating a more beautiful, environmentally friendly Taiwan. The move to reduce consumption of plastic products is not only correct, but is necessary, he said. The policy could be discussed, but not abandoned, Yu said.

*WARMER Bulletin, January 24, 2003*

### PLASTICS, GLASS RETURNING TO NEW YORK RECYCLING CONTAINERS?

After a one-year hiatus, the recycling program in America's largest city may again include plastic bottles. Mayor Michael Bloomberg cut glass and plastic containers out of the recycling program as part of a 2002-2003 budget aimed at addressing a \$5 billion shortfall. Only paper and ferrous scrap have been picked up since last July. After receiving bids from a variety of local processors for the handling of metal and plastics for one year beginning this summer, city officials are now reconsidering plastics. One Jersey City-based ferrous scrap has agreed to pay the city \$5.15 per ton for the mixture. City officials are also working to add glass containers back into the program in July 2004.

*Resource Recycling electronic newsletter, January 2003*

### HAWAII'S BOTTLE BILL MAY BE IN TROUBLE

Hawaii's new Republican governor, Linda Lingle, is opposed to the state's bottle bill, approved last year by the state

legislature and signed into law. The deposit system was set to start in 2005. Citing concerns about costs, the governor is calling for the program to be replaced by litter cleanup efforts and curbside recycling collection service.

Environmentalists and municipal officials are expected to oppose any efforts to repeal the law.

*Resource Recycling electronic newsletter, January 2003*

### DEPOSITS IMPOSED IN GERMANY AFTER LONG COURT BATTLE

Mandatory deposits went into effect in Germany, January 1, for beer, mineral water, and soft drinks. The new law applies to drinks sold in one-way cans and bottles that fall below the required 72% refillables quota for drinks required under the Packaging Ordinance of 1991. The deposit will be about 37 cents (C\$) on smaller containers and 75 cents on bottles larger than 1.5 litres. The move follows a two-year battle in the courts by the retail and beverage industries and was pushed into high gear when the Social Democrats won re-election in the recent German election.

*Container and Packaging Recycling Update, Winter 2002*

### EUROPE BEEFS UP STEWARDSHIP FOR ELECTRONICS

In December, the European Parliament passed legislation requiring manufacturers to pay for the recycling of a full range of small and large electrical goods ranging from shavers to computers. Under the new rules, which come into effect in the fall of 2005, an estimated 75 % of electrical/electronic goods could be recycled. The law also calls for "appropriate measures" against companies that design equipment specifically to prevent reuse. The new laws also will prohibit the use of toxic substances such as lead, mercury and cadmium in all such household appliances from 2006.

*Associated Press, December 19, 2002*

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*Anyone wishing to support the Fair Comment Project may email Ben Bennett ([bbc@albedo.net](mailto:bbc@albedo.net)). Confidentiality is guaranteed.*

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PPS  
Review  
February  
2003

Page 2/6

## GUEST COLUMN

# Might we just be doing something right in British Columbia?

by Jim Cairns,  
*Environmental Plastics  
Advisory Service*

How many jurisdictions in Canada or around the world surpass or achieve the diversion rates of British Columbia — about 80% for old newspapers, other paper fibres, plastic milk jugs and beverage containers?

Some may even consider that BC continues to lead the pack in so far as their achievements concerning the sustainable management of discarded materials, such as those from packaging, printed materials, tires and gypsum wall board.

Let those of us fortunate enough to

be residents of BC be neither complacent, smug or down-hearted regarding the rate of progress but rather maintain a steady course.

How?

- By continuing the constructive dialogue of the multi-stakeholder group operating under the auspices of Recycling Council of British Columbia.
- By continuing to focus on significant voluminous discards—preferably those that have markets.
- By pursuing BC's hybrid collection system of “reverse distribution”, focused curbside in conjunction with deposit return.

The system is not perfect but it proves to be effective. Does either taxpayer, brand-owner or consumer have just cause for complaint?

### WINNERS AND LOSERS

Trying to do all things for all people, without unlimited funding, is unlikely to succeed. There likely will be winners and losers; such is life. But the potential loser can become a winner by changing course at the appropriate time. Most glass manufacturers, for example, now produce lightweight, readily-recyclable plastic containers.

We live in an evolutionary period. Let us remember; every system has its limits. No one said that the transition from a rather profligate consumer society to a more caring sustainable one would be fast or easy.

Yes, there are still sectors that can be improved, encouraging design for recyclability, improved governance systems, more efficient composting and alternate energy development.

Not all discards will or should be mechanically recycled. Voluminous discard streams not making the diversion/conservation grade have or are being identified. These sectors are considered works in progress. We are getting there, one step at a time.

*(Jim Cairns formed EPAS on his retirement from Dow Canada in 1992, providing “pragmatic links” among the players “to alleviate and minimize premature polarization” over environmental issues.)*

## Spring election in Ontario would kill Colle's LCBO bill

If, as expected in some circles, Ontario Premier Ernie Eves calls a provincial election this spring, a private

member's bill calling for a deposit-return system for wine and liquor bottles will die on the order paper.

Bill 125 was formally introduced by Liberal MPP Mike Colle (Eglinton-Lawrence) in June of last year, just a few days before Bill 90 (the Waste Diversion Act) received royal assent and became law.

The bill, which sought a deposit return system to be set up LCBO stores by July 2003, did not garner support from the Tories, although the current environment minister Chris Stockwell made an LCBO deposit- return system part of his election platform when running for the Tory leadership last spring

While not finding favour in the legislature, the concept has received support from some major Ontario municipalities, including the regions of Peel and York, most lower tier councils in the Region of Niagara, the cities of Thunder Bay, Stratford, Aurora, Guelph and Kenora, and the counties of Northumberland, Oxford and Norfolk.

### Stewardship Ontario

Continued from Page 1/6

Because only governments can levy taxes, the stewardship fees must be linked to the provision of a service (the so-called “nexus” clause). This precluded the basket of goods approach.

Mr. Stephenson said he was also told by provincial officials that sales-based fees were unconstitutional.

As for the timetable, “no one hated this deadline more than me,” he said.

The *de minimus* rule which excludes small operations from being obligated to support recycling “was a surprise and shock” noted Mr. Stephenson.

Mr. Bassett invited those who had compiled the list of concerns to attend a brand owners' committee meeting.

PPS  
Review  
February  
2003

Page 3/6

# Stewardship Ontario report a sorry statement on blue box recovery

Despite all the brave words in the Waste Diversion Act about the importance of actually diverting waste from landfill, the latest report from Stewardship Ontario reveals the ineffectiveness of the current blue box program as a stand-alone system. And it offers little hope of much improvement.

In its *Proposed Blue Box Program Plan*, Stewardship Ontario makes the point that it may not be cost effective to increase some recovery rates, affirming what program manager Derek Stephenson said at Stewardship Ontario's January 16 meeting (see Page One).

"It makes no sense for all materials to be recovered at the same rate. It is not economically logical, it is not environmentally logical," he said.

The program plan looks at a "natural growth" projection (the current 45% average diversion rate with a gradual increase in population) and a 50% diversion rate for recyclables.

"It's unclear whether recovery estimates will meet the ministry's expectations, but we think that there is good logic for it," said Mr.

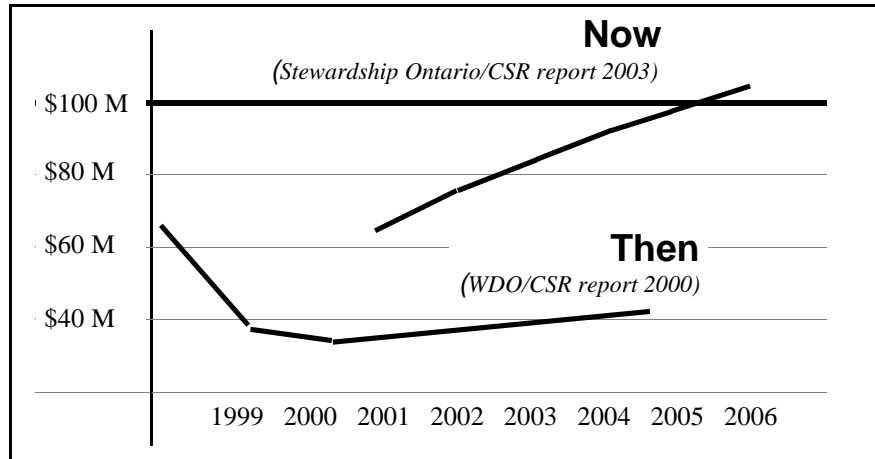
Stephenson.

The Stewardship Ontario program plan recognizes the limitations of the current system.

"At what point in time does it make more sense to stop pushing the limits of the Blue Box recycling program...and instead promote other diversion systems...?"

Calculations in the Stewardship Ontario report suggest the net cost of recycling in Ontario, at the current rate of diversion, would increase from the 2001 estimate of \$62.5 million to more than \$100 million by 2006. The 50% scenario would see costs increase to \$120 million. The increases are attributed to higher contract costs and lower revenues from softer recycling markets.

## The net cost of recycling—then and now



### A TALE OF TWO ESTIMATES

Projected net recycling costs assuming "natural growth" in the Waste Diversion Organization's report to the MOE, September 2000, and Stewardship Ontario's Proposed Blue Box Program Plan, January 2003.

The sharp increase in costs is in marked contrast to the stable projections made in the 2000 report from the Waste Diversion Organization (WDO), which, like Stewardship

Ontario, retained CSR: Corporations Supporting Recycling as its secretariat.

That report showed 1999 costs of \$66 million, dipping to \$39.2 million in 2000 and increasing slightly to \$42.5 million by 2005, under the "natural growth" scenario.

When it comes to diverting waste, the new report indicates a 54.1% recovery rate for all printed papers in 2001, and only 37.1% for all packaging materials. The average recovery rate is about 45%, which is about the same diversion rate estimated by the 2000 report from the WDO.

Individual material comparisons, however, tell a much different story. The 2000 report had aluminum cans recycled at a 58% rate, compared to

just 39.9% in the 2003 Stewardship Ontario report. PET bottle recovery has been marked down from 43% to 38.5%, food and beverage steel cans have dropped from 56% to 48%, but the recovery of old corrugated containers (cardboard) has ballooned from 39% to 65.2%.

The recent Waste Diversion Act stipulates that industry only pays for material recovered through recycling programs.

Municipalities "are not widely supportive" of significantly increasing recovery either, said Mr. Stephenson, "because they still have 50% of the cost."

*(But then, they still have 100% of the disposal costs, too—editor.)*

**"At what point in time does it make more sense to stop pushing the limits of the Blue Box recycling program..... and instead promote other diversion systems...?"**

*- Proposed Blue Box Program Plan, Stewardship Ontario, Jan. 21, 2003*

## PPEC seeks revision of brand owner levy formula

The Paper and Paperboard Packaging Environmental Council (PPEC) has written to Ontario Environment Minister Chris Stockwell urging a revision of the levy formula for brand owners proposed by the Stewardship Ontario blue box program plan.

The levy on packaging is “of keen interest to material suppliers and end-markets for recycled materials since each does not want to find itself at a competitive disadvantage. A level playing field is as important to us as it is to our brand owner clients,” writes PPEC executive director John Mullinder.

“The very short time frames for consultation and the fact that the levy weightings have been frequently re-jigged, or remained undetermined because of so-called constitutional considerations, have made it difficult for us and others to quickly get to grips with the levy implications.

“We are now very alarmed at those implications, and would urge that your staff and Stewardship Ontario immediately address a major flaw in the draft Program Plan,” says Mr. Mullinder.

“Users of paper packaging would be better off, under the proposed levies, if paper packaging were not to be collected by municipalities at all. We don't think the minister would want us to advocate this, nor do we want to, but the existing levy structure suggests we should,” he continues.

The letter notes that on the issue of recycled content, paper and plastic packaging are far apart (paper an average of 63%, plastic perhaps 10%). The same is true for Ontario's residential capture rate (paper packaging at 50%, plastic at 16%). Plastic packaging also costs twice as much as paper packaging to collect and process (\$542 a tonne net compared to \$247 a tonne), according to the PPEC's figures.

“Given all these factors in paper packaging's favour, however, the proposed levy for plastic packaging is only one-third more than that for paper, an inequity brought about because the recovery and equalization factors in the levy are unfairly weighted,” says PPEC.

“We do not want to be the ones to tell the public that they should no longer put their paper boxes, bags or cartons out for recycling. We would prefer a levy that encourages higher recovery rates, does not disadvantage traditionally collected materials, and provides an incentive for newer materials to meet higher recovery targets.”

PPEC is calling for a three to four-week extension of the submission deadline for the blue box program plan (currently February 28) in order to resolve the levy issue.

## COMING EVENTS

### February 24 - 26, 2003

Take it Back! (international EPR) conference  
Alexandria, VA  
Call (301) 345-4237

### April 30 - May 3, 2003

Ontario Small Urban Municipalities (OSUM) conference  
Prince Edward County, ON  
Call (519) 271-0250, x241

### May 1- 3, 2003

Northern Ontario Municipal Association (NOMA) Conference  
Fort Frances, ON  
Call (807) 626-0155

### May 7- 9, 2003

Federation of Northern Ontario Municipalities (FONOM) conference  
Mattawa, ON  
Call (705) 669-0135

### June 4 - 6, 2003

Recycling Council of British Columbia (RCBC) annual conference  
Penticton, BC  
Call (604) 683-6009

### June 8-11, 2003

Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) annual meeting  
Thunder Bay, ON  
Call (905) 308-9779

### August 17 - 20, 2003

Association of Municipalities of Ontario annual conference  
Toronto, ON  
Call (416) 971-9856

### October 1 - 3, 2003

Recycling Council of Alberta annual conference,  
Calgary, AB  
Call (403) 843-6563

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PPS  
Review  
February  
2003

Page 5/6

# Opinion Piece

*The opinions expressed in this column are not necessarily those of PPSReview*

## Hello, my name is Ontario and I have a recovery problem

by Jay Arthur

One of the key elements of any 12-step therapy program is acknowledgement of the problem.

You can spend a lot of time, money and energy dealing with an issue but until you admit to yourself that something is wrong, you are probably wasting your time (and money and energy).

I am therefore very encouraged to see that Ontario's ailing waste diversion program may soon be on the road to recovery (so to speak).

After all these years of hand-on-heart swearing that the blue box was the be-and-end-all in the recovery of paper and packaging, the folks at CSR have finally seen the light.

Congratulations, guys. We are all very proud of you.

It's all there in Stewardship Ontario's January 21 report to the Waste Diversion Ontario (WDO) board.

Stewardship Ontario is the virtual organization, staffed by CSR, which acts as secretariat to the blue box industry funding organization.

Not only does the report recognize that expanding recovery much beyond the 45% currently enjoyed by the blue box program may not make economic sense, it also acknowledges there could be better ways to divert waste.

That took great courage.

In keeping with the 12-step therapy, CSR staff made public statements to this effect in front of their peers at the Stewardship Ontario meeting in Toronto a few days before.

With almost evangelical fervour, Program Manager Derek Stephenson pointed out that increasing capture of some materials beyond their current levels could cost way more than the net benefit.

In the *Proposed Blue Box Program Plan* submitted to the WDO board, the extra costs involved in beefing up recovery are spelled out with dizzying clarity.

Just pushing from 45 to 50% recovery could push the net cost to \$120 million per year!

"The higher the diversion rate is pushed, the more likely that higher cost materials will be included in municipal programs resulting in higher costs per tonne managed compared to the current rate," states the report (page 68).

So, 15 years after the blue box has become second nature for most people, and bombarded by almost weekly assurances that it is the most cost-effective recovery option, all of a sudden they are told it might not be.

It's funny, isn't it, how this little epiphany has come at the same that its members are being asked to cover half the cost?

There's more. Further down on page 68 of the report is the following:

"There is a future policy issue that will require the attention of municipalities, Stewardship Ontario and the WDO. At what point in time does it make sense to stop pushing the limits of the blue box recycling program, where costs would accrue at a disproportionate rate compared to the environmental benefit (i.e., higher increases in costs than in recovery of materials) and, instead, promote other diversion systems (e.g., full organics collection), where the money spent will proportionately provide greater diversion performance?"

This, from the folks who brought you that famous line: *Don't let any get away!*

Note that this law of diminishing returns did not matter when it was municipal taxpayers who were picking up the tab. But now that brand owners might be on the hook for half of the cost of the program, the other options are starting to look attractive.

Note also that in the 2000 WDO report, written by the same authors, it was pointed out that readily identifiable stewards were not so easy to find to support an organics program, and the costs would have to be borne by municipalities or the Province. So no

stewards. I'm sure that would be very attractive for CSR's brand owners.

Of course, if we did have "other diversion systems", like the

**"So, 15 years after the blue box has become second nature for most people, and bombarded by almost weekly assurances that it is the most cost-effective recovery option, all of a sudden they are told it might not be."**

hybrid system of blue box AND deposit-return in British Columbia, recovery rates for most containers would increase substantially and the per tonne cost of our blue box program would be about the same.

Now that the important first step has been taken, it is just a question of time before all packaging in Ontario can hold its head high once more and cry, "I am truly recovered!"

PPS  
Review  
February  
2003

Page 6/6