

# PPSReview

**Product & Packaging  
Stewardship Review**

**MANAGING WASTE RESPONSIBLY**

An information service for municipal governments  
Vol 4, Issue 3, August 2003

TRUE COSTS COME AS A SHOCK

## Review the costs, come up with “containment strategy”, WDO told

The stewardship train in Ontario has come up against yet another obstruction on the line, as actual recycling costs have exceeded expectations, industry has balked and “cost containment” has become the new buzzword.

While few details are being released, the financial statistics garnered through the recent data call initiative show Ontario’s blue box program costs are a lot more than anyone anticipated.

Industry representatives, already stung by the difference in what they thought they were going to have to pay and the numbers contained in the February Blue Box Program Plan prepared by Stewardship Ontario, are now looking at a total figure way higher (25 per cent higher according to an email bulletin issued by *Solid Waste & Recycling* magazine August 5).

### EAGERLY AWAITED

Those attending the July 30 meeting of the Waste Diversion Ontario board of directors eagerly awaited the arrival of chair Gemma Zecchini of Refreshments Canada. Ms Zecchini had spent the morning at the Ministry of the Environment where she met with MOE personnel as well as staff from the Premier’s office.

She was there to convey the WDO board’s concern about delays in the approval of the blue box program plan, which was endorsed by the WDO board in February.

Amongst other things, there has had to be some fine-tuning required as a result of concerns by ministry staff about the industry funding organization (IFO) rules—resulting in some to-ing and fro-ing between the WDO and Stewardship Ontario boards—not to mention the resignation and replacement of the provincial environment minister.



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The delay of the program plan approval could have dire consequences on the WDO itself. While there was an up-front payment from the Liquor Control Board of Ontario to WDO to set up its administration, the organization is dependent on the ongoing support from the IFOs.

Until the various stewardship plans are approved and funds collected, there will be no financial support for the day-to-day WDO expenses. Without that support, the organization may have to cease operations, board members were told.

### IMMEDIATE PROBLEM

But it is the result of the financial data call that poses the immediate problem. The Province, which until recently has taken very much a hands-off role in the

stewardship process since the passing of the Waste Diversion Act, last year, has asked the WDO to prepare a “cost containment strategy”. And it wants it soon. The WDO’s Municipal Industry Program Committee (MIPC) has been tasked with that assignment.

One glimmer of hope on the horizon is next week’s Association of Municipalities of Ontario (AMO) conference in Toronto. Each year, the Ontario Premier addresses the hundreds of municipal delegates at the Royal York Hotel and these are often occasions for major announcements.

Whether the blue box funding issue is considered big enough in the overall scheme of things, when there are so many other areas where the Province could use a good news headline, remains to be seen. The municipalities themselves would not likely list a \$20-\$30 million program as a priority if there are other pre-election goodies to be had.

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# Briefly...

## NOW IRELAND IS LOOKING AT LITTER

Following on from its success in reducing plastic bags, the Government of Ireland, announced plans in July to introduce punitive fees on three main sources of litter. The government will introduce a bill this year to levy special taxes on chewing gum packets, receipts from cash machines, and polystyrene packaging from fast food chains, Environment Minister Martin Cullen announced. There will be consultations with the targeted industries, environmentalists, and the general public before details of the fees are announced. To pay for removing gum on the street, Mr. Cullen proposed a charge of 5 to 10 euro cents (6 to 12 U.S. cents) per pack. He noted that the 80 million packs sold annually in Ireland produced up to 500 tons of gum that has to be scrubbed off the sidewalks.

*Source: Associated Press July 16, 2003*

## EXPANDED BOTTLE BILL DIES IN MASSACHUSETTS

The Massachusetts Joint Energy Committee has recommended that plans to expand the state's bottle bill be put to "study," in effect killing any possibility of changes to the bill. Also put to "study" were bills that would have increased the handling fee to three cents, added fruit juices to the deposit system, allowed crushed aluminum cans to be accepted at redemption centres, exempted small retailers if a redemption center were located nearby, required the Clean Environment Fund to be used for recycling only, and repealed the bottle bill, replacing it with a piecemeal array of recycling initiatives to be funded by industry for one year. The Energy Committee, whose chair represents the Worcester district where Polar Beverages is located, has

repeatedly voted to uphold the status quo, allowing neither the expansion nor the repeal to move forward.

*Container Recycling Institute, June 2003*

## AND NOW, THE DISPOSABLE DIGITAL CAMERA

Stores in 14 American cities are now selling disposable digital cameras. Available at Ritz Camera and Wolf Camera stores for \$10.99, the new cameras are targeted at customers trying digital photography for the first time. Pure Digital Technologies (San Francisco) developed the 25-shot, 12-megabyte camera. After taking 25 photos, the user returns the camera for processing. Photos taken on disposable digital cameras cannot be transferred to a personal computer from the camera, unlike their much more expensive non-disposable counterparts. The company charges about \$11 for processing, which includes prints and a photo computer disk. Used cameras are sent to Pure Digital Technologies for refurbishing and reuse or recycling.

*Resource Recycling E-Scrap News, August 6, 2003*

## CALIFORNIA BEVERAGE INDUSTRY MUST PAY MORE

The California beverage packaging industry must put up an additional \$29 million as part of the state's container redemption program, following a recent court judgment which determined that the state's recycling fees were set too low. California law requires the payment of a fee to the state in cases where the scrap value of an empty container does not cover the cost of processing. Only in the case of aluminum cans are beverage producers able to avoid fees.

The additional payments are expected to amount to \$3.9 million for beverages sold in HDPE, \$7.8 million for beverages in glass and \$16.8 million for PET.

*Container Recycling Report, July 2003*

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*The current issue of PPSReview, and past issues, are available for viewing on the Internet <[www.productstewardship.org](http://www.productstewardship.org)>.*

*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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**NOTICE:** this publication, AND the views expressed, have NO connection with the Association of Municipal Recycling Coordinators of Guelph, Ontario.

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# Are we there yet?...



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

## Write to Wilson now, we are losing \$2.6 million per month, says AMO

Ontario municipalities have been urged to put pressure on new environment minister Jim Wilson to approve the blue box program plan and start dollars flowing to support recycling programs.

In an *Alert* sent to local councils, July 31, the Association of Municipalities of Ontario (AMO) says “with every passing month” municipalities are losing \$2.6 million in funding.

“As a new minister, Jim Wilson needs to hear from individual municipalities that blue box funding is a priority to us. AMO has learned that this could be the deciding factor in getting the Blue Box program plan passed, and in receiving blue box funding this year,” states the *Alert*.

AMO notes the original start date for the plan was supposed to be May 1, 2003 but various delays—including the departure of the previous minister Chris Stockwell—have set back that timetable. AMO urges letters to be written immediately “to get a September 1 start date”.

This is not the common wisdom at Stewardship Ontario, whose website at the beginning of July was telling stewards there could be a period of 90 days between approval by the minister and the obligation date. Subsequent postings on the website have been less specific.

As of August 13, the message was: “There is some indication that Stewards will be given notice prior to the date of

obligation, therefore setting the date at October 1 or November 1, 2003, but this cannot be confirmed at this time. Should new company obligations come into effect on October 1, this year's fees will be based on 2002 Blue Box waste production, divided by the remaining 3/12s of this year (October 1 – December 31, 2003).”

# The cost of beverage recovery shifts from industry to consumers

By Clarissa Morawski

*(CM Consulting has released its annual report on beverage recovery. Who Pays What - An Analysis of Beverage Container Recovery and Costs in Canada provides a comprehensive examination of container reuse and recycling programs in Canada today.)*

In most deposit return programs in the world, the beverage industry pays for the bulk of the system costs. In Canada however, programs have evolved in a way to minimize or eliminate industry's financial obligation, and pass it on to their customers in the form of a "front-end" fee or a "back-end" fee. These include Container Recycling Fees (CRFs) at 0 cents to 8 cents/unit, Environmental Handling Charges at 3 cents to 7 cents, a non-refillable levy (2 cents) and a half-back on non-refillables (5 cents or 10 cents). Most of the above fees, except the CRF, raise more revenue than required to fund the system. Excess funds are used to finance other environmental programs, or are allocated to the province's general revenues.

## HANDLING FEES

The handling of containers (collection) is the most costly part of any recovery system, and therefore warrants close monitoring. Traditionally, handling fees were 2 cents per unit. More recently however, depots (those who charge the fee) have been lobbying for greater fees, arguing that fees have not kept up to the cost of living and inflation. Fees have increased in most provinces in the last five years.

Generally, one fee is charged on all units in order to keep things fairly simple. However, with the onset of "activity based costing", more complex fee schedules have been devised to reflect the extra work, time or space required for some containers. For example, a large glass container is more costly to handle than an

aluminum can. Across Canada, handling fees range from 2 cents to 8 cents/unit size and type.

In the forum of deposit return programs, keeping handling fees at a reasonable level in the future will be one of the more challenging areas of cost control within those systems.

## SYSTEM COSTS

In most cases, income statements are publicly available to determine a program's net cost. Some operators use the unredeemed deposit revenue to help offset their costs and some do not. Therefore, in determining the net cost of a provincial program, it is reasonable to identify a net cost *without* the unredeemed deposit revenue and a net cost *with* unredeemed deposit revenue.

The report shows net system costs per unit sold in 2001-2002 are:

### British Columbia

Wine & spirits: **7.9 cents (with deposit)/6.2 cents (without deposit)**

Non-alcohol: **2.78c/0.83c**

### Alberta

All containers except domestic beer & milk: **2.5c/1c**

### Saskatchewan

All containers except refillable beer & milk: **3.4c/1.8c**

### Ontario, Quebec,

**New Brunswick:** not available

### Nova Scotia

All containers except domestic beer & milk: **2.2c/(0.37c)**

### Newfoundland

All containers except domestic beer & milk: **4.4c/(0.004-2.1c)**

industry, municipalities, the province, and beverage consumers. The *Who Pays What* analysis confirms that in British Columbia, Saskatchewan, Manitoba, Nova Scotia, Newfoundland and New Brunswick (for liquor), the beverage industry bears no direct costs to run the provincial beverage recovery program. As of September 2002, a Container Recycling Fee (CRF) was implemented in Alberta, similar to the BC program, reducing the beverage industry's cost to zero for fiscal 2003 and beyond.

Beverage producers (including milk) in Ontario will be required to pay levies on all their packaging sold into the residential stream if the Minister approves the Blue Box Program Plan. It is likely that Quebec will implement a similar levy-based funding structure for the blue box system, which would see all beverage packaging (including milk, but excluding soft drink and beer containers), carry an industry levy.

The beverage industry, therefore, will only be required to fund beverage container recovery in Ontario and Quebec. In all other Canadian provinces, beverage companies do not bear any program costs for container recovery. The bulk of system costs are borne by the "wasting consumer" (the consumer that chooses to forfeit their deposit by not returning to container for recycling).

A small portion of a front-end or back-end consumer fee (CRF, EHC and Half-back), is used directly to offset the system costs. In half-back provinces most, or all of the half-back is used to fund non-related environmental programs.

For more information on *Who Pays What 2001-2002*, contact CM Consulting at 416-682-8984 (or [Morawski@ca.inter.net](mailto:Morawski@ca.inter.net)).

## WHO PAYS WHAT

In order to provide a clearer picture of the associated program costs, a new approach called "Who Pays What" has been developed by CM Consulting. This new approach provides a transparent picture of the associated program costs/unit as they relate to the various "funders" or stakeholders of the system. The funders may include:

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## BC stewardship regulation review submissions on line

Public written submissions and summaries of the workshops on British Columbia's stewardship regulation review are now available on the BC Ministry of Water, Land & Air Protection's web site.

The ministry intends to distribute a document describing its intentions for the new regulation early in the fall. Those who made submissions will receive a copy of the intentions paper when it is released. To access the site visit:

<[http://wlapwww.gov.bc.ca/epd/epdpa/ips/reg\\_review.html](http://wlapwww.gov.bc.ca/epd/epdpa/ips/reg_review.html)> .

For more information, contact, Brian Grant, Environmental Management Officer, Public Safety and Prevention Initiatives Section, Environmental Management Branch, Ministry of Water, Land & Air Protection, telephone: 250-356-9834, fax 250-387-8897, or email (Brian.Grant@gems9.gov.bc.ca).

## Alberta judge sends depot fee issue back to BCMB

An Alberta judge has quashed the decision of the Alberta Beverage Container Management Board (BCMB) to refer the setting of beer handling rates to an arbitration panel, and has sent the question of beer container handling commissions back to the BCMB to be reconsidered in light of her decision.

The Western Brewers Association (WBA) And the Alberta Bottle Depot Association had filed for a judicial review of the provincially -appointed BCMB's recent decision to send the issue of handling fees to arbitration. The brewers claimed the Board had not "done its duty" in collecting appropriate information to set handling fees.

The BCMB will review its commission procedures in the coming months and has told its depot operators it expects to contact them for more information early next year and to have rates implemented "hopefully in the spring or summer 2004".

## COMING EVENTS

### August 17 - 20, 2003

Association of Municipalities of Ontario (AMO)  
Annual Conference  
Toronto, ON  
Call (416) 971-9856

### September 10 - 12, 2003

Ontario East Municipal Conference  
Kingston, ON  
Call (613) 925-1498

### September 24 - 26, 2003

National Composting Conference  
London, ON  
Visit [www.compost.org](http://www.compost.org)

### October 1 - 3, 2003

Recycling Council of Alberta (RCA)  
Annual Conference  
Calgary, AB  
Call (403) 843-6563

### October 8 - 9, 2003

Saskatchewan Waste Reduction Council (SWRC)  
Waste Minimization Forum  
Saskatoon, SK  
Call (306) 931-3242

### October 22-24, 2003

Coast Waste Management Association  
Annual Conference  
Victoria, BC  
Call (250) 752-8293

### December 3 - 4, 2003

Canadian Waste and Recycling Expo/Public  
Works Expo  
Toronto, ON  
Visit [www.exposition.com](http://www.exposition.com)

## RUMOUR DEPARTMENT

Ever since brand owners got to see the numbers they are being asked to pay as part of the Blue Box Program Plan developed by Stewardship Ontario, there has been a lot of lobbying behind the scenes by different people on behalf of different clients.

There is nothing unusual in that at Queen's Park, of course, but one of the figures said to be collaring those that will listen in the hallowed halls is a well-known golf pro, turned politician, turned think-tank fellow.

If, however, the BC-based Fraser Institute *is* planning to issue a paper on the effectiveness and efficiency of stewardship programs, it would be "common sense" to start with the hybrid model operating so successfully in its own backyard.

# Opinion Piece

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

## The panic at Queens' Park as recycling's reality hits home

by Jay Arthur

After more than a decade of stewardship talk in Ontario, it was looking almost certain that something at least might find its way into municipal coffers to offset recycling costs. It wasn't full stewardship—heck, it wasn't even close—but it was something.

Now, who knows if it will ever happen?

The way this thing has dragged on it's like a classical Greek tragedy, combined with a biblical parable: Sophocles meets Job.

After years of false starts, promises, more false starts, and more promises—and many years spent wandering in the wilderness, we actually got some legislation in place last year. All that was left was the paperwork.

More than a year has passed and we are still spinning our wheels.

There are many things wrong with the Waste Diversion Act (see my tirade in the April 2003 *PPSReview*) but the latest, and possibly most serious obstacle is the realization that the blue box costs a lot more than everyone thought. Now that someone has actually done a province-wide, in-depth survey of true costs, the reality of recycling has hit home.

How much more it costs is something we are left to speculate about as no one is releasing the numbers just yet. But, by all accounts, the results of the financial data call set blue box costs at least 25 per cent higher than previously estimated and

the producers are not happy. Can you blame them? They are still recovering from being told by Stewardship Ontario/CSR that the numbers used in the Waste Diversion Organization reports of 2000 were...well let's say "optimistic". Those costs started at a little over \$60 million per year and decreased to just over \$40 million as efficiencies kicked in. In the 2003 blue

box plan, however, the costs started in the same place, but ended up at over \$100 million! That was a big enough blow. Now they are being told that the estimates for

current costs were way off the mark. By the time you read this we may know exactly by how much.

You may recall the \$62.5 million figure that was used for the net recycling cost estimates was as a result of an agreement reached by the folks at SO/CSR and municipal representatives from AMO about revenues, based on a rolling average. They had to negotiate the figure because they each had different figures. The SO/CSR estimate for revenues was 33 per cent higher than AMO's estimate, hence the net costs were much lower. You would have thought that given the recent history of the SO/CSR estimates that they might have leaned toward the AMO number. But it was not to be.

So after 10 years of estimating recycling costs, and no real effort to assess the actual costs, the true number comes as a bit of a shock.

You can understand that the brand owners who have finally committed to

paying half of that cost are a little concerned. You can understand that the folks at SO/CSR are a little concerned. And you can understand that the Province, feeling the heat from the producers, is a little concerned. You can understand the concern but what on earth is this "cost containment strategy"?

Did municipalities become profligate overnight, wallowing in inefficiency and waste? I don't think so.

All that happened was that the truth finally surfaced about how much it costs to collect empty containers at the curb. (We can hardly blame this on fibres, not with old newsprint selling for close to a hundred bucks a tonne).

Nothing has changed. We just have the facts now. The principles of product stewardship, which are embodied, albeit imperfectly, in the Waste Diversion Act, haven't changed. Industry agreed to pay half. So industry should pay half.

With municipal budgets being squeezed more and more by the feds downloading onto the Province and the Province downloading onto local governments, has it not occurred to anyone that perhaps municipalities already have "cost containment strategies" in place?

If this is just a way to allow industry to wriggle out of the 50/50 split by reducing the items covered then it should be fought every step of the way.

And the Province should be standing up for its own legislation, not undermining it.

**"All that happened was that the truth finally surfaced about how much it costs to collect empty containers at the curb. (We can hardly blame this on fibres, not with old newsprint selling for close to a hundred bucks a tonne)."**