

The Regional Municipality of York

Committee of the Whole
Environmental Services
June 11, 2020

Report of the Commissioner of Environmental Services

Resolution on Transition to Full Producer Responsibility

1. Recommendations

1. In response to the Association of Municipalities of Ontario's call for action, Council pass the attached resolution (Attachment 1) that declares the following:
 - the Region's preference to transition blue box transfer and processing services concurrently with local municipal collection services in 2025
 - the Region will no longer provide transfer and processing services after Blue Box Program transition
2. Council authorize the Commissioner of Environmental Services to negotiate with producers and/or service providers to explore options for assets after transition and report back to Council on results.
3. Council authorize the Commissioner of Environmental Services to explore earlier transition timing of transfer and processing operations if available and advantageous to the integrated waste management system.
4. The Regional Clerk circulate this report to the Clerks of the local municipalities and the Director of Resource Recovery Policy Branch from the Ministry of the Environment, Conservation and Parks and the Association of Municipalities of Ontario.

2. Summary

The Association of Municipalities of Ontario (AMO) issued a call for municipalities to pass resolutions outlining a preferred date for transition of their Blue Box Program to full producer responsibility. The timing window for transition spans three years from January 1, 2023 to December 31, 2025. Municipalities were also asked to indicate if they want to continue to act as a service provider under the new producer responsibility framework. Attachment 1 includes the recommended resolution for the Region's transition to full producer responsibility.

Key Points:

The province is currently consulting on the blue box regulation and mechanisms to transition. While it is difficult for municipal governments to indicate preferences without specific contract terms and conditions, or the outcome for municipal assets under producer responsibility, AMO's call for action initiates transition timing discussions and sets the stage for an orderly and logical transition process. To bring forward resolutions for local and regional council consideration in accordance with the AMO call, the Region and local municipal staff have collaborated to:

- Perform preliminary financial and operational risk analysis to identify impacts on collections, transfer, and processing under various transition timing scenarios
- Determine a preferred transition approach for the Region's unique two-tier integrated waste management system
- Conduct preliminary analysis on blue box operations and infrastructure to inform the decision to no longer provide transfer and processing services after transition
- Declare a preferred timing to transition blue box collection contract services at each local municipal council that is consistent across all nine
- Indicate a preference for local municipalities to continue to act as a collection service provider after Blue Box Program transition

Notwithstanding the above and the current uncertainty regarding producer terms and conditions, Regional staff request authority to explore options with our local municipal partners to transition earlier if advantageous to the integrated waste management system.

3. Background

Province established six-year process starting in 2019 to plan and implement transition

As reported to Council in [April 2020](#) through the SM4RT Living Waste Management Master Plan report, the province set timelines for transitioning the Blue Box Program to full producer responsibility over a six year period (2019-2025). Focus in 2020 is on development of a regulation that will govern this new system.

Figure 1 summarizes the timeline for developing this regulation, which includes establishing a mechanism to determine transition timing for all municipalities. Options for the mechanism include allowing self-nomination by municipalities (preferred alternative), appointment of a special advisor or a producer-led process.

Figure 1
Timeline for Blue Box Regulation Development

Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Ministry consults with working groups, including municipalities, industry and service providers	Ministry drafts regulation	Public consultation on regulation	Regulation finalized	
Municipalities declare preferred timing through resolutions and submit to Ministry and AMO				

AMO requested that municipal councils pass a resolution declaring a preferred date to transition the Blue Box Program to full producer responsibility

AMO and the Municipal 3Rs Collaborative (M3RC) have been supporting the municipal sector with strategic advice, research and advocacy throughout implementation of the *Waste-Free Ontario Act*. Through M3RC, municipalities have been advocating for the right to self-nominate for a transition date rather than appointment of a special advisor or a producer-led process.

In December 2019 AMO requested that municipal councils across Ontario pass a non-binding resolution including their municipality’s preferred date to transition their Blue Box Program to full producer responsibility. The province and producers have indicated a desire to phase transition across three years (2023-2025), with one third of the tonnage transitioned each year. These non-binding resolutions will be consolidated by AMO to provide a picture of how and when municipalities across Ontario would prefer to transition.

Municipalities are best positioned to make informed decisions on a transition date based on each region’s specific circumstances

While the province will ultimately decide the mechanism to determine the timing of transition, council resolutions will inform their decision, and future negotiations and planning by the producers. To ensure input is considered it is in a municipalities’ best interest to publicly declare a preference and rationale. The resolution process allows municipalities to demonstrate proactive leadership by contributing to AMO’s overall advocacy efforts and show the province that the municipal sector is collaborating to develop a credible, balanced solution to meet all stakeholder needs.

York Region and local municipal staff collaborated to identify impacts of transition and inform a decision

York Region and local municipal staff have been working together to understand potential implications of various transition timing options. The Strategic Waste Policy Committee (SWPC) is a York Region led committee comprised of Regional and local municipal waste staff, with the mandate to support collaborative decision making on matters impacting the

integrated waste system. Meetings facilitated by the Region included discussion of operational and contractual considerations on collections, transfer and processing stages of the system. A smaller working group was established at the January 27, 2020 SWPC designed to work towards consensus on a timing recommendation.

In recognition of the Region’s unique two-tier waste system, local municipalities passed resolutions in May 2020 allowing Council to make an informed decision considering local level services including blue box collection and customer service. Building on what we received from the local municipalities, this report considers Regional impacts, including transfer and processing, as well as an overall analysis of the integrated system.

4. Analysis

Financial and operational uncertainty are significant concerns for transition timing

The province is developing a regulation that will govern the producer-led Blue Box Program. Producers are in the process of organizing to wind up the existing Blue Box Program under Stewardship Ontario and establish mechanisms to meet their obligations under the new system. Until the province finalizes this regulation and commercial terms between service providers and producers are negotiated, many unknowns will remain around how the programs will operate including funding and contract terms for municipalities who act as service providers. There is uncertainty regarding producer interest in municipal assets to transfer and process blue box materials including the Region’s Material Recovery Facility. Analysis supporting the recommended transition date examined a number of factors. Table 1 summarizes the system wide risk for each year.

**Table 1
Summary of System Wide Risk Factors by Transition Year**

Risk Factor	2023	2024	2025
Uncertainty about impacts of system changes under producer-led program – (for example co-collection, service gaps, customer service, commercial terms for contamination)	Highest	Medium	Lowest
Cost and risk associated with processing infrastructure and continued decline of revenue from sales of recyclables due to market volatility	Lowest	Medium	Highest
Potential for contract penalties from early termination/amendments to existing contracts	Highest	Medium	Lowest

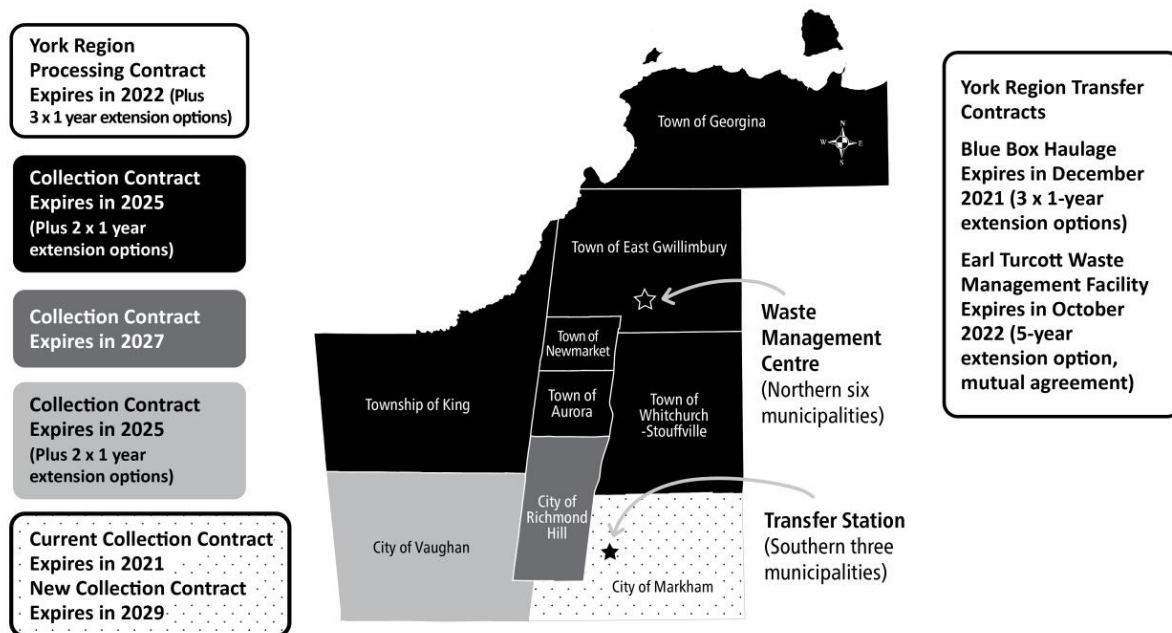
Transitioning later provides greater understanding and ability to respond to system changes

While Table 1 identifies the highest potential for avoided costs if transitioning in year 1, the other benefits identified with local municipal partners were taken into consideration and informed the recommended timing for the overall system. A later transition date provides more time to adapt to new program requirements and opportunity to learn from other early transitioned municipalities. This creates greater certainty and time to better understand and mitigate the risks as the transition period progresses. Later transition also provides time to determine effective solutions to service gaps and customer service processes that may need to be addressed.

Recommended transition timing offers best alignment with collection contract end dates

The Region's two tier integrated waste management system has four local municipal collection contracts and three Regional transfer and processing contracts, all with differing expiry dates and extension terms (see Figure 2).

Figure 2
York Region Integrated Waste Management System Contracts



Some contracts will need to be amended or terminated for both the Region and local municipalities to transition together. The Region's contracts for processing and transfer expire in the early part of the transition timeframe however there is flexibility on timing offered by extension terms. All collection contract expiries align with the end of the timeframe, with

several extending beyond the last year for transition. Later transition would minimize the need for contract amendments and potential contract penalties.

Producers are in best position to innovate and improve performance outcomes of the Blue Box Program

The Region currently provides transfer and processing services to receive, sort and market about 85,000 tonnes of blue box materials collected each year by local municipalities. These services are operated under contract and include: Earl Turcott Transfer Station in the City of Markham, owned and operated by Miller Waste Systems, and the Region's Waste Management Centre in East Gwillimbury operated by Miller Waste Systems.

As part of extended producer responsibility, producers would seek commercial arrangements for transfer and processing services. Responsible producers are in the best position to realize operational efficiencies. For example, producers can increase recycling content in their own packaging design resulting in increasing demand for blue box materials while aligning processing operations to capture materials needed to meet recycled packaging content. This kind of integrated producer responsibility and accountability fuels the move to a more circular economy.

Current challenges inform recommendation to exit provision of transfer and processing services

At this time, the mechanism for producers to secure transfer and processing is not clear. In past consultations, producers indicated a preference to secure processing operations directly with service providers rather than municipalities. This differs from collection services, where producers have indicated a preference to use municipalities as contract administrators.

Furthermore under the current system, the Region along with other municipalities have little ability to influence packaging design or marketability of blue box materials. As it is likely the producers will directly engage with service providers for processing services staff recommend discontinuing the service of material transfer and processing blue box materials after the transition period. This direction also offers the following benefits:

- Reduces risks associated with continued decline of revenue from sales of recyclables due to market volatility (for example, average revenue for the first two months of 2020 was approximately \$35/tonne compared to \$96/tonne during the same period in 2019)
- Reduced demand for post-consumer recyclables from end market (for example, reduced steel production recently has affected revenue for recovered metal and some plastic end markets are now using raw material sources instead of recovered recyclables due to pricing)
- Avoids future capital upgrades to accommodate changes in producer packaging, increased contamination or new (more stringent) quality requirements by end markets

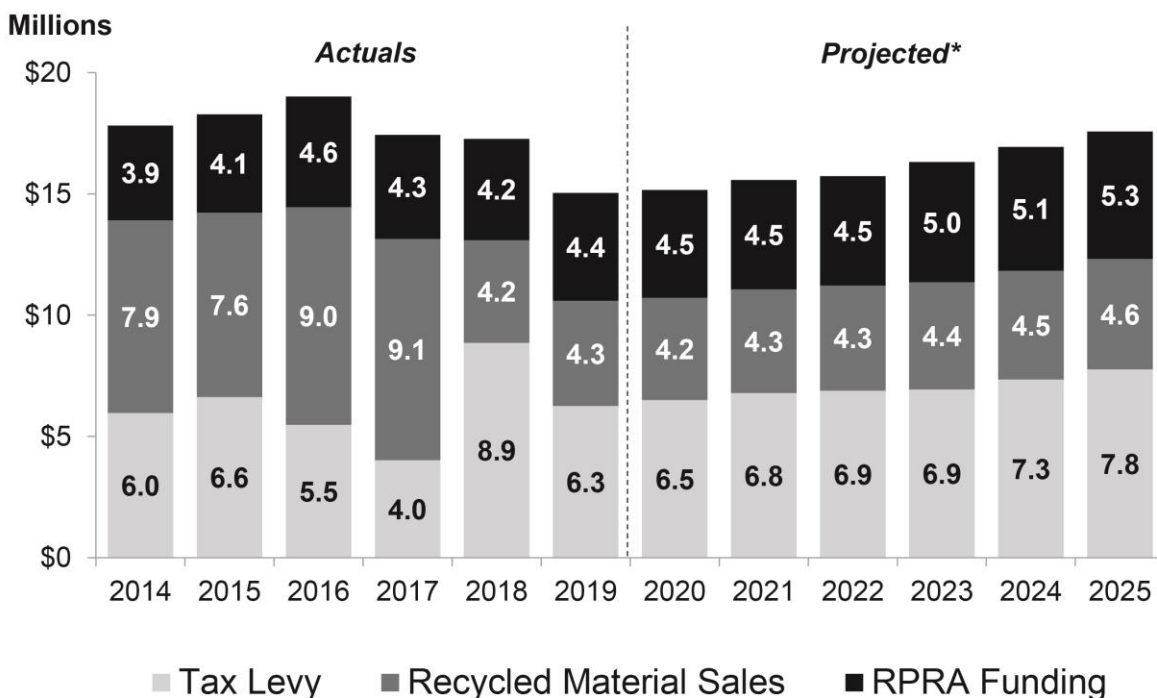
The Region's ability to exit transfer and processing operations after transition is fairly straight forward as processing of blue box materials is a contracted service. Further the processing

and transfer contract optional end dates can be aligned with preferred transition timing. Additional information on financial implications of this recommended direction is provided in the financial section of this report.

5. Financial

Region staff completed a high level financial analysis of the Blue Box Program based on financial data reported through the Resource Productivity Recovery Authority Datacall. Figure 3 shows the gross cost of providing blue box transfer and processing services from 2014 to 2025 and the funding sources that support that program. Figure 3 highlights the significant drop in the revenue from recyclables, which has declined by more than 50% since 2017 as a result of growing contamination in the blue box and tightening of overseas end markets for paper.

Figure 3
Regional Blue Box Program Funding Sources



**2020-2022 based on 2020 Budget; 2023-2025 is projected.*

After transition, the costs and revenue associated with the blue box program will transfer from the tax levy to producers

As communicated in the most recent [Annual Solid Waste Diversion Memo](#), increasing blue box contamination and stricter quality requirements of overseas markets are driving up Blue Box Program costs and risk. Over the past five years almost \$10M has been invested in the

Region's Materials Recovery Facility to improve performance. Despite this investment, challenges associated with global end markets and ever-changing packaging continue to impact costs.

Once transition of the Blue Box Program is complete producers will be responsible for all costs and revenues. Transition cost savings would be highest with an early transition date however aligning transition of the Region's processing and transfer operations with local municipal collections operations is recommended to avoid undue disruption to the system and our residents. If feasible, the Region will explore opportunities for an earlier transition of transfer and processing to maximize cost savings, provided it is advantageous to the integrated waste management system. This could mean negotiating an earlier date for transition of processing and transfer under commercial terms that ensure continued access to consistent services for blue box materials collected by local municipalities until they are ready to transition.

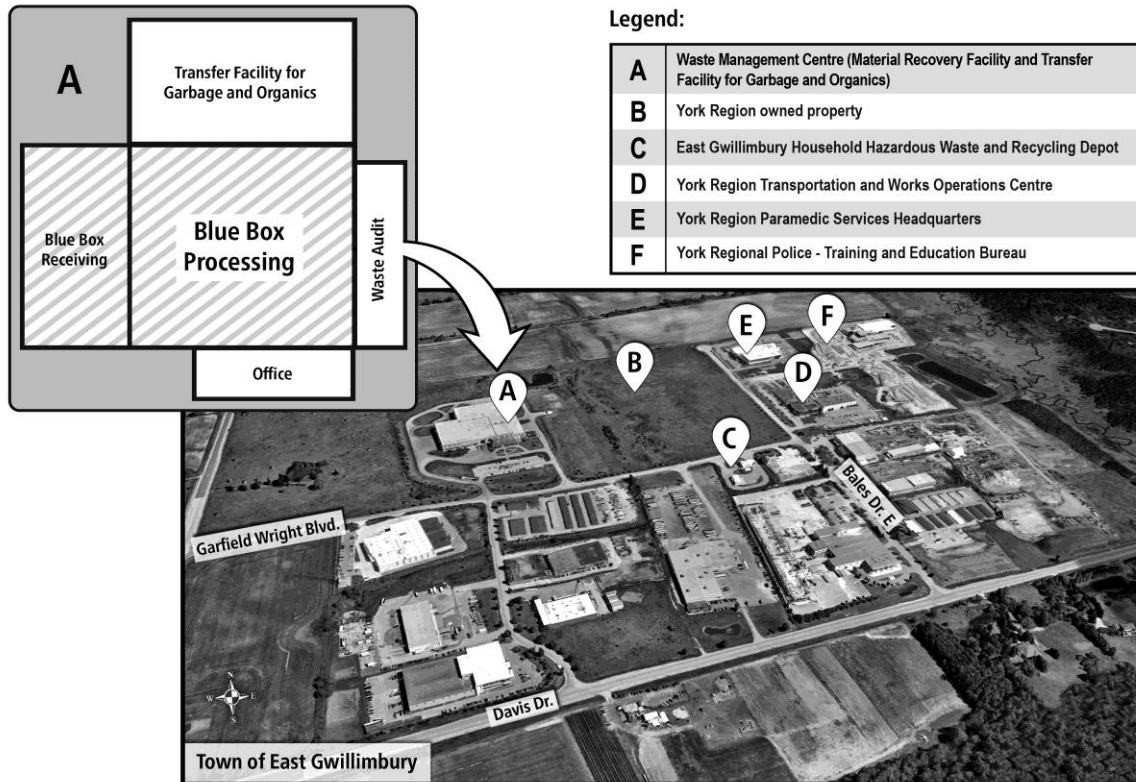
Region exploring financial implications and options for Waste Management Centre after transition

Once processing is transitioned to producers, the Region's role in sorting and marketing recyclables ends. Currently blue box materials are processed at the Region's Waste Management Centre, located on Garfield Wright Boulevard in East Gwillimbury. As shown in Figure 4, this facility is an integrated operation accepting both curbside garbage and green bin organics for transfer. Hatched areas shown in Figure 4 represent the building portion used for processing blue box materials.

Post-transition, this Waste Management Centre will continue to fulfill a vital role in our system. The facility is ideally located to continue to serve as transfer facility for green bin and garbage from the northern six municipalities and is adjacent to several other Region-owned facilities including the York Region Household Hazardous Waste Facility, York Region Police Training and Education Bureau, and York Region Paramedic Services Headquarters. As shown in Figure 4, the Region also owns vacant property adjacent to the Waste Management Centre, which is ideally located for future Regional use.

Staff will explore options for continued commercial use of the processing portion of the facility. Options may include securing a lease agreement for a blue box sorting operations area while retaining use for transfer of other waste streams. Longer term, the entire facility and land will be required for Regional waste management needs. Future negotiations and commercial arrangements will need to be carefully considered to ensure a smooth transition that minimizes negative impacts to investments in infrastructure, local municipal collection operations and customer service to residents.

Figure 4
Region owned Facilities adjacent to the Waste Management Centre



6. Local Impact

All local municipal councils have passed resolutions to transition in 2025

Collaboration with local municipal staff was crucial to determine an acceptable transition date for all municipalities. All nine local municipalities passed resolutions to transition collection services to producers in 2025 and with a desire to continue acting as a blue box collection service provider, as long as mutually agreeable terms can be negotiated.

Local municipal analysis pointed to later transition to allow greater operational certainty and minimize customer impacts

Uncertainty around operational details of producer-led programs and contract expiry dates were key factors in determining the preferred transition timing for local municipalities. Transitioning in the third year allows staff and councils to learn from the experiences of other municipalities and gives producers more time to improve the process. This will help minimize any service disruption associated with transition for our residents.

The later transition date aligns best with collection contract end dates and allows time to negotiate with contractors and producers on commercial terms for acting as a service provider with minimal penalties for amending and/or ending existing contracts.

7. Conclusion

Transition of process and transfer services to producers in 2025 minimizes risk across the entire integrated system

The Region and all local municipalities transitioning together in 2025 is the preferred alternative. It is recommended that the Region negotiate with producers as necessary to allow transition to align with local municipal collection contracts to minimize disruption and impacts on collections. If the option is available, staff will work with local municipal partners to explore opportunities to negotiate an earlier transition to maximize opportunities for cost savings as long as it is advantageous to the integrated waste management system. Until that time, local and Regional staff will continue to collaborate to manage blue box contamination and ensure the blue box collection and processing system is working smoothly.

Participation in ongoing blue box transition consultations regarding the transition process and development of the regulation continue and staff will report back to Council with critical updates. Staff continue to work on a plan to monitor effectiveness of transitioned programs to minimize negative impacts on other streams, like organics, managed by municipalities.

For more information on this report, please contact Laura McDowell, Director, Environmental Promotion and Protection at 1-877-464-9675 ext.75077. Accessible formats or communication supports are available upon request.

Recommended by: **Erin Mahoney, M. Eng.**
Commissioner of Environmental Services

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

May 22, 2020
Attachments (1)
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