



Report to: General Committee

Meeting Date: February 20, 2018

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**SUBJECT:** New Provincial Blue Box Program Changes  
**PREPARED BY:** Claudia Marsales, Senior Manager Waste Management, Ext. 3560

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**RECOMMENDATION:**

- 1) THAT the report entitled “New Provincial Blue Box Program Changes” be received;
- 2) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

This report provides an outline of the Province of Ontario’s new Blue Box funding plan and the potential impact to Markham’s recycling programs.

**EXECUTIVE SUMMARY:**

- In 2016, Ontario passed The *Waste-Free Ontario Act*, which is the greatest change to municipal Blue Box recycling programs since 1989 and will impact both municipal Blue Box collection and material processing contracts and how collection services are delivered.
- The new legislation transfers up to 100% of Blue Box program costs to Stewardship Ontario thereby shifting the costs to deliver Blue Box programs from property taxpayers to consumers.
- Municipalities will have new service delivery options – to transition to the new system and act as collection service providers on behalf of Stewardship Ontario; to opt out of providing Blue Box collection service altogether; or stay with the status quo and continue to receive 50% funding.
- Staff support Markham’s transition to the new Blue Box funding model as soon as possible and acting as the contract manager on behalf of Stewardship Ontario.
- The new legislation only impacts Blue Box recycling. Markham will continue to retain responsibility for garbage, Green Bin and yard waste collection programs.
- The new legislation will impact Markham’s Blue Box collection contract with Miller Waste

**BACKGROUND:**

**Ontario’s new Blue Box Plan has tight deadlines**

The Province passed new legislation in November 2016 that shifts responsibility for the Blue Box recycling program from municipalities to product stewards. Product stewards are companies that supply any of the designated Blue Box materials into the Ontario marketplace such as Loblaw's, Toronto Star, Unilever, Nestle, Canadian Tire, Walmart, LCBO and Sobeys. The stewards are represented by Stewardship Ontario.

On December 19, 2017, a draft Blue Box Plan outlining the new program was released by Stewardship Ontario for review and comment.

Originally, The Minister of the Environment required a final plan be submitted to him by February 15, 2018; with Ministerial approval to proceed with implementing the new Blue Box plan expected by June 2018. These dates have now been changed with decisions being moved to after the Provincial Election which will impact the overall timelines.

**Key objective of the new plan is to shift from 50% to 100% funding**

The new Blue Box Plan requires producers of blue box packaging to have full financial and operational responsibility for all municipal Blue Box services and deliver them based on the following principles:

- Preserve the integrity of residential recycling while improving environmental outcomes; Increase provincial diversion to 75%
- A seamless transition resulting in uninterrupted Collection service to residents;
- Avoid disruption of existing communities' contracts and ensure an open and competitive market;
- Minimize disruption to communities' capital assets;
- Provide for continuous improvement of environmental outcomes;
- Expand and harmonize the list of items accepted in the blue box system;
- No negative impact to existing Blue Box curbside recycling services

A copy of the August 14, 2017 Direction letter from the Minister of the Environment to Stewardship Ontario is attached to this report for reference.

**DISCUSSION:**

**The new plan calls for the elimination of an estimated 400 municipal recycling contracts**

The new plan calls for the elimination of an estimated 400 municipal recycling contracts using a multi-year transitioning process.

Stewardship Ontario is the agency leading the transition. Stewardship Ontario estimates it will require two years of planning before the first set of municipalities can begin to transition in 2020, the transition process could take 5 years or longer due to change in approval dates.

**The plan is to divide Ontario into 'catchment' areas.**

Stewardship Ontario has proposed a catchment system to organize and coordinate the transition of municipalities to the new system. Municipalities will be aggregated into an undefined number of logical clusters, or catchment areas. These catchment areas will be developed based on geography, transportation corridors, existing infrastructure, the status of curbside collection and processing contracts, and the amount of available blue box material.

Each catchment area will be given an eligibility date for which year (i.e. 2020-2025) the communities within that catchment will be able to transition. The catchments and their eligibility year will only be known during the two-year planning phase (i.e. 2018-2020). In all likelihood, Markham will not know its transition year until 2019 or 2020.

There will be situations where a municipality has curbside collection and recyclables processing contracts that expire in advance of knowing their transition eligibility. In this event, municipalities can either seek direction from Stewardship Ontario, or negotiate contract extensions.

For a municipality to transition and enter into an agreement with Stewardship Ontario for maximum funding, the requirements are:

- Municipality must be free of both collection and processing contract obligations
- Municipality must be in an 'open' catchment zone
- Municipality must agree to comply with Stewardship Ontario's collection terms and requirements

#### **Stewardship Ontario also recommending changes to Blue Box items acceptance list**

The Minister has requested Stewardship Ontario provide a standardized province-wide Blue Box program. This will be helpful as people move from one municipality to another. Province wide promotion and education campaigns will reduce the public's confusion about what is and what is not recyclable in the Blue Box.

While the list of acceptable Blue Box materials has not yet been finalized and approved by the Minister of the Environment, it is likely that empty paint cans, aerosol cans, #3, #7 plastics may be excluded from curbside Blue Boxes under the Stewardship Ontario program.

Discussions are currently underway between the Minister and Stewardship Ontario to determine if plastic bags and Styrofoam will be added to the list of acceptable Blue Box items.

#### **Municipalities will have collection service delivery options**

As part of the transition process, Stewardship Ontario is proposing that municipalities have the option to choose how they wish to continue their collection role.

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**OPTION #1: Municipality becomes the “Collection Contract Administrator” on behalf of Stewardship Ontario**

A municipality can transition to the new system and provide collection services as a collection contract administrator on behalf of Stewardship Ontario. Under this Option, the municipality would receive up to 100% funding for a base line program as defined by Stewardship Ontario.

As the collection contract administrator, the municipality would continue to deal with residents directly on Blue Box issues.

In a base line recycling program, eligible recycling costs will include weekly Blue Box collection, multi-residential buildings, depots, and public space – parks, and potentially Styrofoam recycling. Since Markham currently provides all of these recycling services, the City could be eligible to receive maximum levels of funding.

Since many municipalities have long-term collection contracts in place, if a municipality wants to transition but they have an existing long term contract:

- a. Stewardship Ontario will establish a benchmark level of compensation to allow the municipality to transition under the municipalities' existing contract.
- b. Municipality can attempt to break their existing contract and pay any associated cancellation penalties

**OPTION #2 – Municipality can “Hand over the keys” to Stewardship Ontario**

Municipalities have the option of opting out of providing Blue Box collection services altogether. Under this option, Stewardship Ontario would hire the collection contractor through a public tender process. There would be no local responsibility or participation in recycling services to residents.

Under this option, the municipality would not deal with residents on Blue Box issues or service complaints. Residents would be referred to Stewardship Ontario or their collection contractor.

**OPTION #3 – Municipalities can remain “Status Quo” with their current recycling program and receive 50% funding from Stewardship Ontario**

Since there is no legislative requirement for municipalities to transition to the new Stewardship Ontario funding model, municipalities have the option to remain status quo. Under this option a municipality would continue on with their current Blue Box program and receive 50% funding from Stewardship Ontario similar to the current WDO cost sharing funding program

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In the 2017 budget year, Markham was allocated \$1.285 million from York Region as Markham's share of the WDO funding the Region received from Stewardship Ontario to offset the cost of Markham's recycling programs.

**Option #1 and #2 provide increased funding**

Options #1 and #2 both reduce the cost burden to municipalities for delivery of the Blue Box program.

Option #1 has minimal disruption to residents as the system remains the same with the exception of a possible change in mix of recyclables collected.

Option #2 removes the municipality completely from any interaction with residents about the Blue Box collection service as residents would contact Stewardship Ontario directly.

Option #3 is the least disruptive for residents, with the municipality retaining total program control; but provides the lowest amount of funding at 50% of program costs.

**Municipalities must transition to maximize funding - Staff support Option #1**

After reviewing the draft Blue Box plan, and based on the available information to date, staff support transitioning to the new system under the Option #1 funding model as soon as possible. Staff will be seeking Council approval of "intention to transition" upon the Minister's approval of the draft plan following the Provincial Election. Further, Municipalities can decide if they wish to transition once their catchment area and transition year is known, likely in 2020 or sooner.

Under Option #1, Markham would be the collection contract manager with the ability to ensure excellent customer service standards are maintained for Markham residents while maximizing program funding.

It is important to note that Stewardship Ontario will only fund a baseline recycling program and not all recycling services currently offered by Markham will be fundable.

Special programs such as the Assisted Recycling service and super mail box collection would be the financial responsibility of the municipality.

In addition, clarification is still needed from Stewardship Ontario if collection from schools and municipal facilities would be fundable.

**New Blue Box Plan also impacts Material Processing**

York Region is a 2-tier system governed by the Regional Municipality of York Act 1994. The Act states local municipalities are responsible for collection and York Region is responsible for processing and disposal.

Stewardship Ontario has indicated it plans to transition the over 70 municipal processing facilities across Ontario to attain further efficiencies.

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Markham and York Region waste management staff will continue to work collaboratively to coordinate the transition process with a goal of reducing any negative impacts.

**Impact on Markham residents**

Staff supports the smooth and fair transition of the Blue Box program ensuring residents continue to experience a high standard of Blue Box services and that municipalities are fully compensated for agreed base line services they deliver to their communities.

Under Option #1, the impact would be minimal, with residents being unaware of collection changes beyond Blue Box program material additions and removals.

From a resident's perspective, staff believe that this is a positive step forward with the benefits outweighing the challenges.

**Impact on Markham collection contract**

Markham's collection contract with Miller Waste expires on November 31, 2018.

As a consequence of the recent announcement of the new Blue Box program and opportunity to transition and maximize funding, staff are preparing a separate report on the collection contract renewal process.

**FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)**

N/A

**HUMAN RESOURCES CONSIDERATIONS**

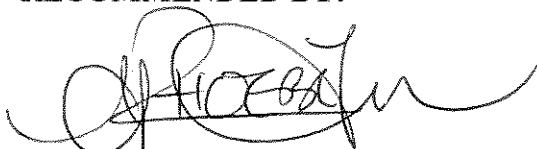
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**ALIGNMENT WITH STRATEGIC PRIORITIES:**

N/A

**BUSINESS UNITS CONSULTED AND AFFECTED:**

N/A

**RECOMMENDED BY:**

Phoebe Fu, P. Eng.  
Director, Environment Services



Brenda Librecz  
Commissioner, Community & Fire  
Services

**ATTACHMENTS:**

Attachment #1 – Ministers Direction Letter August 14, 2017

Ministry of the Environment  
and Climate Change

Ministère de l'Environnement  
et de l'Action en matière de  
changement climatique

Office of the Minister

Bureau du ministre

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August 14, 2017

Ms. Glenda Gies  
Chair  
Resource Productivity and Recovery Authority  
4711 Yonge Street, Suite 408  
Toronto ON M2N 6K8

And

Mr. John Coyne  
Chair  
Stewardship Ontario  
1 St. Clair Ave. West, 7th Floor  
Toronto ON M4V 1K6

**Re: First Phase Transition – Direction for Proposal for an Amended Blue Box  
Program Plan**

Dear Ms. Gies and Mr. Coyne:

Ontario's Blue Box Program is well-recognized as a North American leader that provides services for residential paper products and packaging (PPP).

Pursuant to Section 13 of the *Waste Diversion Transition Act, 2016* (WDTA), I am writing to direct the Resource Productivity and Recovery Authority (the Authority) and Stewardship Ontario (SO) to develop a proposal for an amended Blue Box Program Plan (BBPP). This proposal is to be developed collaboratively with municipalities, stewards and affected stakeholders as required by subsection 13(2) of the WDTA.

My expectation is that this proposal will outline the first phase of transition for the Blue Box Program under the WDTA, and will set the stage for a second phase of transition that will result in individual producer responsibility under the *Resource Recovery and Circular Economy Act, 2016* (RRCEA).

It is also my expectation that the proposal for an amended BBPP will build on the accord outlined in the joint letter sent to my predecessor, Glen Murray, on July 7, 2017 from the Association of Municipalities of Ontario, City of Toronto, Regional Public Works Commissioners of Ontario, Municipal Waste Association and SO.

Ms. Glenda Gies  
Mr. John Coyne  
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It is in the public interest that the proposal for an amended BBPP is consistent with the following principles:

- Ensuring a seamless transition of the Blue Box Program, specifically:
  - Not negatively affecting Ontarians' experience with and access to Blue Box services,
  - Incorporating clear rules to support residents' participation including standardized materials and services, and
  - Improving program performance;
- Working towards the circular economy by supporting reduction, reuse, recycling and reintegration of PPP materials into the economy;
- Providing for continuous improvement of environmental outcomes by:
  - Expanding and harmonizing the list of materials in the existing Blue Box program that are accepted from Ontario residents,
  - Establishing clear and measurable collection and management standards with a high level of environmental protection, and
  - Developing methods to support waste reduction;
- Providing effective economic methods to incent behavior changes leading to waste reduction of PPP;
- Driving innovation through collaborative and competitive efforts by:
  - Supporting cooperation among parties, including stewards, municipalities, waste management industry, and other affected parties, to bring complementary abilities to deliver better results, and
  - Promoting competition by ensuring a fair and open marketplace for Blue Box services under the WDTA and not creating barriers to competition when the program transitions to individual producer responsibility under the RRCEA;
- Avoiding stranded assets to the extent possible in a collaborative manner;
- Providing choices for municipalities where SO is to provide Blue Box services (i.e. transitioned municipalities):
  - These municipalities will decide whether they wish to act on behalf of SO for the procurement and contract oversight of PPP collection services, and
  - These municipalities should also have an opportunity to participate in the post-collection management of PPP collected; and,
- Addressing issues related to the in-kind contribution from the newspaper industry in a manner that is without cost to the transitioned municipalities.



The Authority and SO shall have regard to the provincial interest described in Section 2 of the RRCEA when developing the proposal for an amended plan.

As producers assume the 50 per cent of costs currently borne by municipal taxpayers, it is my expectation there will be a clear and transparent process by which municipalities demonstrate the benefit their taxpayers will receive.

The Authority and SO shall develop a communication and issues management plan. The plan shall identify issues that may arise during the development of the proposal for the amended BBPP, outline the steps to manage these potential issues and set out the process by which the Authority and SO will provide information to affected stakeholders and the public on a regular basis.

During the development of the proposal for an amended plan, the Authority and SO shall ensure meaningful consultation and communication with representatives of municipalities, stewards and other affected stakeholders.

Together with the submission of the proposal for an amended BBPP, the Authority and SO shall submit a report to the Ministry outlining how the Authority and SO have met the consultation requirements under the WDTA, including:

- A list of the stewards, municipalities, service providers and other affected stakeholders that were consulted during the development of the proposal;
- A summary of the comments received by the Authority and SO from affected stakeholders; and,
- A report of how the comments were considered by the Authority and SO.

The Authority and SO shall report to the Ministry each month on their progress in developing the proposal for an amended BBPP.

An addendum to this letter has been attached which provides additional direction for amending the BBPP.

The proposal for an amended BBPP shall be developed in accordance with this letter and the enclosed addendum and the WDTA.

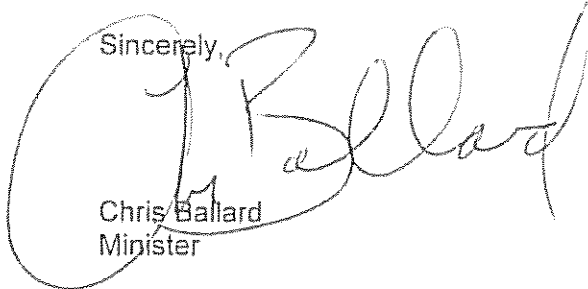
If approved by the Authority, the proposal for an amended BBPP shall be submitted to me for approval by February 15, 2018, or on such later date that I provide in writing. The submission shall include particulars of any matters that are unresolved at the time of the submission.

It is my expectation that, upon my approval, and subject to any necessary amendments to relevant regulations being approved by the Lieutenant Governor in Council, this amended plan will replace the current plan in its entirety.

Ms. Glenda Gies  
Mr. John Coyne  
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If it is in the public interest to do so, I will provide further direction at a later date related to the matters set out in this requirement, or to provide clarification related to amending the BBPP.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Ballard". The signature is written over the printed name and title.

Chris Ballard  
Minister

Cc: Paul Evans, Deputy Minister  
Ministry of the Environment and Climate Change

## **ADDENDUM TO THE MINISTER'S DIRECTION LETTER FOR AN AMENDED BLUE BOX PROGRAM PLAN**

Pursuant to an agreement being reached between SO and each transitioned municipality (see definition below) and subject to necessary amendments to relevant regulations being made by the Lieutenant Governor in Council, SO would provide services for residential paper products and packaging (PPP) supplied by stewards to Ontario residents and covered under the Blue Box Program.

### **NON-TRANSITIONED MUNICIPALITIES:**

Non-transitioned municipalities are those that have not entered into an agreement with SO and SO is not delivering Blue Box collection and management services for these municipalities.

The proposal for an amended BBPP shall address payments to the non-transitioned municipalities under Section 11 of the WDTA based on the municipality's verified net cost of operating its existing Blue Box program:

- The plan shall define the eligible costs to be included in calculating the net cost; and,
- The plan shall also describe any agreements among the Authority, SO, and recipient municipalities for the reporting and verification of costs by municipalities.

### **TRANSITIONED MUNICIPALITIES:**

Subject to necessary amendments to relevant regulations being approved by the Lieutenant Governor in Council, transitioned municipalities are those that have entered into an agreement with SO and SO is delivering Blue Box collection and management services.

The proposal shall outline when and how the responsibility for the collection and management of PPP will be transferred smoothly from these municipalities to SO.

The proposal for an amended BBPP shall include the following:

#### ***Defined Materials Covered in BBPP:***

- Include an expanded definition of Blue Box materials to identify the PPP that will be covered under the BBPP;
- The materials shall include:
  - paper products,
  - primary packaging,
  - convenience packaging, and
  - transport packaging;
- For purposes of primary, convenience and transport packaging, refer to the RRCEA for definitions; and,

- When defining the materials, SO and the Authority will also consult with stewards of packaging who are regulated under deposit-return programs (e.g., stewards of milk containers).

*Defined Stewards:*

- Define obligated stewards.

*Defined Responsibility for Waste Reduction and Resource Recovery:*

Waste Reduction

The proposal for an amended BBPP shall:

- Establish methods to facilitate the reduction of waste generated related to defined PPP materials. The methods may include activities to support:
  - increase of the product's or packaging's reusability and recyclability,
  - reduction or elimination of any impact the material may have on the recyclability of other materials,
  - reduction of the amount of waste generated at the end of the product's or packaging's life,
  - reduction or elimination of the use of any substance in the material that compromises the material's reusability or recyclability, and/or
  - increase of the use of recovered resources in the making of the material;
- Use means to discourage the use of materials that are difficult to recycle and have low recovery rates. The means include, but are not limited to, rules for stewards, fee setting methodology, and compiling information to measure stewards' initiatives to reduce waste; and,
- Establish mechanisms to identify and address issues associated with problematic materials, such as packaging that is difficult to recycle.

Collection and Management of Materials

The proposal shall set clear standards for SO's collection and management, including:

- Support clear service standards to enable resident participation;
- Increase the diversion target for the Blue Box Program to 75 per cent of the PPP supplied by stewards to transitioned municipalities' households;
- Establish material-specific management targets for PPP supplied by stewards to transitioned municipalities' households;
- Identify geographically-based collection and management standards, including rural, northern, and remote areas;
- Maintain convenience and accessibility standards, including:
  - curbside collection for households where currently provided by these municipalities and indigenous communities,
  - collection services to multi-residential buildings where currently provided by these municipalities and indigenous communities, and
  - depot collection services currently provided by these municipalities and indigenous communities;
- Improve convenience and accessibility by offering collection services to multi-residential buildings that are not being serviced by these municipalities, within an identified timeframe;

- Consider accommodating associated public spaces, parks and other related services provided by these municipalities;
- Consider expanding Blue Box collection services over time; and,
- The methods for managing the materials shall allow for the material or part of the material to be, in accordance with Ontario standards and regulations:
  - reused,
  - used in the making of new products, packaging or other activities in end-markets, or
  - used as a nutrient for improving the quality of soil, agriculture or landscaping.

#### Promotion and Education

For the purpose of increasing resource recovery and reducing Blue Box waste materials, the proposal shall establish an effective promotion and education program, including promoting awareness of the program activities to residents and other targeted audiences and engaging audiences to elicit feedback.

#### Registration, Reporting, Record Keeping and Auditing

The proposal will include an appropriate approach for registration, reporting, record keeping and a third-party audit to ensure an effective and efficient system.

### **ESTABLISH ISSUE MANAGEMENT APPROACHES:**

The proposal shall:

- Develop a protocol for managing issues raised in a fair, effective, efficient and equitable manner during the implementation of the amended plan, if approved;
- Develop a plan to avoid stranded assets to the extent possible in a collaborative manner; and,
- Establish an arrangement between SO and the newspaper industry (i.e., the Canadian Newspapers Association and Ontario Community Newspapers Association) in order to meet members' obligation for old newsprint in such a manner that is without cost to transitioned municipalities.

### **PROMOTE COMPETITION:**

The proposal shall:

- Establish a mechanism to support a fair and open marketplace for Blue Box services under the WDTA;
- Not create barriers to competition in the second phase of transition that will result in individual producer responsibility under the RRCEA; and,
- Describe how contracts held by SO for the collection and management of PPP will be managed upon wind up of the Blue Box Program to enable competition once materials are regulated under the RRCEA.

## PERFORMANCE INDICATORS AND REPORTING:

- The proposal shall include performance indicators to measure whether SO has fulfilled the resource recovery obligations and established waste reduction methods as set out in the amended plan; and,
- In addition to the requirements set out in Section 30 of the WDTA, SO's Annual Report shall include:
  - a description of whether and how SO has fulfilled resource recovery obligations set in the amended plan,
  - a description of how SO has supported waste reduction methods set in the amended plan, and
  - a third-party audit of SO's collection and management services and outcomes.