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DATE 24 December 1998

TO/DEST. Co-ordinator
 Planning and Environment Committee

FROM/EXP. Environment and Transportation Commissioner

**SUBJECT/OBJET DETAILS ON PROVINCIAL WASTE DIVERSION FUNDING
 AND RESPONSE TO MOTION NO. P&E - 3(98)**

DEPARTMENTAL RECOMMENDATIONS

That the Planning and Environment Committee recommend that Council approve the following:

- 1. The support, in principal, of the waste diversion organization to be established by the Ministry of the Environment (MOE), and the encouragement of the Minister of the Environment to work towards full product stewardship for municipal blue box programs;**
- 2. The request of the Minister of the Environment to appoint a delegate from the Region of Ottawa-Carleton to the waste diversion organization.**

BACKGROUND

The Planning and Environment Committee, at its meeting of 26 May 1998, while considering a report regarding the *Recycling Council of Ontario - Draft Consultation Report on Blue Box Funding*, approved the following motion:

That staff report back with recommendations on how glass Liquor Control Board of Ontario (LCBO) bottles and soft drink containers can be returned instead of recycled.

Further, in October 1998, the Ontario Minister of the Environment announced a new funding program for municipal blue box programs. This program will initially involve a contribution from the Liquor Control Board of Ontario (LCBO) for the collection of glass liquor and wine bottles in the blue box.

The Region's 3Rs Study, which was approved by Council in March of 1995, discusses the establishment of a refillable container system (Option 2), and concluded that it was not within a municipality's jurisdiction to legislate refillable systems for food and beverage containers. Instead, such systems would have to be implemented by the Province. The 3Rs Study supports product stewardship in general and recommends that the Region encourage product stewardship programs.

DISCUSSION

1. Potential for Deposit Return System

The reuse of LCBO bottles and soft drink containers by industry will only occur under one of two conditions. Firstly, when it is economically attractive to the producer to have a reuse system; or, secondly, when there is a regulation in place and the producer is required to implement reuse. The current blue box system presents an ideal situation for packaging producers and users, including the LCBO and the soft drink industry. The producers pay little or nothing for the service that municipalities provide to collect and handle their waste products. They are unlikely, therefore, to have the economic incentive to voluntarily implement a return system. Recently, the MOE announced a waste diversion funding program designed to partially fund municipal recycling programs, as outlined in Section 2. Further, as part of this funding program, MOE staff have indicated that the Minister has categorically ruled out a deposit-return system for LCBO containers in Ontario. Therefore, it is unlikely, under the current provincial mandate, that producers will be regulated to operate deposit-return systems.

The City of Toronto previously approached this issue by proposing to implement a ban on LCBO bottles from blue box and waste collection. As a blue box ban would contravene the provincial regulation requiring the recycling of designated materials (including glass bottles), the City has indicated that they will not proceed with the ban. The City will encourage residents to take their empty wine and liquor bottles back to an LCBO store. In addition, the City has issued LCBO stores with notices advising that, effective 1 January 1999, they are required to have a deposit return system in place to qualify for a business licence. Violators of the by-law would be issued a "*Notice of Violation*" and possibly face legal action.

2. Provincial Funding Program

The LCBO collects 10 cents on each non-refillable wine, spirit or beer container sold in Ontario, as an environmental levy. This amounts to about \$38.2 million per year which goes directly into general provincial revenues. In October 1998, the MOE announced a waste diversion funding program that will initially disburse \$4.0 million of LCBO revenues to municipalities to offset the cost of collecting liquor and wine bottles in the blue box. This amount represents the provincial average cost to recycle LCBO bottles in municipal recycling programs (as calculated by the MOE).

Table 1 below outlines the details of the funding program plan.

Table 1

Waste Diversion Funding Program

Effective Year	Program Plan
1998	<ul style="list-style-type: none"> • distribute \$4.0M LCBO funds to municipalities
1999	<ul style="list-style-type: none"> • distribute \$4.0M LCBO funds, • establish Waste Diversion Board to oversee funding implementation, • fund a “re-engineering” program for municipal collection programs, • capital funds for centralized organic (food waste) municipal composting facilities, • capital funds for the establishment of up to 10 HSW (depot) facilities.
2000	<ul style="list-style-type: none"> • fund municipal recycling programs to 50% (including LCBO funds), • additional 10 HSW depots.

As noted above, the initial funds from the LCBO represent the provincial average cost to recycle LCBO bottles in municipal recycling programs, as calculated by the MOE. In the second year of the funding program, a waste diversion organization will be established. The organization will consist of stakeholders from municipalities, industries and the MOE. It will be responsible for overseeing the development of the funding programs, including trying to promote more voluntary product stewardship support from beverage, food, consumer product and newspaper industries. Other funding initiatives, in the second year, include capital grants to establish municipally-owned, centralized, organic (food waste) composting facilities, household special waste depots, and to “re-engineer” municipal recycling collection programs.

3. Impacts to the Region

i. Operating Grants

The proposed funding program will result in the Region receiving funding to the level of about 5 percent of the net operating cost for 1998 and 1999, and possibly to 50 percent of net operating cost for the year 2000. While municipalities have consistently called for the Province to implement a comprehensive approach to blue box funding, this program only partially meets the requirement of full industry funding. Although it is encouraging to see the establishment of a funding program, the eventual goal should be full product stewardship so that 100 percent of municipal costs are covered.

ii. Capital Grants

Although details are preliminary, the Region could potentially take part in the three capital grant categories identified:

1. The Solid Waste Division is developing a plan to implement a demonstration organic program that will achieve the Official Plan diversion target by the year 2000. Such a program will require a centralized composting facility and likely strategic partnerships. Under the proposed MOE funding program, the capital grant will be contingent upon Regional ownership of the facility.
2. The Region's Household Special Waste (HSW) Depot is currently located at the Trail Road facility. This depot has been augmented with "one-day" depots located throughout the Region as well as the "Take It Back!" program which allows residents to take many of the "special waste" products back to the retailers. The availability of a grant may allow the Region to modify the current HSW strategy; i.e., establish more points of collection.
3. The Solid Waste Division has piloted alternative collection methods, including co-collection, which is designed to improve the efficiencies of the collection system and lower costs. A grant program in the area will assist with this pilot work which is ongoing.

LEGAL DEPARTMENT COMMENT

The Region of Ottawa-Carleton has certain legislated powers to regulate and manage waste in the Region which can be found in the *Regional Municipalities Act* and the *Regional Municipality of Ottawa-Carleton Act*. These powers include the power to prohibit and regulate the use of the Region's waste management system and the power to require private waste management services and facilities (other than collection services or facilities for non-residential and multi-dwelling units) to obtain consents prior to operating. The Region's authority does not allow for regulating the waste handling activities of private industrial/commercial non-waste related businesses.

As noted above, the City of Toronto has proposed to regulate bottle-return through the use of its business licensing powers. In the Region of Ottawa-Carleton the licensing of businesses, is within the jurisdiction of the local municipalities.

It should also be noted that the Province of Ontario enacted Regulations (O.Reg. 352/97 and O.Reg. 379/97) under the *Municipal Act* which restrict the exercise of municipal authority under that Act. Municipalities are prevented from imposing conditions on licences with respect to the sale or service of liquor under the regulations and municipalities (including regional municipalities) are prohibited from imposing fees under Section 220.1 of that Act which relate to the management of waste unless such fee was for the use of the municipality's waste management service or facility.

CONCLUSION

It is unlikely that a deposit-return system for beverage containers will be implemented in Ontario in the near future, as there is neither the political will nor the economic incentive to do so. The establishment of a funding program by the Province is an encouraging start towards full product stewardship. The Region can take a proactive role in the evolution of this program through participation in the new waste diversion organization which is to be established by the Ministry of the Environment.

Approved by
M. J. E. Sheflin, P.Eng.

KHW/mm