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# The Future of Ontario's Blue Box Program

By Judy Simon and James Williams

When the province and the soft drink industry gave birth to Ontario's blue box program in 1985, it was conceived as partnership with municipalities. This partnership enabled Ontario to put in place one of the most comprehensive programs of its kind in North America. By law, every municipality in Ontario with a population greater than 5, 000 is required to operate the program and collect certain designated materials. Take a look in any blue box and you will find an assortment of recyclable materials ranging from newspaper to beverage containers. Residents routinely set their blue box at the curb, secure in the belief that they are doing their part for the environment. And rightly so, after all, Ontario's blue box program was the recipient of a United Nations environmental award in 1989.

So why then is this highly acclaimed program being brought into question by a growing number of interests ranging from environmentalists to municipal officials?

With both the provincial and industry funding gone, cash-strapped Ontario Municipalities are left financing a program that costs them money and achieves low diversion rates.[1] As such, municipalities have begun to question whether the blue box program makes sense in its current form, and whether there are alternatives that will make recycling programs function better.

## Shared Funding Model

Between 1985 and 1996, when the shared financing model was in place, costs were unevenly distributed among the parties. During this period, industry paid $41 million dollars for the program, while municipal and provincial taxpayers paid over half a billion dollars.

Not surprisingly, municipalities have not always been satisfied with industry's funding commitments. In 1994, the Association of Municipal Recycling Coordinators (AMRC) conducted a survey of its members regarding payments owed to municipalities by Ontario Multi-Material Recycling Inc. (OMMRI), the industry group that was responsible for blue box funding (since replaced/renamed Corporations Supporting Recycling or CSR). AMRC found that a total of $3.5 million was outstanding between 1988 and 1994.

This $ 3.5 million does not include funds in dispute between Toronto and CSR. In January 1997, the old City of Toronto launched a lawsuit for $1.2 million against CSR for breach of contract and negligent misrepresentation. The City of Toronto contends that CSR offered to fund one-third of the blue box capital costs if the city set up a municipal recycling program. Although the city did set up such a program, the city maintains that it never received the agreed upon funds.

Some industry funding, however, does remain, as CSR provides financing for certain public and promotional campaigns. A recent $1 million newspaper, radio and billboard campaign, "Don't Trash Cans," was designed to increase blue box revenues by encouraging consumers to put more aluminum cans into their blue boxes since aluminum is the highest revenue source in the blue box.

However, the Summer 1998 AMRC newsletter reported on a survey it conducted regarding aluminum tonnages in the blue box. The survey revealed that aluminum tonnages are down, but PET (plastic) tonnages are up, and that "promotional programs [CSR's programs] do not appear to have been a factor." AMRC further reports that program operators are concerned that there is a trend from aluminum to PET for single-serving sort drinks. This trend is already apparent in the United States, where metal beverage cans have declined to a single digit share of the container market, with soft drink containers representing the bulk of the shift from cans to plastic. In Canada, the soft drink industry has indicated its commitment to aluminum cans only until 1999.

### Producer Responsibility Options

With industry and municipal funding gone, municipal taxpayers are left to pick up the tab for the blue box program. This means that municipal taxpayers are entirely subsidizing the management of industry's packaging that is collected at the curb. This situation has led several municipalities to look at options that shift responsibilities from municipal coffers back to producers and consumers, where they were for decades.

In an effort to relieve this financial burden, municipalities turned Ontario's new Bill 26, which gave municipalities powers to charge user fees. Municipalities looked at charges for both beverage container packaging and newspapers.

In June 1997, the former city of North York[2] proposed a by-law to impose a direct tax on vendors of alcoholic beverages who rely on municipalities to manage and pay for their packaging. Following suit, the former City of York began to consider implementing a tax at the retail level on all soft drink and liquor beverage containers. And, in early September 1997, the Essex-Windsor Solid Waste Authority began to consider imposing a tax on old newsprint since it represents the largest quantity of material collected in the Essex-Windsor blue box program.

In response, the Ontario government reacted quickly to quash these proposals. Before they could be implemented, the Ontario Ministry of Municipal Affairs and Housing enacted O. Reg. 352/97 at the end of September 1997, making these proposals illegal. In the news release announcing this regulation, Minister Al Leach made it clear that this regulation was to stop municipal efforts to levy charges to recover recycling costs from vendor of alcoholic beverages or newspaper companies.

### Deposit-Return Systems

Adamant in their reform efforts, Ontario municipalities also began to look seriously at deposit-return systems for beverage containers.[3] As Table 1 illustrates[4], over the last two years, municipalities both large and small across Ontario have passed 349 council resolutions in support of deposit-return systems for beverage containers. These

| Table 1 - Support for Deposit-Return Across Ontario | | | | | |
|---|---|---|---|---|---|
| | *CNWM | *CBR | *TEA | *H&R | Distinct municipalities |
| Number of municipalities supporting deposit-return for beverage containers through passage of council resolutions | 71 | 81 | 30 | 167 | 247 |
| Total population of distinct municipalities supporting deposit-return for beverage containers | 6,833,041 | Source: 1997 Ontario Municipal Directory, 1994 enumeration | | | |
| Total population of Ontario | 10,936,544 | Source: Statistics Canada, 1994 enumeration | | | |
| Total percentage of Ontario's population supporting deposit-return for beverage containers | 63% | | | | |

**Nature of Resolution**

*(CNWM) Citizens' Network on Waste Management - comprehensive deposit-return for beverage containers, full product stewardship, refillable containers

*(CBR) Canadian Bottle Recyclers - deposit-return on LCBO beverage containers to improve reuse and refill rates

*(TEA) Toronto Environmental Alliance - deposit-return for beverage containers

*(H&R) Township of Hagarty & Richards - comprehensive deposit-return for beverage containers, producer responsibility

resolutions are from municipal councils that represent 84% of Ontario's population.

In March 1998, the new City of Toronto carried out one of the most detailed assessments of deposit-return. The analysis revealed that a deposit-return system for alcoholic and non-alcoholic beverages would:

- save the city $4.75 million per year;
- strengthen the blue box program;
- make it easier for the city to pursue other waste management approaches such as organics processing; and
- Increase the city's diversion rate from landfill by 24,000 tonnes or 2.5% per year – a higher diversion rate than would be the case for a similar expenditure of city funds without deposit-return.

This analysis not only shows that blue box systems can be compatible with deposit-return systems, but also indicates that when both are put in place, municipalities can save money and increase diversion from landfill.[5]

There is also strong public support for deposit-return systems. A nationwide survey conducted in 1996 and reported in *The Environment Monitor* indicated that 57% of Canadians feel that deposit-return systems are better for the environment than a recyclable container collected at curbside. Furthermore, according to a public opinion survey released in October 1997 by the Bradgate Research Group Inc., 80% of Ontario respondents believe that the Ontario government should establish a deposit-return system for beverage containers.

The City of North Bay was ready to go beyond analysis of deposit-return to implementation. In March 1998, the city initiated plans to do a pilot for a deposit-return system at LCBO retail stores. However, in a letter to the mayor of North Bay in May 1998, the Ontario minister responsible for the LCBO, the Honourable David Tsubouchi rejected the mayor's request to have the LCBO stores cooperate with the city to begin the pilot, citing space constraints within the stores as being a problem.[6]

Essex-Windsor also took a similar initiative by trying to establish a pilot deposit-return system at three LCBO stores in the county, in Leamington, Kingsville and Essex and asked the province for support. So far, the province has rejected all of their proposals.

Essex-Windsor offered to provide the roll-out carts for each of the three LCBO stores to store and transport the bottles, and to pick up the bottles weekly and recycle them as part of their industrial service to other establishments. This proposal was rejected by both the LCBO and the Minister of Consumer and Commercial Relations, because of a claimed lack of storage space in the stores, and potential health issues. Essex-Windsor responded pointing out that the three stores chosen had sufficient space for storage, and the weekly pick-up would eliminate any potential for health concerns and/or nuisance problems. Essex-Windsor added that the Beer Store was willing to take-back the LCBO bottles in their stores, if the LCBO believed that space was a legitimate constraint. Ironically, nearly half of all the containers sold by the LCBO already bear a deposit which LCBO consumers redeem by taking them back to their local Beer Store. However, this offer was also rejected by both the LCBO and the minister, with the proviso that the government was waiting for the outcome of the Recycling Council of Ontario's *Roles and Responsibilities* process.

## RCO Process

Over a year ago, with financial contributions from industry and the Ontario Ministry of the Environment, the Recycling Council of Ontario (RCO) launched a consultation process to address blue box funding issues. The result of this process was the submission of a report entitled, *Recycling Roles and Responsibilities Final Report*, to the Minister of the Environment in April 1998. The report outlined a number of options, but made no recommendations. Key options included: a manufacturer's tax on each container; a Manitoba-like model based on taxes per container administered by a multi-stakeholder agency; deposit-return systems for some or all beverage containers; and residential user fees as a component of all options.

Upon reviewing the options in the RCO report, the Association of Municipalities of Ontario (AMO) recommended:

- a deposit-return system on wine and liquor container;
- a deposit-return system or levies for all non-alcoholic beverage containers; and
- a levy on all food/beverage/household product packaging and on specified non-durable goods.

AMO concluded that the province should implement a deposit-return system for wine and liquor containers regardless of which of the other options the province chooses, because the province owns the LCBO, which makes it the most practical element of the deposit-return model.

AMO also pointed out that glass is the most difficult item to manage in the blue box because it breaks easily, has a low market value, and impedes co-mingling of other products. Approximately 80% of the glass entering the blue box stream originates at the LCBO, the majority of which is coloured glass.

AMO recently reiterated and strengthened its position on deposit-return at its August 1998 annual conference by passing a formal resolution. The resolution calls on the Minister of the Environment, Norm Sterling and Premier Mike Harris to implement a deposit-return system on all wine and liquor bottles sold by the LCBO and independent wine stores.

The Minister of the Environment (MOE) has indicated his intention to deal with these issues by the fall of 1998.

### Taking Matters Into Their Own Hands

Municipalities were not content to wait for the minister to address the blue box issues. In January 1998, as a stop-gap measure while the RCO process was still ongoing, AMRC proposed to the Minister of the Environment an interim blue box funding program. This involved producers/importers/retailers of non-durable products and packaging collected in municipal recycling programs in Ontario agreeing to pay to those municipalities participating in the agreement one-half of the total cost of their recycling programs net to material revenues, assumed to be $50 million in 1998 and 1999. Municipalities and the producers would meet in good faith during the period of this interim agreement to agree on a long-term funding strategy for recycling programs. To date, there has been no formal response to this proposal by industries or manufacturers using the blue box, or by the provincial government.

In June 1998, Peel Region indicated that its blue box program might be headed for an overhaul. Peel is reported to be considering cutting the collection of certain items from the blue box such as coloured glass, drinking boxes, juice containers and plastic tubs and lids pending a report from the region's waste management staff this fall.

In July 1998, the City of Toronto passed a series of council resolutions that will require, beginning January 1, 1999, a ban on wine and spirit containers from the blue box and landfill, as well as a deposit-return system for these containers. The original plan approved by the city specified a September 1, 1998 start date. Council also directed staff to draft a by-law implementing a deposit-return system on all other beverage containers. While the legality of these resolutions is likely to be challenged, the City of Toronto has indicated that it is willing to go to court. The city also intends to withhold municipal vendors' permits from the LCBO if they do not implement a deposit-return system by January 1, 1999.

### What Will the Province Do?

In recent time, municipal efforts to solve blue box funding issues have seldom been supported by the province despite repeated assertions by the MOE and other ministries that solid waste management is entirely a municipal responsibility. The province stopped municipal efforts to generate revenues through new charges, and was unwilling to implement deposit-return pilot projects at the LCBO. Ontario municipal councils have passed more than 300 council resolutions representing 84% of Ontario's population asking the province for deposit-return systems for LCBO beverage containers, regardless of the other options the province chooses to put in place.

The Minister of the Environment has stated that he intends to deal with blue box funding issues and the RCO process by this fall. Will the minister and his Cabinet colleagues be endorsing municipal requests for deposit-return systems? ■

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[1] Ontario's blue box program achieves about a 30% diversion of packaging waste and an overall diversion rate of 15.6% (based on Ministry of the Environment monitoring data for 1995).

[2] The cities of North York and York became part of the newly amalgamated City of Toronto in January 1998.

[3] Eight out of nine provinces have a deposit-return system in place, yielding very high recovery rates. For example, PEI recovers 97% of soft drink containers and Saskatchewan recovers 95% of all beverage containers. Only Manitoba does not have a deposit-return system for beverage containers.

[4] This Table has been updated since the October 1998 publication of this article.

[5] The city's analysis is consistent with the findings of the US Congressional Research Service Report to Congress (Bottle Bills and Curbside Recycling: Are they compatible? January 27, 1993), which found that when a curbside program and a deposit-return program are used together, they yield higher recovery and recycling rates and lover diversion costs.

[6] *St. Catherines Standard*, June 19, 1998.