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EXTENSION OF CONTRACT FOR WASTE DISPOSAL AND TRANSPORTATION WITH GREEN LANE ENVIRONMENTAL GROUP LIMITED PARTNERSHIP

The Solid Waste Management Committee recommends the adoption of the recommendations contained in the following report, May 31, 2007, from the Director, Solid Waste Management:

1. RECOMMENDATIONS

It is recommended that:

1. The Regional Chair and Regional Clerk be authorized to execute an agreement with Green Lane Environmental Group Limited Partnership for the transport and disposal of waste for an additional five-year period from January 1, 2008 to December 31, 2012 in accordance with the renewal conditions in the existing contract.
2. The Region not invoke the renewal provisions of the contract with Republic Services Inc., Republic Services of Canada Inc., Republic Services of Michigan and Wilson Logistics Inc. for waste transport and disposal at the Republic Carleton Farms Landfill in Sumpter Township, Wayne County, Michigan, on December 31, 2007, the termination date of the existing agreement.

2. PURPOSE

This staff report explains why the Region needs to invoke a renewal option for a further five-year term under Article 20.2 of the Green Lane Transport and Disposal contract and how to deal with the Republic Services and Wilson Logistics contract that ends on December 31, 2007.

3. BACKGROUND

3.1 Green Lane Landfill

On March 28, 2002, Regional Council adopted Clause 1 of Report No. 4 of the Commissioner of Transportation and Works authorizing a contract that started January 1, 2003 with a term of five-years and an expiry date of December 31, 2007 with Green Lane Landfill, a division of St. Thomas Sanitary Collection Service Limited (Green Lane). The contract, dated June 27, 2002, was to transport waste from York Region transfer stations to the Green Lane Disposal Site. Service of this contract started on January 1, 2003. The contract contains clauses allowing York Region to renew the contract under the existing terms until December 31, 2022.

In late March 2007, York Region negotiated an agreement with the City of Toronto, the new owner of the Green Lane site, to receive a maximum of 82,000 tonnes/year subject to the terms of the existing contract and its renewal clauses. York Region will deal with Green Lane who will assume ownership of the waste at the York Region transfer station. Green Lane, in turn, will dispose of the waste at the landfill under the terms of the Green Lane / Toronto disposal contract. A Memorandum of Understanding between York Region, the City of Toronto and Green Lane assures the waste will continue to be disposed of at the landfill if York Region terminates the contract with Green Lane.

3.2 Michigan Disposal Options

On June 28, 2001, Regional Council adopted Clause 1 of Report No. 4 of the Commissioner of Transportation and Works authorizing a contract that started January 1, 2003 with a term of five-years and an expiry date of December 31, 2007 with Republic Services Inc., Republic Services of Canada Inc., Republic Services of Michigan and Wilson Logistics Inc. The contract, dated August 21, 2001 was for the provision of disposal and haulage services for a portion of the Region's solid waste. Service of this contract started on January 1, 2003.

On March 29, 2007, Regional Council adopted Clause 4 of Report No. 3 of the Solid Waste Management Committee authorizing an extension of the existing waste transport and disposal contract with Verspeeten Cartage Ltd. and Veolia Environmental Services Arbor Hill Landfill for 2008. This extension was required because of delays in the design and construction of the Dongara waste pelletization facility. This agreement provided disposal arrangements for a minimum of 50,000 tonnes of waste in the first half 2008 with no identified maximum limit. The contract could extend on a month-by-month basis into the second half of 2008 if required. This arrangement will expire on December 31, 2008.

3.3 Dongara

On December 15, 2005, Regional Council adopted Clause 3 of report No.8 of the solid Waste Management Committee to enter into a contract to provide Dongara with 100,000 tonnes of residual waste per year for a 20-year term. This contract was executed in December 2006 after Dongara received its environmental approvals from the Ministry of the Environment.

4. ANALYSIS AND OPTIONS

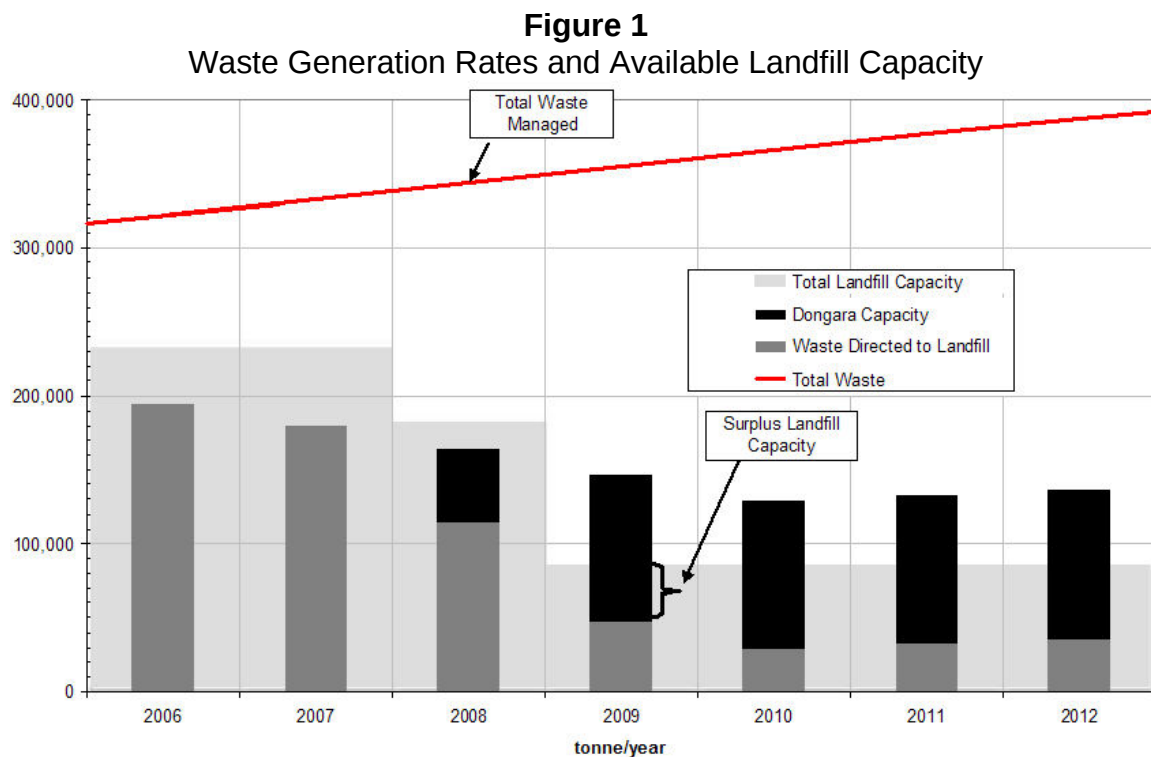
4.1 Waste Projections

In 2006, York Region generated 198,045 tonnes of waste sent to two Michigan landfills and the Green Lane site. Green Lane received 82,051 tonnes in 2006, the Veolia Arbor Hills Landfill in Northville Michigan that received 65,796 tonnes and the Republic Carleton Farms received 50,198 tonnes at their Landfill in Wayne County, Michigan. Despite the continuing growth of the Region, it is expected that the proportion of residual waste generated in York Region will progressively decrease into the future. These future

reductions will result from the implementation and expansion of diversion initiatives including processing of source separated organic waste, blue box recycling, household hazardous waste diversion, leaf and yard waste composting, establishment of community environmental centres, conducting of regular re-use initiatives and an on-going program of promotion and education to enhance public awareness and participation.

Commencing in July 2008, York Region has contracted to provide 100,000 tonnes of residual waste per year to the Dongara waste pelletization facility in Vaughan. The Dongara facility will convert waste into a solid fuel product, which Dongara will then market to industrial energy consumers as a supplement or replacement for other solid fuels, such as coal.

The Region's diversion initiatives and commencement of operation of the Dongara facility are expected to reduce the quantity of residual waste requiring disposal to less than 50 % of the capacity available at the Green Lane landfill site (See figure 1).



4.2 Green Lane Contract Renewal

4.2.1 Contract Renewal Assures Base Capacity Until 2012

Article 20.2 of the contract allows the Region to renew the contract for three successive five-year terms. The initial period of the contract ends on December 31, 2007.

Notification of renewal is required 180 days before the end of the contract period (July 4, 2007). Contract renewal is critical to continued Regional waste operations and to the

sustainability of the long range Energy from Waste plans. Renewing the contract will guarantee waste residual capacity for 82,000 tonnes until December 31, 2012.

Throughout the life of the contract, capacity will decrease in five-year stages. Toronto will allow York 82,000 tonnes per year until 2012, decreasing to 80,000 tonnes per year for the period from 2013 to 2017 and finally to 78,000 for the final period of the contract from 2018 to 2022. Declining capacity will not affect York's long-range waste planning because less than 78,000 tonnes per year of waste ash and residual waste will require landfilling once the Dongara and Energy from Waste facilities are operational.

4.2.2 Green Lane Contract Extension Will Guarantee Ontario Solution for Residual Waste

Options for disposal that depend upon American disposal sites are contingent upon seamless cross-border transportation of waste. Increasing American political resistance to dispose of Ontario municipal solid waste in Michigan has resulted in numerous short-term delays and, at times, overly rigorous inspection of waste shipments.

York's agreement with Toronto and Green Lane limits disposal at that landfill site to 82,000 tonnes per year. Because of this limitation, York must deal with a Michigan-based site until the Dongara facility is operational. Once operational, Dongara will ramp up operations to 100,000 tonnes per year. Until then, York will direct approximately 75,000 tonnes of waste to the Veolia, Northville Michigan site. With increased diversion expected in 2007 and 2008, the Dongara facility and Green Lane should provide sufficient capacity until at least 2015.

York Region's current contingency plan for border closure is to dispose of all waste at the Green Lane landfill for at least 60 days. To create this contingency, York Region will send waste to Green Lane at a reduced rate, withholding 32,000 tonnes until at least the beginning of the fourth quarter. The contingency plan effectively reduces the Green Lane available capacity from 82,000 tonnes per year to 75,000 tonnes per year until the end of the Michigan disposal period.

In August 2006, US Senators Stabenow and Levin negotiated a plan with the Ontario Ministry of the Environment to stop shipments of municipal solid waste to Michigan by the end of 2010. Ontario officials presented York Region's initiatives in waste reduction as key activities indicating that Ontario was serious in pursuing this goal.

Extension of the contract with Green Lane allows York Region to benefit from the security of a 15-year solution to the residual waste issue removing reliance on our neighbours in the United States. On this basis, it is a preferred alternative to extending Michigan contracts.

4.3 Republic/Wilson Contract

4.3.1 Extension Allows End of Republic/Wilson Disposal Contract

York Region signed a contract with Republic Services Inc., Republic Services of Canada Inc., Republic Services of Michigan (all collectively referred to as “Republic”) and Wilson Logistics Inc. for waste transport and disposal at the Republic Carleton Farms Landfill in Sumpter Township, Wayne County, Michigan on August 21, 2001. In 2005, citing higher than expected fuel price escalation and financial hardship, Wilson stated their intention of invoking the “Uncontrollable Circumstances” sections of the contract and requested assignment of the transportation portion of the contract to Redtree Contract Carriers Ltd. In response to this request, Council passed a private motion on March 23, 2006 allowing the requested assignment, however, it did not materialize and Wilson remained responsible for the transport portion of the contract. Wilson then subcontracted Challenger Motor Freight Inc. without approval of York Region or Republic.

Extension of the contract for three years beyond December 31, 2007 is available at the Region’s option. Wilson / Redtree are unwilling to provide services beyond this point and wish to get out of the waste hauling business. Wilson implied they would file for bankruptcy if required to continue past the end of this year. Republic is able to receive more waste from York Region; however, they cannot provide transportation services within the scope of the contract. It is not feasible to consider a contract extension under these circumstances.

4.3.2 Required Short-Term Landfill Capacity Met by Existing Arrangement with Veolia and Verspeeten

York Region is completing an arrangement with Veolia Arbor Hills Landfill and Verspeeten Cartage to provide short-term disposal of waste in Michigan during 2008 while the Dongara facility is completed. The Veolia landfill is closer to York Region than the Republic Carleton Farms Landfill. The tipping costs at each landfill will be similar; however, because of the expectation of higher transportation costs, the Republic site would represent a more expensive alternative.

4.4 Relationship to Vision 2026

The recommended actions are consistent with the Vision 2026 objective of managing and minimizing waste that forms part of the “Infrastructure for a Growing Region” goal.

5. FINANCIAL IMPLICATIONS

5.1 Green Lane Option Becomes Cheaper Than US Alternatives In 2008

Renewal of the contract will result in continuation of the existing pricing structure that allows for annual price increases based on the Consumer Price Index. Additional increases in cost will occur as fuel prices increase. York Region has negotiated a revised fuel surcharge agreement that recognizes fuel price escalations beyond those contemplated in the original contract with Green Lane.

Current prices for transport and disposal at Michigan landfills are lower than Green Lane; however, transport prices are rising in response to high fuel, maintenance and insurance costs and decreased competition in the waste transport sector. In 2008, US options will cost more than Green Lane despite its higher tipping fee. Table 1 shows a comparison of these costs.

Table 1
Expected Transport and Disposal Costs in 2007 and 2008

	Green Lane	Onyx	Republic
2007 estimated costs	\$55.69	\$55.09	\$58.47
2008 estimated	\$56.66	\$67.27	\$59.61

1. Prices based on assumed average diesel prices of \$1.01 per litre in 2007 and \$1.07 per litre in 2008.

2. Republic 2008 price is probably unsustainable because of transport contract problems.

The 2007 budget committed funds for these costs and the 2008 budget planning will include consideration of required funds.

6. LOCAL MUNICIPAL IMPACT

Extension of the contract will secure disposal options for the first five-year period of a 15-year window ending in 2022. This capacity will assure local municipalities of long range uninterrupted waste service once the Dongara Pelletization Plant and the Energy from Waste facility are complete.

7. CONCLUSION

Extending the Green Lane Contract will provide sufficient capacity to deal with all of York Region's residual waste until 2012 once the Dongara facility is completed. Extension of the contract assures York Region of an Ontario-based residual waste solution and sets the basis for further extensions until 2022.

For more information on this report contact Alec Scott, Program Manager, Waste Disposal and Quality Assurance of the Solid Waste Management Branch at extension 5712 in the Transportation and Works Department.

The Senior Management Group has reviewed this report.