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2003 MUNICIPAL BLUE BOX DATACALL RESULTS

The Solid Waste Management Committee recommends the adoption of the recommendation contained in the following report, November 19, 2004, from the Commissioner of Transportation and Works:

1. RECOMMENDATION

It is recommended that:

1. The following report be received for information by Committee and Council.

2. PURPOSE

This report explains the Region's 2003 blue box system costs as reported by Waste Diversion Ontario.

3. BACKGROUND

Waste Diversion Ontario (WDO) is a non-share, non-government Corporation that was created under the Provincial Waste Diversion Act in 2002. WDO was established to develop, implement and operate waste diversion programs for blue box materials, used tires, oil and other recyclable material. The Minister of the Environment directed WDO to establish a funding program for blue box material on September 23, 2002 under Ontario Regulation 273/02. Stewardship Ontario has been established as the Industry Funding Organization to raise 50% of the net blue box system costs from all companies in Ontario that introduce packaging and paper that ends up in residential waste or recycling programs and distribute these funds to municipalities in Ontario.

On October 5, 2004, WDO informed the Region (*see Attachment 1*) that our net recycling program cost was \$142/tonne compared to \$115/tonne for the average of our peer municipalities.

4. ANALYSIS AND OPTIONS

WDO collected financial data from the Region on our program costs as well as the program costs from eight of the local municipalities in the spring of 2004. The Region collected and submitted the financial data for the local municipalities. The Region had to estimate the Town of Aurora's expenses as they did not submit any data to the Region. The Town of Newmarket's data was collected and reported separately as they process their own blue box material and will do so until the Region's new material recovery facility opens in 2005. Tables 1, 2 and 3 summarize the data reported to WDO by the Region.

Table 1
2003 Local Municipal Blue Box Costs

Municipalities	Gross Program Costs	Recycled Tonnes	Collection Cost/Tonne	Depot Cost/Tonne	Promotion & Education (P&E) Cost/Tonne
Aurora	354,900	3,475	\$101.75	\$0.00	\$0.35
East Gwillimbury	341,500	1,540	221.75	0.00	0.00
Georgina	352,900	2,950	119.19	0.00	0.41
King	232,000	1,230	202.36	0.00	3.66
Markham	3,093,000	16,650	166.95	4.56	18.00
Richmond Hill	1,144,100	8,230	133.61	0.00	5.41
Vaughan	1,671,700	7,821	205.92	0.00	16.06
Whitchurch-Stouffville	<u>343,200</u>	<u>1,620</u>	201.50	4.67	1.67
Total	\$7,533,300	43,516			
Newmarket	1,463,900	6,071	\$169.00	\$0.00	\$0.00

Table 2
2003 Regional Blue Box Costs

	Total Cost	Tonnes	Cost/tonne
LaRue MRF	\$356,700	4,492	\$79.41
Miller MRF	2,588,000	39,024	66.32
Region Admin. and P&E	<u>26,500</u>	43,516	0.61
Total	\$2,971,200	43,516	\$68.28
Less Revenue	<u>(4,343,100)</u>	43,516	<u>(99.80)</u>
Net Regional Cost	<u>(\$1,371,900)</u>	43,516	<u>(\$31.52)</u>

Table 3
2003 WDO Summary

	Blue Box	Tonnes	Cost/Tonne
Local Expense	\$7,533,300	43,516	\$173.12
Region Expense	<u>2,971,200</u>	43,516	<u>68.28</u>
Total Expense	\$10,504,500		\$241.40
Less Revenue	<u>(4,343,100)</u>		<u>(99.80)</u>
Net Blue Box Cost	<u>\$6,161,400</u>	43,516	<u>\$141.60</u>

Note: Data as reported publicly by WDO

4.1 WDO Grouping

WDO has grouped York Region with other similar sized municipalities for comparison purposes. Table 4 presents the WDO datacall information for our peer municipalities. The programs in these municipalities are similar in that most provide bi-weekly collection of materials. All programs are different as some municipalities collect more types of materials.

Table 4
2003 WDO Municipal Grouping

Municipality	Recycled Tonnes	Collection Cost/Tonne	Depot Cost/Tonne	P&E Cost/Tonne	Processing Cost/Tonne	Gross Cost/Tonne	Revenue Cost/Tonne	Net
Durham	38,491	\$125	\$5	\$7	\$52	\$189	\$99	\$90
Essex	23,712	118	0	5	61	184	117	68
Halton	33,988	123	8	9	0	140	26	114
Hamilton ^{note 2}	30,780	184	4	11	85	284	121	163
Niagara ^{note 2}	26,977	117	3	2	85	206	114	92
Ottawa ^{note 2}	66,798	152	0	3	80	235	96	139
Peel ^{note 1,2}	82,231	151	2	2	69	224	76	148
Waterloo ^{note 1,2}	32,102	126	0	5	60	190	113	78
York	43,516	160	2	11	68	241	100	142
Mean		\$140	\$3	\$6	\$62	\$211	\$96	\$115

Note 1 – weekly collection programs

Note 2 – expanded program accepting a greater number of material types

Note: Data presented as reported publicly by WDO

4.2 York Region Analysis

York Region's net cost of \$142 is 24% higher than the net average of our peer communities even though we collect fewer types of materials and the majority of our municipalities collect bi-weekly. Only Peel has a higher net cost but it has weekly collection and diverts more types of materials in the blue box. York Region is also the only municipality in the group with a two-tier waste management system for blue box collection and recycling.

It is difficult to directly compare municipalities on an individual program item listed in Table 4 as there are different ways that revenue is treated in the various municipalities. For example, our processing contractors retain 10% of the revenue from the sale of material which decreases our revenue as listed in Table 4. This 10% fee effectively reduces our processing costs but the equivalent expense is recorded in a gross program costs calculation. Halton's costs and revenues are even more distorted as contractor retains most of the revenue and does not charge any processing costs.

Overall, our collection and processing costs are 14% and 10% higher on average respectfully on a gross cost basis. Our revenue is higher than average by 4%. Collection costs for six of our local municipalities are higher than the peer average when comparing the collection costs in Tables 1 and 4. The promotion and education expense for York Region is misleading as only 2% of the total expenditure is spent outside of Markham, Richmond Hill and Vaughan.

An analysis for our neighbouring municipalities is presented in Table 5. In this comparison, York is 14% and 44% higher on collection and processing respectively than the average on a gross cost basis. Our average revenue is 33% higher than this peer group. Overall, our net costs are 15% higher.

Table 5
2003 GTA Municipal Grouping

Municipality	Recycled Tonnes	Collection Cost/Tonne	Processing Cost/Tonne	Depot Cost/Tonne	P&E Cost/Tonne	Gross	Revenue	Net
Durham	38,491	\$125	\$52	\$5	\$7	\$189	\$99	\$90
Halton	33,988	123	0	8	9	140	26	114
Peel ^{note 1,2}	82,231	151	69	2	2	224	76	148
York	43,516	160	68	2	11	241	100	142
Mean		\$140	\$47 ^{note 3}	\$4	\$7	\$199	\$75	\$124

Note 1 – weekly collection program

Note 2 – expanded program accepting a greater number of material types

Note 3 – WDO includes Halton's \$0 cost in the cost average. If Halton is removed from the calculation the average processing cost is \$63/tonne but the average net program cost is still \$124/tonne.

Durham Region uses many of the same contractors as York for collection and processing; yet, their net program costs are 36% lower than ours. Durham's lower costs are primarily attributed to the following: single-tier management of collection and processing, material marketing by Durham staff, municipal ownership and operation of the MRF handling paper and close location of the paper mills. Durham no longer has any MRF capital costs for its facility. They only contract with the private sector for processing blue box containers which represents approximately 30% of the material.

Costs may be higher in York Region as a result of the higher than average expectations of our contractors for customer service. In the future, in order to reduce costs, it should be an objective to make the bidding process as competitive as possible.

Program costs in York Region will be increasing with the implementation of the three-stream system in 2005. The Region is constructing a new material recovery facility (MRF) to process blue box material and is adding more materials to the program. The operation of the new MRF is approximately \$9 per tonne more than our current contractors but we are adding number 3 to 7 plastic containers which cost more to process. The new facility is also large enough to handle our expected growth over the next 15 to 20 years. Council is aware of the difficult negotiations for the construction and operations of this facility as there was only one firm who bid on the project. Negotiations are still underway and staff will be seeking final approval from Committee and Council in January 2005. It is expected that the initial term of the contract will only be five years so therefore there will be an opportunity to change operations and recalibrate the processing fees at the end of that period.

There will also be additional blue box costs as all material will have to be transferred from the southern part of the Region to the new MRF in East Gwillimbury. This cost is unavoidable given the decision not to construct the MRF in the southern part of the Region. It is expected that this will add approximately \$22 per tonne to the collection costs.

5. FINANCIAL IMPLICATIONS

The WDO analysis indicates that our blue box recycling program costs are 24% higher than our peer municipalities. Using WDO's average cost of \$115, this represents \$1.17 million per year. Our costs will be increasing in the future with the operation of the new MRF in East Gwillimbury and the addition of more materials to the blue box program.

6. LOCAL MUNICIPAL IMPACT

WDO and Stewardship Ontario recognize that collection costs are dependant on the efficiency of the truck routing, number of sorts at the curbside and the term of the contract. As there are six local collection contracts up for renewal in 2005, Stewardship Ontario has recognized that savings in collection costs can only be realized at the start of a new contract. Stewardship Ontario is therefore very interested in how collection contracts are developed and issued in York Region. A meeting was held with the local municipalities in September where Stewardship Ontario offered to help the local municipalities write their collection contracts for blue box material. If collection efficiencies are not introduced in the next contract, it will be five to seven years (the length of the contract) before savings can be realized. An opportunity exists, given the number of collection contracts that need to be issued, to evaluate if there can be collection efficiencies and cost savings as part of the current tender processes. Options may include joint tendering, re-routing trucks across local boundaries, and / or ensuring compaction vehicles are used.

7. CONCLUSION

Waste Diversion Ontario has published municipal blue box program costs for 2003. York Region's costs are 24% higher than the average costs. Our costs will be increasing in 2005 with the addition of more material to the blue box program and the operation of the new MRF. There are six local municipal collection contracts up for renewal in 2005 that may provide opportunities for cost savings.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)