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PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
May 13, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Brad Anguish, Director of Environmental Management Services

DATE: May 9, 2003

SUBJECT: Enviro Depots - RRFB Beverage Container Contract Dispute

INFORMATION REPORT

ORIGIN

At the May 6, 2003, meeting of Regional Council, a staff report was requested regarding the dispute over the current level of payment for the handling of beverage containers between the Enviro Depot operators represented by the Eastern Recyclers Association and the Resource Recovery Fund Board (RRFB). Council asked for information regarding the financial situation of Enviro Depots, the impact that increasing the share of the deposit to these facilities would have, the possibility of HRM requesting a greater share of the deposit given its role with the processing of recyclables, and the impact that reduced hours of Depots would have on those persons supplementing their income with revenues from recyclables.

BACKGROUND

The information contained in this report provides a brief overview of the legislative authority of the RRFB NS and the management and disbursement of funds generated from the deposit on beverage containers and tires that flow to the HRM to support waste diversion (i.e., recycling and composting programs). The report also outlines the business arrangement between the RRFB and the twenty-two Enviro Depots located within the Region.

1. RRFB Nova Scotia:

The Resource Recovery Fund Act, passed by the Provincial legislature in 1996, authorizes the RRFB Nova Scotia to administer the beverage container deposit refund program. The deposit on alcohol containers and the tire recycling fee were also subsequently assigned by the Province for the RRFB to administer. In June 2002, the Paint Recycling program was added to the services delivered by the RRFB utilizing the eighty-seven Enviro Depots located across Nova Scotia. Municipal staff works regularly with the RRFB and local Enviro Depots to improve recycling programs. The Resource Recovery Fund Act requires that 50% of annual net revenues be provided to the fifty-five municipalities within Nova Scotia to support municipal waste diversion programs.

2. RRFB Revenue and Expenses:

RRFB funding received by HRM is a significant source of revenue for our integrated solid waste resource management system. In 2001/02, HRM received a total revenue of \$3,300,000 that equates to approximately 7.5% of the total annual expenditure required for operation of the Region's waste/resource management program. The majority of the monies HRM receives from the RRFB is performance based. HRM is awarded RRFB Diversion Credit funding for every tonne of waste that is diverted by reuse, backyard composting, recycling, composting in the green organics cart, returning household hazardous waste to the HHW depot, returning paint to the Enviro Depots, returning tires to local tire retailers, and reusing/recycling construction and demolition waste. HRM also obtains funding/support from the RRFB through a variety of programs including Advertising Assistance (\$39,400), Regional Coordinator position (\$30,000), Household Hazardous Waste (\$7,500), Paint Recycling (\$7,500), and applications for new programs/services. RRFB also provides for our education contract, valued at \$238,100, that includes an outreach program to more than seventy HRM schools and sixty events/festivals/home shows/trade fairs, eighty-five presentations/meetings with members of the ICI sector (large retail stores, grocery stores, apartment owner/property management firms, etc.), and visitations to the twenty-two HRM Enviro Depots.

DISCUSSION

The owners/operators of the Enviro Depots have been contracted by the RRFB to take receipt and quantify beverage containers, batteries and paint, and to issue a refund to residents for beverage containers. The current issue between the owners/operators of Enviro Depots in Nova Scotia and the RRFB is a contractual matter.

On May 6, 2003, RRFB issued a Press Release (Attachment #1) responding to recent announcements from the Eastern Recyclers Association. HRM and other municipal solid waste organizations in Nova Scotia are receiving regular updates from the RRFB. We have provided the HRM Call Centre with a list provided by the RRFB of the amended operating hours of all twenty-two Enviro Depots in the Region.

HRM staff has been advised that Mr. Derek Firth (COO, RRFB) and Mr. Bruce Rogers (Eastern Recyclers Association) are scheduled to meet on May 9, 2003, and that the agenda for the June meeting of the Board of the RRFB includes the beverage container handling fee paid to the owners/operators of the Enviro Depots.

It is recommended that HRM not become involved in the current dispute between RRFB and the Eastern Recyclers Association. HRM has no jurisdiction in this matter and it is not appropriate for the municipality to favour either side in the resolution of this issue. With respect to the specific issues identified in the request from Council, staff can respond as follows:

- 1) The financial situation of Enviro Depots: Staff does not possess any information regarding the financial status of various Enviro Depots.
- 2) The impact on HRM of increasing the share of the deposit to these facilities: Nova Scotia municipalities receive a share of the net proceeds of RRFB operations, based on diversion achieved. There is potential for a negative impact on the municipal share as a result of an increased share to the Depots; however, it is difficult to determine the exact impact in advance of RRFB concluding its negotiations.
- 3) The possibility of HRM requesting a greater share of the deposit given its role with the processing of recyclables: The Diversion Credit Formula applies to the entire Province, and HRM does not have a special role in processing recyclables. The Diversion Credit Formula does reward HRM for the relative participation of its residents and businesses in waste diversion in comparison to other regions in Nova Scotia. While the possibility does exist for a municipality to request a higher share of RRFB revenues, there is no obvious requirement for such a request at this time.
- 4) The impact that reduced hours of the Depots have on those persons supplementing their income with revenues from recyclables: HRM has a general interest in the convenience of the Enviro Depot system for its residents in terms of achieving improved waste diversion. While it is quite conceivable that reduced hours of the Depots will impact persons supplementing their income with revenues from recyclables, staff does not have access to any data that might confirm this theory at this time.

Staff will continue to monitor the RRFB/Enviro Depot dispute closely through its contacts with RRFB, NSDEL, and other waste regions of Nova Scotia. Further updates to Council will be provided as events unfold.

BUDGET IMPLICATIONS

An increase in the beverage container handling fee awarded to Enviro Depots could have potential negative budget implications for HRM as the annual RRFB funding for the Region may be reduced.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

N/A

ATTACHMENTS

RRFB Press Release dated May 6, 2003.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jim Bauld, Diversion Planning Coordinator 490-7176
 Brian T. Smith, General Manager, Solid Waste Resources 490-6606

John Bowen
Bowen



PRESS RELEASE

May 6, 2003

RRFB Nova Scotia is a not-for-profit organization that administers the Deposit/Refund System for beverage containers in Nova Scotia. RRFB Nova Scotia has contracts with each of the 87 Enviro-Depots to handle beverage containers. Under these contracts, the handling fee is determined by the RRFB. Derek Firth, Chief Operating Officer, stated that "ENVIRO-DEPOT™ operators deserve a fair handling fee for their work and I will try to set up meetings as soon as possible with the depot operators".

For the fiscal year ending March 31, 2003, 289 million beverage containers were supplied in the Province of Nova Scotia. This generated revenues of \$28.6 million dollars for the RRFB. Nova Scotians received a refund of 5-cents on each of the 233 million containers that were redeemed through the network of Enviro-Depots and municipal curbside recycling programs.

In Nova Scotia, the cost to recycle a beverage container through the ENVIRO-DEPOT™ network is 4.5-cents. This includes handling fees, collection, transportation, processing, marketing, and administration. Last fiscal year, ENVIRO-DEPOT™ operators received a handling fee of 2.9-cents per container, which amounted to 6.7 million dollars.

Handling fees have increased 18% since 1999, from 2.5-cents to 2.95-cents on April 1, 2003. A further increase to 3-cents is scheduled for April 1, 2004.

Each year, the RRFB's excess of revenues over expenses is available for distribution to the municipalities and to assist Nova Scotia entrepreneurs in diverting materials from the waste stream. A minimum of 50 percent of RRFB Nova Scotia's net revenues are returned to municipalities based on the amount of waste they divert from disposal. In addition, municipalities can receive funding for special waste management initiatives through Approved Programs, education contracts, hazardous waste disposal, derelict vehicle removal and paint swaps.

Municipalities have invested significant money into waste management infrastructure and collection programs. In Nova Scotia, 100% of residents have access to curbside recycling programs and over 70% have access to curbside composting.

In addition to the Deposit/Refund System, RRFB Nova Scotia administers the Used Tire Management Program and the Nova Scotia Paint Recycling Program. All RRFB revenues are derived from these programs.

For information contact Derek Firth (902) 897-4322.