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Item No. 2

Halifax Regional Council
February 3, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Mike Labrecque P.Eng. Director Transportation & Public Works

DATE: January 26, 2009

SUBJECT: ICI Cardboard

SUPPLEMENTARY INFORMATION REPORT

ORIGIN

Solid Waste Resource Advisory Committee meeting of January 22, 2009

BACKGROUND

At the January 22, 2009 In Camera meeting of the Solid Waste Resource Advisory Committee (SWRAC), several members raised questions concerning ICI cardboard. The questions, which are not confidential in nature, relate to:

- whether local private paper recycling companies will extend the April 1, 2009 deadline for non acceptance of mixed ICI paper;
- is an amendment to By-Law S-600, requiring cardboard to be separated from other ICI paper, supported by members of the ICI industry; and
- can the Materials Recovery Facility (MRF) receive and process mixed ICI paper?

Following the January 22, 2009 SWRAC meeting, staff met with the local private paper recycling companies to acquire additional information. This information is being provided for the purpose of determining future anticipated market conditions for mixed ICI paper, and potential outcomes should the April 1, 2009 deadline not change.

This information is provided as a supplement to and intended to be circulated to Regional Council concurrent to the recommendation report from Councillor Bill Karsten, Chairman, SWRAC, to Regional Council.

DISCUSSION

The following questions were raised at the January 22, 2009 SWRAC meeting:

_____ **1. *Is there an agreement among the ICI collectors that a By-Law Amendment is preferred?***

At the January 15, 2009 meeting with members of the ICI industry, there was general agreement that a By-Law amendment is desired as the long term solution. No member of the ICI industry present spoke contrary to a By-Law amendment. Members of the local ICI industry commented that a By-Law amendment, requiring cardboard to be separate from other ICI paper, will provide certainty, consistency and a higher quality of product and price (i.e. revenue) when the market rebounds. A By-Law amendment will assist the local ICI collectors to communicate the requirements to ICI property owners/managers, and enable preparation for the most cost effective collection methodology.

As requested and approved by the members of the local ICI industry, a notice (Attachment #1) "Recyclable Market Conditions Update" dated January 9, 2009, has been provided to local ICI collection companies who have passed it along to the ICI property owners/managers they service. The attached notice has also been provided to the Halifax Chambre of Commerce.

2. *Possible extension of the April 1, 2009 deadline?*

Staff is currently exploring the possibility of the local private paper recyclers extending the April 1, 2009 deadline.

3. *Why can't processing facilities in Nova Scotia take mixed ICI paper after April 1, 2009?*

The local industry has advised that the world demand for paper has significantly contracted. Paper mills in North America and Asia have closed, which has resulted in a significant excess supply of paper. During times of low demand and over supply, only the best/top quality (i.e. sorted paper) is needed. Mixed paper has a very low inherent value even during good economic times. In comparison to separated paper, products made from mixed paper are limited.

The local private paper recycling companies have advised that their facilities are not designed to take receipt and sort mixed paper in any volumes. During good economic times, when paper was very valuable, they accepted mixed ICI paper. Often the mixed paper was left for sorting later (while clean sorted paper was being processed), resulting in quality and operational problems with the mixed paper as it became wet and/or soiled. The acceptance of mixed paper is viewed as not practical or desired for the long term at the local and world paper commodities markets.

4. Is there capacity at the HRM MRF to take ICI mixed paper?

The current configuration of the MRF has an annual capacity of 28,000 tonnes. For fiscal year 08-09, it is projected that 24,000 tonnes of material will be received at the MRF, with 4,000 tonnes capacity available. The MRF operates 260 days per year. 4,000 tonnes annual capacity available yields an average of 15 tonnes/day capacity available at the facility, which is significantly less than 100 tonnes/day.

If by April 1, 2009, all but a very small percent of ICI property owners are separating cardboard from other paper, and only 15 tonnes/day is required, then an amendment to Administrative Order #16, Respecting Fees For The Use of Solid Waste Management Facilities, for the recovery of direct and associated processing costs at the MRF, would be required.

The receipt of ICI fibre in excess of 4,000 tonnes/year, resulting in the MRF exceeding 28,000 tonnes/year, will require (as Miller Waste identified in their response to RFP 08-084) a capital investment of \$221,375, plus additional annual operating cost of \$80,420, a significant investment for a short term solution for a potential small percent of the ICI sector.

5. Where are businesses and institutions to place an additional container?

The determination of whether an additional container is required to keep cardboard separate from other paper, and the location of the container, is specific to the configuration of each property and also the volume of paper by type, i.e. newspaper, office paper and cardboard.

Businesses that have a small amount of office paper, like a pizza shop, may not require a separate container, but rather can place invoices and packing slips, etc. in a clear plastic bag, which is collected at the same time as the cardboard. Or they have the option to subscribe to the Halifax Business Commission collection program. For a small fee of \$1.65 (plus tax), the bag of paper is collected and recycled.

For ICI properties with a large volume of office type paper, but a small amount of cardboard, the existing container can be used for office paper, with the cardboard flattened and placed beside the container for separate collection.

For ICI properties that have a larger volume of office type paper, such as a school or individual buildings at a university, 300 litre toters are commonly used. The toter requires very little space (approximately 2 ft by 2 ft) and is easily portable as it is on wheels. At an approximate cost of \$135 for a toter, which generally have a ten year warranty/life, staff estimates that the monthly cost of a toter to the ICI property owner would be in the range of \$1.50 to \$2.00/month.

A large apartment building that has an equal amount of flyers, envelopes, newspapers and cardboard, may require two equal size containers - both smaller than the one larger container used previously for mixed paper. If outside, the containers are required to be closed and locked to prevent spillage, unsightliness, for children safety, to prevent animal disturbance, etc., and for quality control of the paper - to prevent illegal dumping and contamination.

BUDGET IMPLICATIONS

There are no budget implications at this time.

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.

ATTACHMENTS

January 9, 2009 "Recyclable Market Conditions Update"

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.



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RECYCLABLE MARKET CONDITIONS UPDATE

January 9, 2009

Over the last several weeks, the market price of most commodities has dropped significantly. This price drop has impacted corrugated cardboard and paper, which as recyclable commodities, are now worth much less (or have dropped to a negative value) than in the early Fall of 2008.

It is not known how long this downturn in market conditions will last. However, with this current flux in the market, both the Municipality and private recycling facilities have had to respond with changes in business practices. Material quality and separation of materials have become much more important in the marketing of corrugated cardboard and paper. Local private recycling facilities are indicating that as of April 1, 2009 there will likely be no market for corrugated cardboard mixed with other paper.

Commercial collection service providers are also responding to these changes. This may mean that there is a requirement for more source-separation of materials (e.g. separate bins for corrugated cardboard and paper materials) and/or that there may be an increase in cost to collect and process recyclable materials due to the fluctuating charges to deliver these items during this market downturn. Over the next few months, there is an opportunity for property owners and managers to work with their collector to assess how to respond to the evolving market conditions and institute any changes such as the collection of corrugated cardboard separate from paper.

Further updates will be provided as more information is available.

HRM Solid Waste Resources