



John D. Coyne
Recycle BC Board Chair

July 14, 2020

Laurel Nash
Assistant Deputy Minister
Ministry of Environment and Climate Change Strategy
525 Superior St.
Victoria, BC
V8V 1T7

Subject: Recycle BC Program Plan requirements

Dear Ms. Nash,

As Chair of the Board of Recycle BC, I am writing to provide highlights of our program performance and details of the considerable impact that the COVID-19 pandemic is having on the businesses that fund Recycle BC. In that context I am also writing to request relief in relation to certain of the Ministry of Environment and Climate Change Strategy's (Ministry) recent requirements included in our Program Plan commitments.

Since our program's inception in 2014, businesses have provided more than half a billion dollars to create what we are confident is the most successful full producer responsibility program for residential packaging and paper products in the world. Unlike other stewardship programs, many of which are funded by a combination of environmental fees and/or deposits paid by consumers, Recycle BC's program is entirely funded by businesses who put packaging and paper products into the marketplace. These businesses have funded all of their obligations in relation to the provincial regulation, all while accommodating increasing Ministry expectations, significantly rising costs, and constrained markets for materials resulting in dramatic shifts in the supply and demand of recyclable material.

Thanks to Recycle BC, more than 98% of British Columbians have access to a recycling system with the largest basket of accepted materials of anywhere in Canada. We boast a recovery rate equivalent to more than 78% of the materials our businesses place into the market and, last year, 90% of the materials we collected were managed by recycling. We are also proud of the work Recycle BC has done to include First Nations communities in our program. Recycle BC has dedicated itself to working with First Nations communities to ensure they can participate in our program when they are ready to do so. We are a founding member of the First Nations Recycling Initiative and, as of 2019, 43 First Nations across BC participated in Recycle BC's program, representing approximately one third of the First Nations populations living on First Nations or treaty settlement land within BC.



The ambition of the program has resulted in the creation of a local circular economy for plastic. 98% of the plastic we collect here in British Columbia is further processed in the Province and, this year, the implementation of our new post-collection network means we will be able to keep the majority of our fibre (paper and cardboard) in the Pacific North West as well. These are significant achievements at a time when many jurisdictions across North America and around the world are limiting the types of materials they collect, and stockpiling or landfilling materials because they cannot find markets.

As you know, this performance has come at great cost. Carrying out the Ministry's additional requirements means Recycle BC will experience a doubling of costs by next year compared to what they were just 5 years ago. Moreover, with the Ministry's additional requirements for our program, Recycle BC is on pace to be 1.5 times the per capita cost of the reported net cost for Ontario's municipalities. Last year, the businesses that fund Recycle BC absorbed an increase to their fees of 26% - the second straight year of significant cost increases. This occurred despite the Board of Recycle BC choosing to draw down on our operating reserves two years in a row to soften and smooth the impact of ever-increasing costs. As responsible managers of the Program, we cannot continue to utilize this option - yet we face another year of significantly rising costs.

It is against this backdrop that we refer to the Ministry's new requirements in Recycle BC's submitted Program Plan of June 2019, which requirements effectively mandate activities that result in further cost escalations guaranteeing continuing significant increases in the years to come. The Ministry's requirements followed extensive consultations by Recycle BC on our Program Plan, after which we incorporated demands from the Ministry, expanding the scope of the plan and our costs. These significant costs are incurred in order to fulfill obligations set by the Ministry. However, those obligations result in only very marginal increases to our program performance and resident experience with recycling services.

Our concerns are exacerbated by the serious financial effects of the global pandemic.

As you know, the COVID-19 pandemic has completely reshaped the world economy and British Columbia businesses are not immune. Recycle BC is funded by more than 1,100 businesses that operate in British Columbia. These businesses are BC's primary employers. Many have suffered greatly as a result of the pandemic. Some have already announced the need to close. Some have initiated bankruptcy protection proceedings. Some are closing their storefronts and moving to online platforms. None are left untouched by the tremendous impact of the pandemic.

In late April, the Vancouver Board of Trade (VBT) issued a news release forecasting: "For businesses temporarily closed, the future is similarly dire, with only half (53%) expecting to reopen once the restrictions are eased on workplace operations..." (VBT, April 21, 2020). What is abundantly clear is that, as the pandemic continues to ravage the health of our friends and families, it is devastating the health of the businesses that ensure jobs for British Columbians, and there will be fewer businesses to pay for the operation of the Recycle BC program and ever-increasing costs.



The Province of BC is executing its BC Restart Plan, hoping to ensure health and safety while getting people back to work. The road ahead is a long one and for our businesses which employ British Columbians the next increase in costs related to our program will come after a prolonged period where many of our businesses closed to support the Province's social distancing measures, and an even longer period where our businesses tried to adapt to a new reality of fewer customers, higher costs associated with enhanced health and safety measures and a recession sapping the spending power of consumers.

Consequently, I am writing to request relief from the Program Plan amendments contained in Assistant Deputy Minister and Statutory Decision Maker David Morel's letter dated June 28, 2019. These include amendments under the following headings:

1. "Producers paying the cost"
2. "Reasonable and free consumer access to collection"
 - a. Curbside equivalency definition and adjacency criteria
 - b. Streetscape
 - c. Multi-family awareness and service"

Each of the amendments comes with both significant initial and ongoing annual costs. We have calculated the total initial cost of these amendments to be approximately \$14M. I will try to briefly itemize our concerns with each below.

1. *"Producers paying the cost"*

In 2018, Recycle BC performed and consulted on a cost study, prior to submitting its Program Plan to the Ministry, in accordance with the Ministry's 2018 guidance document (*Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution*). Despite this, the Ministry mandated Recycle BC perform an additional cost study, over and above those already mandated. The result is the Ministry effectively ordered two cost studies in a two-year period, a frequency which is not contained in either the regulation or the Ministry's guidance document. Recycle BC relies upon a cadence for cost studies to effectively budget for the costs associated with the studies themselves and the potential cost increases resulting from the information gathered during the cost study process, which costs are used to set the financial incentive rate for collection services. This process provides some measure of predictability to all participants that costs will remain stable for a set period of time.

While we accept the responsibility to pay the full costs, the Ministry's decision to deviate from the frequency of cost studies set forth in its guidance document has placed additional, unanticipated financial pressure on our program. As a result, we are asking that the Ministry follow the regulation and guidance document and relieve Recycle BC of the responsibility of this additional cost study.



2. “Reasonable and free consumer access to collection”

a. Curbside equivalency definition and adjacency criteria

Since 2014, Recycle BC has significantly increased BC residents’ access to its recycling services. We have introduced curbside collection service to areas that previously had none, and added more than 100 depots to our program. Yet the Ministry seeks incremental expansion to accessibility, which comes at a much higher cost due to its remote nature and low volume of material. The result is a very high cost for a very low marginal rate of return. This has contributed to our escalating cost structure.

This year Recycle BC conducted the necessary work to bring forward a curbside equivalency definition in accordance with the Ministry’s requirements. Currently, only communities with populations in excess of 5,000 people may choose to adopt curbside collection. The curbside equivalency definition sets standards allowing for unincorporated communities within the same geographic region that can collectively meet the 5,000 person threshold to switch from depot collection to curbside collection. We have submitted a report to the Ministry for review with our recommended approach. Nonetheless, we recognize that this amendment represents a significant additional cost burden at a time when businesses simply cannot afford more.

b. Streetscape

In Recycle BC’s original Program Plan, we agreed to take on streetscape “subject to successful proof of concept”. The Ministry approved this Program Plan in 2014, thus approving this stipulation. We are asking the Ministry to honour this agreement and take into the consideration the work Recycle BC has done to explore the potential of streetscape as a viable means of collecting material.

Recycle BC has partnered with local governments three times to study the efficacy of streetscape collection. Further, at the urging of the Ministry, Recycle BC conducted a series of roundtable discussions with 31 local governments across the province last year to study their streetscape collection methods and results, in an effort to comply with the Ministry’s amendment.

Unfortunately, despite extensive roundtable discussions and repeated requests from Recycle BC to the local governments for information such as program collection and processing costs, collection tonnage and end-of-life disposition, local governments provided very limited data. As a result, Recycle BC has not received sufficient information upon which to base a financial incentive for streetscape.

This lack of necessary data makes the preparation of a proposal to include streetscape under full responsibility a matter of guesswork. The result of such an effort would be that the program will



be exposed to allegations of greenwashing, negatively affecting the reputation of the program and diminishing the confidence that all BC residents have shown to date.

In our view, the Ministry should support evidence-based approaches to recycling and comply fully with the Clean BC plan. Right now much of the packaging and paper product collected through streetscape programs by local governments is extremely contaminated and the results of the feedback we received showed that in some municipalities as much as 100% of the materials collected through streetscape are sent to landfill. Indeed, most materials are transferred to landfill and, on average, local governments recycle only a very small amount. This represents an unacceptably high greenhouse gas emission-intensive process, as a very small volume of materials is transported to multiple locations only to end up in landfills. This is certainly not aligned to the *Clean BC* strategy.

Based upon all of this information, it is clear that streetscape currently has no proven net-positive environmental outcome. As a result, Recycle BC cannot proceed with this amendment.

c. Multi-family awareness and service

The Statutory Decision Maker acknowledges in his letter dated June 28, 2019 that Recycle BC's submitted Program Plan "does address a comprehensive means to increase consumer awareness in this sector, and demonstrates a 4% increase from 2017-2018 in multi-family households served." However, this amendment imposes new obligations upon the program that did not exist previously, specifically, the imposition of channel-specific targets. Like all of the aforementioned amendments, this one adds significant costs to Recycle BC's operations with very little impact on recovery and environmental performance.

Conclusion

I have shared a lot of information with you in this letter and I want to thank you for taking the time to review and consider the above comments.

The Ministry, through its regulation, has positioned BC to be a leader for years to come. And yet this leadership is not without its consequences. While sustainability is at the core of everything Recycle BC does, the reputation of our program is now under threat due to ever-escalating costs with limited changes to program performance. The impact of these cost pressures are magnified by the COVID-19 pandemic.

The Province of BC designated recycling an essential service during the COVID-19 pandemic, and Recycle BC has been singularly focused on ensuring the collection and responsible processing of materials throughout this crisis to the greatest extent possible. Further, in the midst of this



pandemic, we launched a new complicated post-collection network that will ensure more of the materials we collect will be processed here at home.

Recycle BC has proven itself to be the standard bearer for full producer responsibility. Thanks to this program, British Columbians can recycle more residential packaging and paper products than anywhere in Canada and they can feel confident that it will be recycled.

As the Province continues with its BC Restart program, I am asking you today to provide relief to our program by postponing all of the amendments we have discussed above so as to ensure we can continue to provide this essential service to the residents of BC for years to come. We would also welcome the opportunity to enter into conversations with your staff on the long-term viability of some of these amendments in order to ensure the continuing success of the program.

As you consider this request, please let me know if you have questions or comments and, if you would like to discuss any aspect of the above details, please do not hesitate to contact me.

Thank you in advance for your consideration.

Yours sincerely,

John D. Coyne

CC:

Kris Ord, Executive Director, Ministry of Environment and Climate Change Strategy

Bob McDonald, Director, Ministry of Environment and Climate Change Strategy

Teresa Conner, Unit Head, Ministry of Environment and Climate Change Strategy

Tamara Burns, Senior Vice President, Recycle BC

David Lefebvre, Director, Public Affairs, Recycle BC