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Third Session

Standing Committee on Resources and Environment

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Recommendations upon Review of Key Issues
Pertaining to the Beverage Container Recycling Regulation



Standing Committee on Resources and Environment

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November, 2007

To the Honourable Ken Kowalski
Speaker of the Legislative Assembly of Alberta

The Standing Committee on Resources and Environment has the honour to submit its report and recommendations on issues concerning the Beverage Container Recycling Regulation to the Legislative Assembly of Alberta.

Denis Ducharme, MLA
Bonnyville-Cold Lake
Chair
Standing Committee on Resources and Environment

Dr. David Swann, MLA
Calgary-Mountain View
Deputy Chair
Standing Committee on Resources and Environment

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STANDING COMMITTEE ON RESOURCES AND ENVIRONMENT**

26th Legislature, Third Session

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1.0 Introduction

Alberta's marked economic growth since the early 2000s and its low unemployment rate combined with other positive economic factors have encouraged a vast in-migration of newcomers over the past several years. Alberta's population has increased 12.09 per cent since 2001 (to 3.43 million inhabitants at the end of 2006).

Population increases and a booming economy have combined to produce a large increase in the number of recyclable containers added to the beverage container recycling system. While it is generally agreed that the recycling system has served Alberta well since its inception, recovery rates have dropped noticeably in the recent past, from 79.5 per cent in 2001 to 74.16 per cent in 2006.

Beverage container recycling in Alberta involves many stakeholders, including, among others, private industry, not-for-profit organizations, government and of course everyday Albertans. Although it is important to acknowledge and account for the interests of stakeholder groups and the general public, above all else the beverage container recycling system's chief objective is to reduce the deleterious environmental impact of discarded recyclable beverage containers by ensuring an as high as possible recovery rate for such receptacles.

The Standing Committee on Resources and Environment was asked to review key issues pertaining to the *Beverage Container Recycling Regulation* pursuant to a letter from the Minister of Environment to the Chair of the Committee dated July 11, 2007. Prior to this request, the Ministry consulted with members of the public and stakeholder groups on aspects of the Regulation, which was scheduled to expire on October 31, 2007. The Committee was asked to focus its review of the Regulation on the following specific issues:

- The beverage container collection system,
- The exemption of milk containers,
- Deposit levels,
- Unredeemed deposits,
- Service quality, and
- Two common collection agents.

In conducting its review, the Committee solicited written submissions from interested parties and asked witnesses to appear to present their views. Public hearings were held on September 18, 2007, in Edmonton and on September 20, 2007, in Calgary. The September 20 meeting was the first meeting of a Policy Field Committee to occur outside of Edmonton. In total, the Committee heard from 14 witnesses appearing in person and received 114 written submissions from interested individuals and groups (see Appendix A).

This report contains recommendations of the Standing Committee on Resources and Environment following its deliberations on the *Beverage Container Recycling Regulation*. It provides an overview of the main issues, identifies the main points raised in oral and written submissions, and supports each recommendation with a rationale.

This report is not intended to be a comprehensive record of the Committee's proceedings. For a more complete record, reference should be made to *Alberta Hansard*, written and oral submissions made to the Committee, summaries of submissions, and research reports prepared by the research staff.

Executive Summary – Recommendations

The Standing Committee on Resources and Environment makes the following recommendations on the *Beverage Container Recycling Regulation*.

1. The composition of the Beverage Container Management Board should be maintained as currently structured.
2. The *Beverage Container Recycling Regulation* or the by-law should be amended to require a two-thirds majority to reach decisions on handling commissions.
3. Resolution of issues pertaining to the container collection system should be left to the Beverage Container Management Board, the delegated administrative organization.
4. The role of the Beverage Container Management Board should be strengthened. More specifically, the Board should be granted the authority or should exercise its existing authority to conduct a number of activities:
 - review the criteria for licensing depots and ensure that they are clear and defensible,
 - set the criteria for the location of depots and establish annual return-rate targets for depots, and
 - determine whether the number of depots within the province is adequate.
5. The Beverage Container Management Board must actively enforce those service standards connected with the principle of maximizing the collection of recyclable containers.
6. The Beverage Container Management Board should review and set deposit rates every two years.
7. Different deposit rates should be established for different-size containers as follows: a minimum of 10 cents for containers less than or equal to one litre and a minimum of 20 cents for containers more than one litre. The deposit rate on pop cans and beer cans should be equal.
8. Management of unredeemed deposits should be transferred to the Beverage Container Management Board.
9. The operating levy, which is used for the purposes of funding Beverage Container Management Board operations, shall be discontinued.
10. The Beverage Container Management Board shall publicly demonstrate, by annual report to the Minister, that funding has been used for the management and delivery of the entire beverage container recycling system; for additional activities designed to enhance return rates; and for other activities determined by the Minister.
11. There should be only one common collection agent, to be determined by the Beverage Container Management Board.
12. Milk containers should be included in the deposit refund system, and the current levy (one or two cents as the case may be) should be removed. While this recommendation is made with the intent of increasing recycling rates, the Committee recommends that its potential impact on Albertans be closely monitored.

2.0 Operation and Management of the Beverage Container System

2.1 The Issue

While not specifically asked to review the overall operation and management of the beverage container system, early on in the process, the Committee determined that governance would be important to considering the issues surrounding the *Beverage Container Recycling Regulation*.

A number of witnesses commented on governance issues at the Beverage Container Management Board (“the Board”), the delegated administrative organization for beverage container recycling in the province.

Established under the *Environmental Protection Act*, the Beverage Container Management Board has a mandate to oversee and set the rules for the collection and recycling of beverage containers in the province. The Board is composed of 12 members representing a broad cross-section of stakeholders, including four municipal and urban representatives, four manufacturers, three representatives of the bottle depots, and one representative of the retail liquor stores. In general terms, the Board

- provides oversight of the two collection agents (the Alberta Beer Container Corporation and the Alberta Beverage Container Recycling Corporation);
- conducts over 200 depot and retail inspections annually;
- issues operating permits for container depots; and
- registers new beverage containers.

2.2 Public Consultation

The Beverage Container Management Board

- The Committee heard that the Board has encountered difficulty in setting handling commissions as a result of a court ruling that gives any Board member a veto on these decisions. The issue of veto power is considered to be problematic, and an alternative interpretation of consensus was supported by a number of witnesses.
- Recommendations were made suggesting that the Board be abolished, either by subsuming it under an existing body such as the Alberta Recycling Management Authority or by allowing the Alberta Beverage Container Recycling Corporation (ABCRC) to assume the Board’s regulatory authority. Other presenters considered the Board as an essential component of the beverage recycling system which is needed to maintain accountability and to balance the interests of both the depot owners and the manufacturers.
- Some presenters suggested that the composition of the Board (currently consisting of stakeholder members) be altered to better reflect public and municipal government interests. Alternatively, it was suggested that Board members be designated through ministerial appointment. The opposite view was also put forward, namely, that the existing Board composition is optimal and therefore should not be changed.

Beverage Container Recycling Depots

- Some presenters suggested that the free market, rather than the Board, ought to determine the number and location of beverage container recycling depots, a measure which would, in

effect, deregulate the system. This view was challenged by those who pointed out that the Board has had difficulty in some instances in obtaining applicants for new depots and that municipal by-laws often restrict or prevent the establishment of new depots. It was also pointed out that determination through the free market of the number of depots would exacerbate the financial challenges faced by existing depot owners and that it would be unfair to the existing owners to change the rules of the system.

- Those in favour of expanding the number of depots frequently argued for the concentration of depots in certain areas, including, for example, more depots in commercial as opposed to industrial areas or more depots in urban rather than rural areas. Creating a larger global depot to service several adjacent areas was presented as an option in cases where rural depots are too small to achieve financial viability.
- One witness indicated that achieving a minimum volume at the depots is critical to attaining financial viability. It was suggested that consideration be given to subsidizing smaller depots by paying them a flat fee in addition to their handling commissions. Moreover, the Committee was advised that increasing the number of depots, especially in rural areas, would make worse existing financial problems experienced by small depot operators.
- Support was given to increasing the collection options either in conjunction with or instead of increasing the number of depots. Suggestions included return-to-retail, reverse vending machines, and recycling bins in the parking lots of grocery stores.
- A number of submitters pointed out that increasing the number of depots in cities may be problematic due to municipal zoning issues and the affordability of land.
- The Committee received submissions both for and against deregulating the system in order to allow the number of depots to be determined in a free market.

Depot Service Standards

- Public consultation confirmed that the experience of going to the depot is often inconvenient and inefficient and that service standards appear not to be enforced by the Board. The lack of cleanliness and efficiency at the depot is often viewed as a detriment to achieving higher return rates.
- The Committee heard that the Board should set service standards and strictly enforce them.
- Witnesses suggested that unredeemed deposits could assist the depots in improving the technological aspects of their operations, leading to greater efficiency and higher profits.

Deposit Rates

- Witnesses told the Committee that increasing deposit levels would lead to higher recycling rates. In some cases substantial increases to deposit rates were recommended, while in other cases submitters preferred linking deposit rate increases to the rate of inflation. Another suggestion was to attach similar deposit rates to similar-size containers. In another vein, the Committee was told that higher deposit rates would enhance the financial viability of depots.
- In general, support was given for the equalization of deposit rates on pop and beer cans to reduce consumer confusion. It was also pointed out that recycling efficiency would improve with the implementation of equal deposit rates, as beer and pop cans could be processed together. Some support was expressed for the notion of charging substantially higher deposit rates on oversize containers.

- The downside of increasing deposit rates was highlighted by one witness, who predicted that increasing deposit rates would create an unfunded liability of more than \$6 million should deposits be refunded at a higher level than what was originally paid.

Unredeemed Deposits

- The Committee heard diametrically opposed views on the topic of unredeemed deposits. Presenters argued that the existing system under which ABCRC manages these funds should be retained as the money goes back into the beverage container recycling system. At the other end of the spectrum, calls were made for accountability, and the Committee was urged to give the management of these funds to the Beverage Container Management Board. Stakeholders on the Board would then be able to determine how to use these funds to enhance return rates.
- The issue of accountability underpinned recommendations to leave the management of unredeemed deposits with ABCRC while making the corporation accountable to the Board for the transparent management of these funds.
- The Committee heard a number of ideas on how to use these funds, such as the development of creative solutions at the depot level and elsewhere to improve collection rates or the use of these funds to provide financial support to depots. Another option put forward was to use unredeemed deposits to increase handling fees for depots, particularly and perhaps solely those smaller or rural depots experiencing low return volumes, to enhance their efficiency and viability.

Common Collection Agents

- Many presenters wanted one common collection agent; however, there was no consensus as to which one. One witness wanted to see a representative of the manufacturers as the common collection agent and went further with the suggestion that this agent should set standards for the depots. Representatives of the beer manufacturers argued for a separate collection agent to service liquor stores, bars, and restaurants (and not just bottle depots).

2.3 Recommendations

The Committee makes the following recommendations with respect to the Beverage Container Management Board pertaining to the issue of the operation and management of the beverage container system:

1. The Board's composition and structure should be maintained.
2. The *Beverage Container Recycling Regulation* or the by-law should be amended to require a two-thirds majority to reach decisions on handling commissions.
3. Resolution of issues pertaining to the container collection system should be left to the Beverage Container Management Board.
4. The role of the Beverage Container Management Board should be strengthened. More specifically, the Board should be granted the authority or should exercise its existing authority to conduct a number of activities:
 - review the criteria for licensing depots and ensure they are clear and defensible,
 - set the criteria for the location of depots and establish annual return-rate targets for depots, and

- determine whether the number of depots within the province is adequate.
5. The Beverage Container Management Board must actively enforce those service standards connected with the principle of maximizing the collection of recyclable containers.
 6. The Beverage Container Management Board should review and set deposit rates every two years.
 7. Different deposit rates should be established for different-size containers as follows: a minimum of 10 cents for containers less than or equal to one litre and a minimum of 20 cents for containers more than one litre. The deposit rate on pop cans and beer cans should be equal.
 8. Management of unredeemed deposits should be transferred to the Beverage Container Management Board.
 9. The operating levy, which is used for the purposes of funding Beverage Container Management Board operations, shall be discontinued.
 10. The Beverage Container Management Board shall publicly demonstrate, by annual report to the Minister, that funding has been used for the management and delivery of the entire beverage container recycling system; for additional activities designed to enhance return rates; and for other activities determined by the Minister.
 11. There should be only one common collection agent, to be determined by the Beverage Container Management Board.

2.4 Rationale

The Beverage Container Management Board

- The current multi-stakeholder composition of the Board is considered a strength, as discussions and decisions are informed by a variety of viewpoints and interests.
- The existing by-laws state that “consensus” is only required on decisions pertaining to handling commissions. A court has determined that “consensus” means that any member of the Beverage Container Management Board has veto power. Elimination of this veto power would lead to more effective decision-making by eliminating a situation in which one member effectively blocks a decision agreed to by all other members of the Board.

Beverage Container Recycling Depots

- Operational decisions will not have to be made at the government level. The Beverage Container Management Board will have the flexibility to evaluate all collection options and take innovative approaches without having to go through regulatory amendments.

Depot Service Standards

- The Board is in the best position to set and enforce standards for the depots, both in view of its existing regulatory powers and because it consists of stakeholders who are knowledgeable about the system. In the past, depot service standards appear not to have been closely monitored by the Board, contributing to lagging service standards and quality.

Deposit Rates

- The lack of harmonization of deposit rates creates consumer confusion.
- If deposit rates for all cans were equal, they could be compacted at the depot, creating greater efficiencies. Committee Members agree that the deposit rate on cans should be equal and that the rate should be set at 10 cents.
- Deposit levels have not been changed in years. Increasing these rates will likely help to increase the overall beverage container recovery rates, which have been declining in recent years. The Committee agrees that deposit rates should be set at a minimum of 10 cents for containers less than one litre in size and a minimum of 20 cents for containers over one litre.

Unredeemed Deposits

- Greater accountability and transparency with respect to unredeemed deposits will be achieved through the Board's publication of a publicly available annual report.
- Additional money would be available for creative collection solutions, such as reverse vending machines, with a focus on raising recovery rates.
- Unredeemed deposits could be applied to enforcing standards at the depots or promoting recycling.

Common Collection Agents

- The Regulation only provides for one common collection agent. However, functionally, there are two common collection agents. The Committee recommends that there should only be one common collection agent, to be determined by the Board.
- The overall efficiency of the collection system might be increased if there were only one collection agent.

General Consideration

- The Committee is in agreement that while beverage container recycling in Alberta is an important industry involving a number of stakeholders with different interests, above all, the system's chief objective must be to reduce the impact of beverage container waste on the environment.

3.0 The Exemption of Milk Containers

3.1 The Issue

Milk containers are exempted from the *Beverage Container Recycling Regulation* (section 3) and currently are collected through a voluntary program operated by the Alberta Dairy Council (ADC) and municipalities. The program has not met recycling goals set by the Government, and according to the Ministry, there is confusion among members of the public as to whether milk containers are included in the deposit refund system.

In July 1999, Alberta Environment and the ADC signed a Memorandum of Understanding (MOU) agreeing to recycle milk containers under a voluntary program delivered by the ADC in co-operation with municipalities. The ADC created a container recovery fund that supplements municipal milk container recycling programs. The fund is financed through fees, which are paid by processors, of two cents for every four-litre plastic milk jug sold and one cent for one- and two-

litre milk containers. These fees are passed on to consumers. Under the MOU, the Government set a goal for a recovery rate of 75 per cent, which matches the overall recovery rate in the regulated (deposit) system. As of July 2006, the ADC achieved a 52-per-cent recovery rate for milk jugs and a 28-per-cent recovery rate for polycoat milk cartons.

Concern was expressed that the incorporation of milk containers into the beverage container recycling system and the addition of a deposit on such containers would increase the cost of milk. This cost increase would in turn have an impact on Alberta families and individuals. The Committee regrets the absence of information on this issue.

3.2 Public Consultation

- A number of witnesses argued for the inclusion of milk containers in the deposit system. Some pointed out that a consequence of the confusion over milk containers is that these containers wind up in the garbage. Others argued that the ADC has an unfair advantage over other beverage manufacturers because they do not have to refund deposits. The absence of a deposit system for milk containers was viewed as a disincentive to recycling.
- Witnesses who were opposed to including milk in the deposit system pointed out that municipalities derive significant funding from the ADC and from selling high-density polyethylene containers. These funds are used to subsidize recycling programs.
- Some concern was expressed over the economics of including milk in the deposit system; specifically, the concern was whether including milk in the deposit system and increasing its price would create affordability issues.

3.3 Recommendations

The Committee makes the following recommendation on the issue of the exemption of milk containers from the deposit system:

12. Milk containers should be included in the deposit refund system, and the current levy (one or two cents as the case may be) should be removed. While this recommendation is made with the intent of increasing recycling rates, the Committee recommends that its potential impact on Albertans be closely monitored.

3.4 Rationale

- The depots and Merlin Plastics, a plastics recycler, indicate that there are no technical problems associated with including milk jugs in the deposit system and recycling them at depots.
- Increased capture of milk containers is needed.
- The beverage container recycling system recovers higher levels of containers than the voluntary system.
- Factors such as deposit levels and accessibility for consumers can contribute to higher return rates.
- The efficiency and financial viability of the depot system may be increased if it is allowed to increase processing volumes with the inclusion of milk containers.

Appendix A: List of Presenters

The following organizations and individuals made oral and/or written presentations to the Standing Committee on Resources and Environment during its public consultations on the *Beverage Container Recycling Regulation*. Public hearings were held on September 18, 2007, in Edmonton and on September 20, 2007, in Calgary.

Witness Presentations	
Name	Organization
Cameron, Grant	Alberta Plastics Recycling Association
D'Avignon, Greg	Canada's National Brewers
Dossa, Karim	Beddington Heights Bottle Depot
Ellis, Dick	Vulcan District Waste Commission
Hildebrand, Dale	private citizen
Payne, Ron	private citizen
Remtulla, Farid & Linton, Jeff	Alberta Bottle Depot Association
Saley, Mike	City of Calgary, Waste Recycling Services
Seidel, Christina & Zembal, Dan	Recycling Council of Alberta
Sherwood, Justin	Canadian Council of Grocery Distributors
Szumlas, John	Alberta Liquor Store Association
Tott, Ian & Windrum, Roberta	Alberta Dairy Council
van Heyningen, Anthony	Refreshments Canada
West, Guy	Alberta Beverage Container Recycling Corporation

Written Submissions	
Name	Organization
Abel, Catherine	Food & Consumer Products of Canada (FCPC)
Allan, Kim	private citizen
Anderson, Jan	private citizen
Anderson, Tom	private citizen
Andressen, Dolores	private citizen
Antymis, Neil	Pepsi Bottling Group
Atwal, Sunny	Shamrock Bottle Depot

Written Submissions	
Name	Organization
Beare, Archie	private citizen
Beddows, Anne	The Empty Bottle
Berndtsson, Michelle	private citizen
Berreth, Dwayne	private citizen
Bialobzyski, Conrad	private citizen
Bindle, Dick	private citizen
Bock, David	private citizen
Boecking, Claudia	Recycling Council of Alberta
Bos, Hennie	private citizen
Boutin, Lanny	private citizen
Brinton, Ronica	private citizen
Cameron, Grant	Alberta Plastics Recycling Association
Crowe, Donna	private citizen
Czapski, Rick	private citizen
Dagenais, Robert	private citizen
D'Avignon, Greg	Canada's National Brewers
Dimsdale, Kathleen	private citizen
Dorken, Greg	private citizen
Dossa, Karim	private citizen
Dunn, Richard	private citizen
Fong, Chebbie	private citizen
Foster, Melvin	private citizen
Freund, Rick	private citizen
Gee, Adrian & Heine, Caren	Fort McMurray Annual Cleanup Campaign
George, Carol	private citizen
Giles, Tracy	private citizen
Gordon, D.E.	private citizen
Green, Sharon	private citizen
Hawkesworth, Bob	Alberta Urban Municipalities Association
Hildebrand, Dale	private citizen
Hlavacek, Martin	private citizen

Written Submissions	
Name	Organization
Hofstra, Debbie	Alberta Dairy Council
Hofstra, Tim	private citizen
Hubbell, John	City Manager of Calgary
Isaac, Sandy	private citizen
Janner, Bill	Can & Bottle Systems, Inc.
Johal, Harjinder	Quasar Bottle Depot
Johnson, Connie	Vibrant Communities Calgary
Jones, Brad	private citizen
Kaban, Lorne & Debra	private citizen
Kagan, Rachel	Retail Council of Canada
Kaur, Jaskreet	Bottle Bin
Kilian, Lu-Inge & Breed, Nico	private citizens
Kitagawa, Myles	Toxic Watch Society
Kodnar, Fred	private citizen
Konynenbelt, Dan	private citizen
Landers, Heather	private citizen
Lane, Bob	private citizen
Lang, Greg	private citizen
Langridge, Lise	private citizen
Laurin, Wanda	Peace Citizens' Recycling Society
LeBlanc, Debra	private citizen
Lehr, Diane	Cosmos Rehabilitation Society
LeMesurier, Larry	private citizen
Linton, Jeff	Alberta Bottle Depot Association
Litwin, James	private citizen
Loeffler, B.C.	private citizen
Mackay, William R. & Wild, Timothy	private citizens
Marr-Laing, Thomas	Beverage Container Management Board
Martens, Carla & Darrell	Coaldale Bottle Depot
Martin, John A.	private citizen
Martin, Marilyn E.	Alberta Beverage Council LTD.

Written Submissions	
Name	Organization
Maurer, Al	Office of the City (Edmonton) Manager
Max, Rob	private citizen
Maxwell, Linda	private citizen
Mitchell, Shirley	private citizen
Moe, Clifford	private citizen
Moskaluk, Michael	private citizen
Mychail, Ann & Luka, Rita	private citizen
Nederveen, Paul	private citizen
Nelson, Laura	private citizen
Nielsen, Anne	private citizen
Nielsen, Wanda	private citizen
Nowicki, Julian	Alberta Gaming and Liquor Commission
Olsen, Lana	private citizen
Ouwerkerk, Alice	private citizen
Parker, David J.	private citizen
Payne, Ron	private citizen
Porter, Shelley	private citizen
Prosser, Dave	private citizen
Randhir & Harjinder	Sherwood Park Bottle Depot
Remtulla, Farid	Alberta Bottle Depot Association
Richards, Jody	private citizen
Risvold, Ross	Beverage Container Management Board
Ryan, Brenda	private citizen
Saari, Bob	private citizen
Salmon, Karen	private citizen
Saunter, Margaret	private citizen
Senecal, Dave	private citizen
Sherwood, Justin	Canadian Council of Grocery Dist.-Western Region
Smith, Ed	private citizen
Smith, Trisha	private citizen

Written Submissions	
Name	Organization
Spennath, Fran	Alberta Gaming and Liquor Commission
Stevens, Deb	private citizen
Submitter's name withheld by request	private citizen
Submitter's name withheld by request	private citizen
Tauber, Walter	private citizen
Tetz, Carla	private citizen
Thompson, Bob	private citizen
Thompson, Reta	private citizen
van Heyningen, Anthony	Refreshments Canada
Wallace, Brad	Nanton Water & Soda Ltd.
West, Guy	Alberta Beverage Container Recycling Corporation
Windrum, Roberta	Alberta Dairy Council
Wright, Judy	private citizen
Yackimec, Lynn	private citizen