

# Background

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May 2015

## Multi-Material Recycling Program

**Core Issue:** The provincial government is working towards the implementation of the Multi-Material Recycling Program (MMRP), a cost-sharing program between municipalities and industry. Business owners are concerned about the financial and operational impacts the MMRP will have on their businesses.

### Introduction

The Multi-Material Recycling Program (MMRP) refers to a provincial recycling program established through *The Household Packaging and Paper Stewardship Program Regulations*.<sup>1</sup> While not yet implemented, the MMRP is intended to be a cost-sharing program between municipalities and industry. The program was set to launch in January 2015, but was postponed in December 2014.

### Background

In February 2013, the provincial government approved *The Household Packaging and Paper Stewardship Program Regulations*. These regulations are the basis of a provincial recycling program for packaging and paper. Packaging refers to any packaging or containers that are composed of glass, metal, paper, boxboard, cardboard, paper fibre, or plastic and also contain a product.<sup>2</sup> Stewards of such paper or packaging are required to either operate a Ministry-approved product management plan or enter into an agreement with somebody else to operate a product management plan approved by the Minister. A product management plan is defined as “a program for the collection and recycling of residentially generated waste packaging and paper.”<sup>3</sup>

A steward is the brand owner with respect to the packaging or paper. If the brand owner is a non-resident brand owner, the person that first imports the packaging or paper into Saskatchewan is the steward. Usually, the first importer is the retailer or distributor of a product that has residency in Saskatchewan. For example, a Saskatchewan-based drug store would pay stewardship fees based on the packaging of the medications it sells, even though the packaging is a product of the manufacturer. If there is not a resident brand owner or a first importer, the steward is the purchaser of the packaging or paper outside of Saskatchewan that purchases it for use in

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<sup>1</sup> The Household Packaging and Paper Stewardship Program Regulations. (2013). *The Saskatchewan Gazette Part II*, 109, 7. Retrieved from: <http://www.qp.gov.sk.ca/documents/gazette/part2/2013/G2201307.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

Saskatchewan.<sup>4</sup> The residency status of a business is an important determinant of whether or not a business is obligated by *The Household Packaging and Paper Stewardship Regulations*.

The deadline to submit a product management program plan was August 6, 2013. Businesses had the option to submit their own product management program, to be operated in-house, or to enter into an agreement that would see another person or group operate a product management plan on the business' behalf. Multi-Material Stewardship Western (MMSW) was the only group to submit a product management plan, meaning there is only one product management plan in the province. The Ministry of Environment approved MMSW's plan in December 2013.<sup>5</sup> MMSW falls under the umbrella of the Canadian Stewardship Service Alliance Inc. (CSSA) and is governed by CSSA's board of directors.<sup>6</sup> CSSA's board of directors includes representatives from the following organizations:

- Unilever Canada Inc.;
- Metro Inc.;
- Walmart Canada Corp.;
- Loblaw Companies Limited;
- Procter & Gamble;
- Coca-Cola Refreshments Canada;
- Overwaitea Food Group;
- Federated Co-operatives Limited;
- Nestle Canada Inc.

MMSW's role is to "act on behalf of businesses that produce, sell or distribute residential packaging and paper to Saskatchewan households."<sup>7</sup> The regulations require MMSW to include a public education and communications strategy in their product management plan. MMSW's plan states that stewards and non-resident brand owners that sign an agreement with them will pay fees intended to cover three things: an equitable share of MMSW administration costs; an equitable share of the public awareness and communication strategy costs; and a contribution to the costs to manage waste packaging and paper that is collected and recycled.<sup>8</sup> The plan also explains that a municipality may be reimbursed for up to 75 per cent of the net operating costs of their recycling program, based on population and tonnage recycled.<sup>9</sup> MMSW's Waste Packaging and Paper Stewardship Plan outlines funding to municipalities as follows:<sup>10</sup>

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<sup>4</sup> Ibid.

<sup>5</sup> Ministry of Environment. (2014). *Understanding MMRP: Questions and Answers* .

<sup>6</sup> Multi-Material Stewardship Western. (2014). *About Us*. Retrieved from: <http://www.mmsk.ca/about-us/>.

<sup>7</sup> Ministry of Environment. (2014). *Understanding MMRP: Fact Sheet*.

<sup>8</sup> Multi-Material Stewardship Western. (2013, December 12). *Waste Packaging and Paper Stewardship Plan*.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<b>Population Category</b>	<b>Estimated Program Costs</b>	<b>Municipal Funding (75% of Estimated Program Cost)</b>
>100,000	\$124 per tonne	\$93 per tonne
15,000 to 100,000	\$207 per tonne	\$156 per tonne
5,000 to 14,999	\$253 per tonne	\$190 per tonne
1,000 to 4,999	\$296 per tonne	\$222 per tonne
1 to 999	\$406 per tonne	\$305 per tonne

The first round of registration gave municipalities until June 30, 2014 to sign a funding agreement with MMSW; 314 municipalities signed agreements, either directly with MMSW or through regional waste authorities. Industry stewards – Saskatchewan businesses affected by the regulations – were also required to register with MMSW. The business community, however, expressed concern over the lack of consultation and communication of the program. As a result of this concern, on July 3, 2014 the Minister of Environment extended the deadline for industry stewards to register with MMSW indefinitely. On December 18, 2014 the Minister of Environment announced a number of changes regarding the program:

1. Small businesses, including newspapers, with a gross revenue of less than \$2 million, or that generate less than one tonne of packaging and paper, or operate as a single point of sale (not a franchise or chain) are fully exempt from participating in the MMRP.
2. A two year temporary transition exemption will be put in place for businesses whose annual revenue falls between \$2 million and \$5 million. It will not be necessary for these businesses to report their tonnage of household packaging and paper during this period. These businesses will, however, be required to register with MMSW and contribute a \$500 annual flat fee.
3. The two year temporary transition exemption will also apply to larger newspapers. “Larger newspapers” refers to all newspapers that are not captured within the small business exemption.
4. During the two-year transitional period, a working group with representatives from municipalities, businesses, newspapers, and the waste reduction community will be supported by the Ministry of Environment, with an aim to identify further program adjustments to help bring mid-size businesses and larger newspapers into the MMRP. Members of the working group include:
  - Greater Saskatoon Chamber of Commerce;
  - Regina and District Chamber of Commerce;
  - Battlefords Chamber of Commerce;
  - Ministry of Environment;
  - Newspapers Canada;
  - Retail Council of Canada, Canadian Federation of Independent Business (CFIB);
  - Saskatchewan Urban Municipalities Association (SUMA);

- Saskatchewan Association of Rural Municipalities (SARM);
  - Association of Regional Waste Management Authorities of Saskatchewan (ARWMAS); and
  - Saskatchewan Waste Reduction Council.
5. During the two-year transitional period, program fees will be set by the Minister of Environment and any changes to fees will be made with the approval of the Minister.
  6. The Ministry of Environment will allocate \$500,000 to help municipalities cover the costs of recycling over the two-year transitional period. SUMA is administering this funding under the Municipal Recycling Transition Fund.

After these changes were announced, MMSW decided to delay the January 1, 2015 launch date as they felt the changes presented “significant economic and operational challenges” to their program.<sup>11</sup> On December 23, 2014 MMSW announced that they were asking the Ministry of Environment to delay the program launch for 180 days until July 1, 2015. MMSW also terminated the funding agreements that had previously been signed with municipalities. Their decision was based on two points. First, MMSW stated that the exemption allowing newspapers and mid-size businesses to pay only a \$500 flat fee instead of a tonnage-based fee was transferring “recycling costs from these businesses to the rest of the MMSW member companies.”<sup>12</sup> According to MMSW’s news release, this exemption would reduce the number of businesses paying fees from over 370 to approximately 200. Second, MMSW was unhappy with the Ministry having the authority to set program fees. MMSW stated: “The fact that the government has signalled its intention to take on authority for fee setting takes this from a previously-approved producer responsibility plan to a politicized government-run taxation scheme.”<sup>13</sup>

### **Current Status**

- As of May 2015, the working group has met three times.
- In its first public announcement since December 2014, MMSW released a reminder that the deadline for stewards to approach tonnage is May 31, 2015.
- The Ministry of Environment continues to have regular discussions with MMSW about launching the program, though there is currently no timeline on the program launch.
- On May 21, 2015 Herb Cox was announced as the new Minister of Environment.

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<sup>11</sup> Multi-Material Stewardship Western. (December 18, 2014). “MMSW Responds to Saskatchewan Government Exemptions to Program Plan.” Retrieved from: <http://www.mmsk.ca/news/mmsw-responds-saskatchewan-government-exemptions-program-plan/>.

<sup>12</sup> Multi-Material Stewardship Western. (December 23, 2014). “MMSW Requests Government Extend Stewardship Program Commencement Date.” Retrieved from: <http://www.mmsk.ca/news/mmsw-requests-government-extend-stewardship-program-commencement-date/>.

<sup>13</sup> Ibid.