
MEMORANDUM

WMPSC-C 19-2019

Subject: Niagara Economic Development Review of the Material Recycling Facility

Date: Monday, April 29, 2019

To: Waste Management Planning Steering Committee

From: Ken Scholtens, Manager Business Development Services, Corporate Administration

This memo is in response to the February 25, 2019 Councillor Information Request:

That Waste Management staff consult with Economic Development as to how to maximize the potential of the Material Recycling Facility (MRF) and the partnership with Niagara Recycling before proceeding with the Phase 4 Opportunity Review RFP.

Niagara Economic Development staff completed a review of the MRF operational and budget data and associated MRF Opportunity Review project documents. A site visit was also completed.

Background (Based on the MRF Opportunity Review Project Documents)

Municipalities are responsible for operating and managing residential Blue Box recycling services. The delivery of these services in Niagara Region involve:

- Recycling collection contracts with the private sector; and
- Recycling processing contract with Niagara Recycling, a non-profit organization, which involves the operation and maintenance of Niagara Region's Material Recycling Facility (MRF).

In some jurisdictions, the processing function is fully contracted out to the private sector and the municipality does not own a MRF.

Based on annual reviews and observations in the Phase 3 MRF Opportunity Review, Niagara's processing function is cost competitive with that of the private sector. As noted by RSM, one of the Phase 3 project consultants: 'In 2016, Niagara Region's net residential processing costs (gross processing costs less gross revenue) represented the lowest cost within Southwestern Ontario (this cost was compared to both single-stream and dual-stream MRFs within the area). In some cases, Niagara Region's MRF is substantially more cost effective...' Niagara Region retains all the revenues from the sale of processed recyclables materials and uses it to offset the cost of the overall recycling program.

The ability of a MRF to generate net revenue depends largely on processing sufficient tonnages and there is a positive relationship between the valuation of a MRF and tonnages processed, available markets and commodity pricing.

However, transition of the recycling program to full producer responsibility could significantly impact the viability of the Region's MRF as it is expected that producers would determine who would process recyclables based on a competitive bid process. This bid process would be challenging to Niagara Region if a catchment area approach (larger geographical service areas would be defined for processing contracts) is used. If Niagara Region is not successful, the MRF could be a potentially devalued asset.

Conclusion

Municipalities who own a MRF will have a major decision point regarding staying in the business of processing recycled materials and accepting the risk associated with doing so, considering the transition of the program to full producer responsibility. While there is potential to increase revenue generating capabilities at the MRF and further leverage the partnership with Niagara Recycling, it is expected that producers would determine who would process recyclables based on a competitive bid process. If Niagara Region is not successful, the end result could be that the MRF becomes a potentially devalued asset.

Niagara Region and Niagara Recycling should continue to look for new opportunities, but ensure investments remain strategic pending the possible legislative changes. Cost benefit and return on investment analysis would need to be undertaken as part of investigation of the new opportunities. Appendix 1 provides options to maximize the potential of Niagara's MRF, and the partnership with Niagara Recycling.

At this point, there is no risk to Niagara Region in continuing to develop the negotiated RFP for the Phase 4 Opportunity Review work to ensure Niagara is prepared for the full impact of a transition to full producer responsibility. The negotiated RFP will not be released until more transition details are released from the province.

Respectfully submitted and signed by

Ken Scholtens
Manager Business Development Services
Corporate Administration