



**Presentation to STANDING COMMITTEE ON RESOURCES &
ENVIRONMENT
September 18, 2007**

Good morning and thank you for providing the Alberta Dairy Council the opportunity to address this Standing Committee on Resources and Environment.

Our remarks today speak to the issue of potentially removing the exemption of milk containers from the Beverage Container Recycling Regulation.

The Alberta Dairy Council Milk Container Recycling Program began seven years ago. Compared to the deposit program, it is still very young. However, in this brief period, the program has had a stellar record of achievement on an entirely voluntary basis.

Some people believe milk containers should be placed in the deposit system.

On behalf of the entire Alberta dairy industry and the hundreds of local communities who have benefited from the Milk Container Recycling Program, we are here to say that such a change would be a mistake. It would be regressive, short-sighted and ultimately counterproductive from both an environmental and an economic perspective.

The Alberta Dairy Council Milk Container Recycling Program is widely hailed as the most advanced, most progressive program of its kind in North America. No jurisdiction anywhere in the world has subjected used milk containers to a mandatory deposit-based recycling regulation. We can debate the reasons why, but the reality has created an impetus for the dairy industry to find ways to meet its environmental responsibilities through industry initiated, industry funded and industry managed programs. No one has done it better than Alberta.

The program has enjoyed unprecedented progressive growth and improvement. That some are considering undoing it now raises serious questions, not just about recycling, but about the province's entire approach to environmental stewardship.

We need to be able to continue to grow this program to help realize the government's vision for the future – to build "a province where all Albertans ... work together as stewards of Alberta's natural beauty and resources, and where sustained economic growth leads to continued prosperity and realized opportunity. In close collaboration with the Alberta government, individuals, communities, industry, non-profit organizations and businesses all have an important role to play in achieving the vision for Alberta."

As a starting point, we would like to refer to the Canadian Council of Ministers of the Environment's recently-completed Canada-wide **Principles for Extended Producer Responsibility**, or in other words, what makes a good Environmental Stewardship Program. Against these principles, we would argue that the Milk Container Recycling Program fares as well as, if not better than the regulated programs others promote as alternatives.

The **CCME Environment Principles** endorse the minimization of environmental impacts, consistency with the 4Rs of waste management, and encourage producers to pursue 'design for the environment.' The Milk Container Recycling Program, like the Beverage Container Recycling Regulation, is a recycling-focused response to these environmental principles. The mechanisms for achieving them differ but the goals are the same.

Program design: We note that the Milk Container Recycling Program has, from its inception, been built on a consensual agreement between municipalities and local waste management authorities and 'producers' (-- that is the three major dairy processors that market milk and cream products in Alberta. Far from downloading responsibility to local government, the program was designed to help build and develop local collection systems and recycling programs with industry support. In this regard, it has been a success.

In our written submission to the committee, we refer to the Alberta Plastics Recycling Association, which has made this point very clearly. When the program was originally conceived, markets for used plastics were failing. The program was designed to help stabilize these markets financially and, more important, to create a reliable channel for directing materials to the markets.

Its success in doing so is acknowledged by the Government of Alberta itself in the Memorandum of Understanding that governs the program.

The MOU recognizes that the program is a *partnership* between industry and both levels of government.

Through the program, Alberta dairies have taken responsibility for end-of-life management of used milk containers, both plastic and paperboard. We have worked collaboratively with all levels of government to ensure the program design meets the province's needs for an EPR program. The fact that the program does not use the same collection mechanisms as the deposit/refund system does not diminish its commitment to CCME principles, or its fulfillment of them.

Program Management: The Program is funded, managed and operated by industry. At the same time, it has a multi-stakeholder steering committee that includes Ministry of Environment staff to ensure accountability and alignment with the government's waste management plan, goals and objectives. The Steering Committee provides feedback, direction and support to program operators in conjunction with the annual Business Plan, which is filed with and approved by Alberta Environment.

Environmental and financial transparency is ensured by independent audits of the program's recovery performance and financial records. The audit results are published in the Program's Annual Report which is widely circulated.

Program Operation: The program is operated in an environmentally sound manner. The majority of municipalities bale or shred the empty containers before they are shipped to end use markets, meaning fewer trucks traveling on Alberta highways. The program leverages equipment and buildings already in place for other recyclable commodities. In fact, the City of Calgary invested in new state-of-the-art technology to densify milk containers at the drop-off depots, reducing greenhouse gas emissions by reducing the number of trucks on city streets. This initiative alone has had a very positive environmental impact.

CCME also outlines a number of '**Implementation Principles**' in support of Extended Producer Responsibility, and again, the Milk Container Recycling Program is fundamentally consistent with these principles.

The Program's Communication and Education strategy is based on the most extensive commitment to qualitative and quantitative research of any stewardship program in Alberta. In fact, the strategy

has been publicly recognized for excellence in a number of areas. It received an Emerald Award in 2002 for environmental achievement, demonstrating commitment to the environment while producing measurable, positive change. It also received an 'Rs of Excellence' Marketing/Advertising Award from the Recycling Council of Alberta in 2003. The program has invested nearly \$3 million in communications and public education.

Through the MOU, the Program is formally committed to continuous improvement to ensure it functions appropriately and tracks performance through a 'balanced scorecard' of measures that have been agreed to with Alberta Environment. The principal indicators in the Balanced Scorecard are defined in the Business Plan and are reported on in the Annual Report.

The program ensures 'reasonable access' to collection systems (to use CCME terminology) by the consumer through more than 310 drop-off locations throughout the province in addition to the municipalities that operate curbside or blue box collection programs. When compared to the number of bottle depots, which number 216, the milk container program offers a higher level of access for the consumer. One of the program's proudest achievements is that 95% of Alberta's population has direct access to milk container recycling in their communities.

Perhaps most importantly, the program respects the CCME principle that "programs and policies are designed and implemented in a way that environmental benefits are maximized while economic dislocations are minimized." For our program, this is a founding principle, and it has been achieved through a funding collection and allocation mechanism that enables it to meet all commitments at a fixed and minimal cost to Alberta consumers. Fees paid by milk consumers are unchanged since the program's birth in 1999. The same cannot be said for the deposit/refund system.

Clarifications

We would now like to address some areas where government, other industries, NGOs or some consumers are on opposite sides of the camp.

Some argue that recovery levels are not comparable to those in the deposit system. This is an important and complex issue.

- First, as you have noted, recovery rates are actually declining for regulated containers. This in itself is a complex issue that reflects the growth in beverage sales, the vibrancy of the Alberta economy, and probably other factors that are not fully understood – the same trend is showing up in other provinces.
- We also note that despite this trend, recovery rates for the Milk Container Program are actually increasing. Part of the difference is that the deposit system is a mature system while the milk container program is relatively young and still developing. We know from experience that it takes years, even for deposit/refund systems, to reach high recovery levels within individual product categories.
- It is equally important to understand that the systems are different. In the deposit system, you count individual cans and bottles. In the milk container program, you collect containers by gross weight and then calculate backwards to get a recovery rate. Distortions occur, including distortions that arise when individual communities store up their containers in order to create larger loads.

We would submit that the more important measure of recovery performance in a program like the Milk Container Recycling Program is gross tonnage, diversion from landfill and year-over-year improvements. This is after all the way Alberta Environment measures its overall waste management performance.

It has been argued that because some depots are already accepting them voluntarily, the full inclusion of milk containers could be accommodated within the existing depot system. It's important to understand that this would require a change in practice from bulk to one-by-one collection and accounting. What would that mean in terms of cost?

- If milk were placed under deposit, an incremental increase of 3,200 tonnes—an amount that is less than 10% of what the City of Edmonton will collect through their blue bag/bin program, would require Alberta consumers to pay almost \$20 million in deposits and recycling fees. In contrast, the voluntary program under which we now operate costs consumers less than \$2 million per year – recycling fees have remained unchanged since the program was implemented.
- The argument has been made that there are no recycling fees for similar type containers in the deposit program. This is disingenuous. In the regulated system, recycling fees are adjusted annually and there is no guarantee that they will be zero in the future. In the deposit system, fees are a function of

changing market prices and recycling return rates. As long as there is a large pool of unredeemed deposit money and market prices are high, the recycling fees within the deposit program will be low. The consumer is actually rewarded for lower recovery. As soon as market prices fall and/or unredeemed deposit monies disappear because of higher recovery numbers, the recycling fees increase, as is evidenced by the fee schedule which was effective February 2005. It has only been since June 2007 that there are no fees on containers similar to milk containers -- and that is largely due to the accumulated surplus from previous years.

We are not attacking the merits of the deposit/refund system itself, but simply pointing out that it is not the only way of discharging one's waste management responsibilities. The deposit system operates at great cost to Alberta consumers. This is a public policy decision. The Milk Container Recycling Program was created in part to minimize the cost impact on consumers. This too is a policy decision, and the program is a practical response.

The selling price to consumers is important to the dairy industry. The Canada Food Guide recommends that Canadians consume 2 to 4 servings of milk every day. We cannot accept suppressing consumption through imposed price escalators, despite the merits of the objective. The Milk Container Recycling Program enables Albertans to pursue and realize an environmental objective without compromising the concurrent goal of sustaining milk consumption. It has done so successfully and is recognized throughout North America for its success. Why would we undo it now?

In addition to all of the above, the dairy industry plays a key role in the provincial economy, contributing a record \$1.27 billion to the provincial economy in 2005 and a valuable partner in assisting the agriculture sector in reaching its target of \$10 billion in farm gate receipts by 2010.

To recap some of the program's achievements, I draw to your attention the following accomplishments:

- Over 9,800 tonnes diverted from landfill
- Over 95% access rate to collection points
- Over \$6 million invested in program design, management and operation

- A 7 year recovery rate increase of 22% for HDPE jugs and 28% for gabletop cartons

So, we must also ask ourselves what sort of message government is sending to other industries who in the future may be encouraged to set up voluntary programs. Why would industry invest millions in establishing a program, only to have it hijacked by government. Removing the exemption for milk effectively does just that. This award winning program, recognized as the best of its kind, will all be lost and come to an abrupt end if the regulation is changed for milk containers.

We respectfully urge this Committee to not destroy this program. There has been too much time and too much money invested by not only the Alberta Dairy Council, but also by Alberta Municipalities and private recyclers throughout the province. We believe that we have been successful in many areas and remain committed to the work to be done to achieve targeted recovery numbers. To end this program would be premature, it would place an undue burden on the consumer and it would send the wrong message to other industries.

Thank you.