Your Support for the AMO Position on the Roll out of the Deposit Return  
*(TIME SENSITIVE REQUEST)*

**Issue:** AMO / AMRC propose clarifications and suggestions for a smooth transition to, and maximizing the benefits of LCBO Deposit Return. The government listened to Ontario municipalities in respect to the Deposit Return, which we appreciate. Now the government needs to hear from you, our members, that the roll out, proposed by AMO/AMRC is a supportable concept.

**Background:**

**Fundamental reality checks to keep in mind about the LCBO Deposit Return and the Blue Box:**

- Removing LCBO containers will not reduce blue box fixed costs **BUT** it will reduce variable costs, which are directly related to the quantity of the material being handled;
- Removal of LCBO containers will create capacity in the blue box to collect other materials that have lower collection costs and higher revenues thus reducing the net blue box system costs;
- Some stakeholders have raised the concept of “stranded assets” resulting from diverting materials through Deposit Return. This concern is no supported, given the following:
  - The province has established a goal of 60% diversion and we are not there yet;
  - We need to divert more material not less; and
  - This is about making the blue box bigger and better and increasing overall waste diversion at lower cost.

**AMO / AMRC suggestions and recommendations for implementation:**

1. **The LCBO 2007 Blue Box fees**

The $5 million voluntary contribution should not change, as we will not know the effect of LCBO Deposit Return in 2007 until the blue box cost, revenue and tonnage data is compiled.
in 2008. Therefore, the retrospective use of 2005 cost data to set 2007 fees remains valid and avoids opening up the 2007 fee formula and issues with blue box stewards.

2. **The LCBO Deposit Return and LCBO Blue Box payments beyond 2007**

The 2008 blue box fees will be based on "best practices" in accordance with the decision of the Minister of the Environment. Therefore, the stewards' pay-in and the municipal pay-out models included in the original Blue-Box Program Plan will both fundamentally change. Having said that, there must be some recognition of the effects of LCBO Deposit Return in 2007 on 2008 fees. LCBO payments should be "ratcheted" down as LCBO Deposit Return increases in performance.

AMO / AMRC propose that for every 10% in measured LCBO Deposit Return performance in 2007, LCBO blue box payments drop by 10% in 2008. At the 85%-90% recovery level, LCBO payments should go to 0. Otherwise fee calculations remain unchanged.

The 2007 blue box data used for 2009 will reflect changes in material mix, costs, revenues and LCBO payments associated with 11 months of LCBO Deposit Return and increased blue box capacity for other materials.

3. **Ensuring High Rates of Recovery**

AMO / AMRC recommend that the Province and LCBO engage in aggressive public education to ensure that LCBO customers know of the Deposit Return program, rationale for change and return locations. Ontario municipalities stand ready to assist in such communications and to encourage home owners to utilize freed-up blue box capacity to recycle more.

Secondly, we strongly recommend that high deposit rate be established to encourage returns. The deposit should be relative to the value of the product in the container.

Further, arrangements with the Beer Store should stipulate that it must accept bulk returns of un-broken LCBO containers, especially those recovered by municipal blue box recycling programs with payment of the refund directly to the municipality.

Finally, there must be assurance that orphaned containers are covered by this program.

4. **Municipal Glass Beneficiation**

We encourage and recommend that the Beer Store issue an RFQ (Request for Quotation) to obtain quotes from potential suppliers to process and market LCBO containers. This will permit glass beneficiation projects for municipal glass to proceed and potentially achieve economies of scale by co-processing some Beer Store recovered containers.

AMO / AMRC will encourage municipalities who are currently part of glass beneficiation projects to consider proceeding with those projects, where viable. Glass beneficiation refers to improving the value of glass.

5. **Measuring LCBO Deposit Return performance**

AMO / AMRC believe that the deposits collected and redeemed must be transparent between LCBO and the Beer Store in order that recovery rates can be clearly determined.
Member Communication

We recommend that final disposition of materials recovered by The Beer Store be fully reported.

We also recommend that costs and revenues associated with the environmental management of various materials recovered by The Beer Store be fully reported.

Action:

AMO asks its members to pass a resolution at Council conveying its support of the above-noted suggestions and recommendations for implementation of the LCBO Deposit Return to the Premier of Ontario, and the Ministers of Municipal Affairs and Housing, Environment, Finance and Public Infrastructure Renewal.

Please forward your municipality’s resolution as soon as possible, directly to the following:

Hon. Dalton McGuinty
Premier of Ontario
Legislative Bldg, Room 281
Queen’s Park
Toronto ON M7A1A1

Hon. John Gerretsen
Minister of Municipal Affairs & Housing
17th Floor
777 Bay St
Toronto ON M5G2E5

Hon. Greg Sorbara
Minister of Finance
Frost Bldg S, 7th Floor
7 Queen’s Park Cres
Toronto ON M7A1Y7

Hon. Laurel Broten
Minister of the Environment
12th Floor
135 St Clair Ave W
Toronto ON M4V1P5

Hon. David Caplan
Minister of Public Infrastructure Renewal
Mowat Block, 6th Floor
900 Bay St
Toronto ON M7A1L2

This information is available in the Policy Issues section of the AMO website at www.amo.on.ca.