
REPORT TITLE: **Transition of the Blue Box Program to Full Producer Responsibility
– September 2021 Update: Final Blue Box Regulation**

FROM: Kealy Dedman, Commissioner of Public Works

RECOMMENDATION

That staff negotiate agreement(s) with blue box producers and/or Producer Responsibility Organizations for the Region of Peel to provide recyclables collection services on their behalf after the transition to the new regulatory framework within the timelines contemplated in the *Ontario Blue Box Regulation O. Reg. 391/21*, as amended, on business terms satisfactory to the Commissioner of Public Works and on legal terms satisfactory to the Regional Solicitor;

And further, that staff report back to Regional Council for endorsement and to seek authority for execution of the agreements once satisfactory agreement(s) are reached;

And further, that staff be authorized to issue and award a Request for Proposal for the transition of blue box processing, to include the lease of the Material Recovery Facility (MRF) portion of the Peel Integrated Waste Management Facility site, the sale of MRF sorting equipment, and processing and marketing of the Region’s recyclables as outlined in the report of the Commissioner of Public Works, listed on the September 16, 2021 Waste Management Strategic Advisory Committee agenda, titled “Transition of the Blue Box Program to Full Producer Responsibility – September 2021 Update: Final Blue Box Regulation”, including any innovations, in accordance with the Procurement By-law 30-2018, as amended;

And further, that the Region’s duly authorized signing officers or the Commissioner of Public Works be authorized to execute all necessary agreements, including a lease agreement, an asset purchase agreement, and agreement for the processing and marketing of the Region’s recyclables, together with such further documents that may be required, to complete the award of the Request for Proposal and resulting contracts, all on business terms satisfactory to the Commissioner of Public Works and on legal terms satisfactory to the Regional Solicitor;

And further, that in the event that the procurement award results in a new operator for the Region’s Material Recovery Facility, that the Region’s duly authorized signing officers or the Commissioner of Public Works be authorized to execute an amendment to the existing contract for the operation of the Material Recovery Facility (Contract 2013-001T), together with such further ancillary documents that may be required, to complete the work of facility handover to the new operator on business terms satisfactory to the Commissioner of Public Works and on legal terms acceptable to the Regional Solicitor, subject to the limit of the approved Regional budget.

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REPORT HIGHLIGHTS

- On June 3, 2021, Ontario enacted Ontario Regulation 391/21: Blue Box (Regulation), made under the *Resource Recovery and Circular Economy Act, 2016*, which sets out how the Blue Box Program will be transitioned to a new system wherein producers of blue box recyclables will have full responsibility for the new program.
- In line with the Region's preference, the Regulation identifies October 1, 2024 as the Region's date of transition to full producer responsibility.
- In order to help inform the development of the new blue box system, the Regulation requires all transitioning municipalities to submit an Initial Report to the Resource Productivity and Recovery Authority, oversight body for the Regulation, by September 30, 2021. The Initial Report is to identify current levels of services, number of residences, number of eligible locations and number of recycling containers located in public spaces. Staff will submit this report by the deadline.
- Discussions will need to take place with producers to confirm the Region's role in the collection of recyclables under the new Regulation to ensure a smooth transition. However, it is unlikely that producers will be organized in time to inform the development of procurement documents for new waste collection contracts. In the absence of clear direction, the procurement documents would have to include provisional items or off-ramps/exit clauses, which would add uncertainty and increase costs. Consequently, staff will exercise existing extension options in the current collection contracts or otherwise negotiate extensions to its existing collection contracts in order to delay procurement of new contracts until the Region's role in collection is clarified.
- Staff is taking actions to ensure the Region receives best value for the Material Recovery Facility (MRF) asset while minimizing risk to the Region in the transition out of the Blue Box Program.
- The recommended approach is a competitive process that includes the lease of the MRF portion of the Peel Integrated Waste Management Facility site and building, the sale of MRF sorting equipment, and processing of the Region's recyclables.
- Based on feedback received from potential vendors in response to the Request for Expression of Interest, staff will include in the evaluation of the best value proposal an opportunity for vendors to provide innovation proposals.

DISCUSSION

1. Background

As detailed in the report from the Commissioner of Public Works titled "Transition of the Blue Box Program to Full Producer Responsibility – November 2020 Update: Comments on Draft Blue Box Regulation", the Province of Ontario on October 19, 2020 introduced a proposed Blue Box Regulation that outlined the transition of municipal Blue Box programs to full producer responsibility (Resolution 2020-987). Following public consultation on the draft proposed regulation, on June 3, 2021 Ontario enacted the much-anticipated Ontario Regulation 391/21: Blue Box to govern the new blue box system under the *Resource Recovery and Circular Economy Act, 2016*. The Regulation transitions Ontario's blue box recycling program to full producer responsibility.

The new Regulation transitions both financial and operational responsibility to producers. It makes each individual "producer" of paper and packaging directly and individually responsible for resource recovery of the paper and packaging they sell into the Ontario

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market. Under this Regulation, the Province will hold individual producers accountable for the entire lifecycle of their products – an important step in the development of a circular economy.

This report provides Regional Council with a summary of the Regulation and how it aligns with the Region's interests. In addition, it outlines proposed next steps for the Region's recycling collection program. The report also provides an update on the actions being undertaken by staff to determine options for the Region's Material Recovery Facility (MRF) located at 7795 Torbram Road, in the City of Brampton.

2. Final Regulation Details

Key details of the Regulation as they impact the responsibilities of municipalities and producers are summarized below.

a) Transition Schedule

The final Regulation transitions existing blue box services to producer responsibility in three groups between July 1, 2023 and December 31, 2025. The Regulation's transition schedule assigns a transition date of October 1, 2024 to the Region's three local municipalities. The Regulation uses the definition of local municipality from the *Municipal Act, 2001*, which does not include upper tier municipalities, to define obligations for municipalities, including transition. This date is in alignment with Peel's preferred transition date (Resolution 2020-471) and the expiry of the base term of Peel's collection contracts.

During the transition period (July 1, 2023 to December 31, 2025) the current levels of service for the collection and processing of blue box recyclables are to remain unchanged, and Stewardship Ontario will continue to maintain the current Blue Box program on behalf of producers until December 31, 2025.

b) Registration Timelines

As per the Regulation and in order to inform the development of the new blue box system, all transitioning municipalities are required to submit an Initial Report to the Resource Productivity and Recovery Authority (RPRO), oversight body for the Regulation, by September 30, 2021. The Initial Report must include the following information:

1. The number of residents and residences in the eligible community.
2. The municipality, local services board, First Nation or other entity that provides the Blue Box program and garbage collection in the eligible community.
3. The contact information of the person responsible for waste management in the eligible community.
4. The number of residences that received collection services in the eligible community.
5. The criteria or conditions used to determine which facilities were included in the Blue Box program as of August 15, 2019.
6. The number of facilities in the eligible community that received collection services.

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7. The number of blue box receptacles currently in public spaces, that receive collection, in the eligible community.

Based on the Region's transition date of October 1, 2024, the Region is also required to submit a Transition Report by no later than August 31, 2022. The Transition Report is similar to the information provided in the Initial Report but focuses primarily on identifying the locations where services are delivered.

While the Region is responsible for the collection of residential waste and is to report this information to the RPRA, the information requested is to be specific to each local municipality. As the local municipalities provide collection of recyclables in public parks, the Region will work with each of the local municipalities to verify and document the number and locations of receptacles serviced by the local municipalities in addition to the roadside containers collected by the Region on behalf of the local municipalities. Staff will submit the Initial and Transition Reports on behalf of the Region by their individual deadlines.

c) Eligible Sources

The Regulation includes requirements to ensure collection services to eligible sources continue while also providing producers with flexibility on how they establish their collection systems. The Regulation requires blue box collection at the following eligible sources:

- Permanent and seasonal dwellings
- Multi-unit residential buildings
- Public and private schools
- Non-profit and/or municipally operated long-term care homes and retirement homes
- Public spaces (outdoor area in a park, playground or sidewalk, public transit station or stop)

The Region currently provides collection of recyclable material to the majority of locations that are deemed eligible. This will assist in a smooth transition as fewer new locations (e.g., private schools) will need to be included when transition occurs.

The following eligible sources from which Peel does not currently collect will, upon a request made to producers, be added to the program on January 1, 2026, including:

- Multi-residential buildings on private collection
- Non-profit long-term care and retirement homes on private collection
- Schools on private collection

There are other sources from which the Region currently collects that are not identified as eligible sources in the final Regulation, including:

- Places of worship
- Non-profit organizations (e.g., group homes)
- Indoor public spaces in regional and municipal facilities (e.g., libraries, public arenas, community centres)

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- Small commercial properties in the Business Improvement Areas.

While the Regulation confirms that producers will only be obligated to collect recyclables from eligible sources, it is not yet clear how ineligible sources currently included in the Region's collection program will be considered. If the Region collects recyclables on behalf of producers, collection from ineligible sources will be easier to continue. It will be more of a challenge to collect recyclables from ineligible sources if the Region does not collect on behalf of producers. As transition details become clearer, staff will inform Council as appropriate.

d) Designated Materials

Producers who supply blue box recyclables comprised of paper, glass, metal, or plastic or a combination of these materials to consumers, are required to have collection and processing services in place for Peel residents and at designated eligible sources as of the Region's transition date of October 1, 2024. Under the Regulation, producers are responsible for collecting and managing the following material categories:

- Packaging
- Printed paper
- Non-alcoholic beverage containers
- Unprinted paper (NEW)
- Single-use packaging-like products (e.g., trays, boxes, bags) (NEW)
- Single-use items (e.g., straws, cutlery, plates, stir sticks) (NEW)

The materials currently accepted in the Region's Blue Box program will continue to be acceptable under the new producer responsibility program. The list of acceptable material also includes some single-use plastic items that are currently not accepted in the Region's program. The list of acceptable material recognizes and aims to reduce the confusion among the general public of what is and is not recyclable and ensures all blue box programs across the province will accept the same material post-transition.

The Regulation confirms producers of compostable materials would be obligated to register and report annually. However, the Regulation does not include collection and management requirements for compostable materials. According to the Ministry, further time is needed to determine how compostables can be best managed and diverted from landfill.

If the amount of compostables in the Region's Green Bin program increases significantly, Peel's composting system will require significant new capital and operating expenses to ensure the materials are fully composted or, alternatively, removed as contamination. More information on the potential impacts of compostable packaging will be addressed in a future Council report on organics processing.

e) Responsible Producers

The Regulation establishes a methodology to identify the producers who have responsibilities under the Regulation by setting out:

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- A hierarchy that ensures that the person with the closest connection to designated products and packaging is made the responsible producer
- A mechanism to capture retailers that are located out-of-province but who supply blue box materials to Ontario consumers through online sales

The Regulation exempts producers from collection and management responsibilities for a specific category of material if their supply for that material category is, either in terms or tonnage or dollar value, below a specific threshold, which lessens the requirements for small businesses and helps to ensure that they are not burdened by the transition. These exemptions were supported by the Region.

f) Common Collection System

The final Regulation establishes a new blue box system, known as the common collection system, to provide services to all eligible sources. Through the common collection system, producers and their producer responsibility organizations (PROs) are required to collect a consistent set of materials across the province. The new common collection system will be designed by producers and PROs that supply annually at least 20,000 tonnes of blue box material to consumers in Ontario. The Regulation requires that the rules for the common collection system must be agreed-upon by PROs that are retained by producers who collectively represent at least 66 percent of the total blue box material supplied into Ontario. Producers and PROs are required to submit an Allocation Table (identifies which producer and PRO is liable for making sure collection standards are met in a given area) and rules for the common collection system to the Resource Productivity and Recovery Authority by July 1, 2022. It is at this point that Region staff will know which PRO is responsible for Peel to inform future negotiations.

The final Regulation also allows producers to set up an alternative system (e.g., a deposit/return or return-to-retail system) to collect the specific products and packaging they supply in Ontario and be exempt from participating in the common collection system.

g) Service Requirements

The Regulation includes service standards (e.g., type of collection, minimum frequency for collection, provision and replacement of collection receptacles, hours of operations for depots) for the eligible sources to ensure convenient and uninterrupted access for residents. During the initial transition period (July 1, 2023 – December 31, 2025), producers are required to maintain (or improve upon) the current collection frequency, and to operate at least as many depot collection sites for blue box material as there are currently in the province. Producer responsibilities for service requirements that begin on Peel's transition date of October 1, 2024 include:

- Collection of blue box material from residences at least every other week
- Provision of blue box receptacles that are appropriate for the residence/facility (e.g., curbside residence, multi-residential building)
- Repair or replacement of any damaged blue box receptacle upon request, within one week of the request.

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At the end of the transition period and starting on January 1, 2026, producers will be permitted to change the blue box system, to establish a different collection frequency, to change collection zones, and to change collection containers as they see fit to best meet their mandated material collection targets (management targets). Producers will be obligated to collect material, at a minimum every other week, and to provide each eligible source with a blue box receptacle prior to the day collection begins. However, the future blue box receptacles do not need to be the same type of container currently used by Peel. They can be a blue box, a bag, a cart or any other container or system of the producers' choice.

h) Management Requirements

The Regulation requires producers to achieve a “management” requirement (i.e., a percentage of blue box materials they must collect and recycle), based on the weight of blue box materials they supplied in a given material category.

The Regulation sets out six material categories, each with individual recovery percentages for 2026-2029, and for 2030 and beyond (see Table 1). A producer is expected to make best efforts to meet management requirements of blue box materials during the transition period from 2023 – 2025.

Table 1: Blue Box Regulation Management Percentages

Category	Ontario Diversion Rate (2018)	Draft Regulation		Final Regulation	
		Stage 1: 2026-2029	Stage 2: 2030-Onward	Stage 1: 2026-2029	Stage 2: 2030-Onward
Paper	72%	90%	90%	80%	85%
Rigid Plastic	48%	55%	60%	50%	60%
Flexible Plastic	7%	30%	40%	25%	40%
Glass	68%	75%	80%	75%	85%
Metal	54%	67%	75%	67%	75%
Non-Alcoholic Beverage Containers	N/A	75%	80%	75%	80%
Compostable Products & Packaging	N/A	N/A	N/A	N/A	N/A

i) Promotion and Education Requirements

In addition to being responsible for all costs associated with the collection and processing of material, producers will also be responsible to provide promotion and education material to the eligible sources to inform them of acceptable materials and levels of service to be delivered. Contact information is also to be included so residents

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will know whom to contact if they have any concerns with the collection of their materials or require further information.

The transition to full producer responsibility should reduce demand for public education and centralized Regional services that provide communication and customer service support functions. However, staff will work the PROs responsible for collection in the Region to ensure a seamless communications transition.

3. Waste Collection Transition Strategy

Although the Province has finalized the Regulation, the role of municipalities after transition of the current program has yet to be defined. Despite this operational uncertainty, the Region's preference remains to collect recyclables on behalf of producers for a few years after transition of the program and potentially longer, if required, to ensure service quality standards are maintained. Given that the transition period begins on July 1, 2023, producers have a limited amount of time to establish the collection and processing system to meet their obligations under the new Regulation. As an initial step, PROs will be formed to oversee the administration and management of the producers' obligations through contractual arrangements with private waste management service providers and municipalities.

Registered PROs have until July 1, 2022 to develop the common collection system and set the rules for how it will be managed, which will determine how designated materials will be collected from the eligible sources defined in the Regulation (e.g., single family households, multi-residential buildings, schools, etc.). Staff will endeavor to begin negotiations with PROs as early as possible but the Region's potential role in the delivery of blue box services under the new program will only be confirmed once the rules for the common collection system are finalized.

The Region has three major blue box collection service contracts. Table 2 outlines the contract expiration dates and available optional extension periods.

Table 2: Major Waste Management Collection Contracts

Contract	Vendor Name	Expiry Date of Term	Optional Extensions
Curbside Waste Collection	Halton Recycling Ltd. (O/A Emterra Environmental)	Sept 29, 2024	Two, one-year extensions (i.e., up to Sept 2026)
Curbside Waste Collection	Waste Connections of Canada Inc.	Sept 29, 2024	Two, one-year extensions (i.e., up to Sept 2026)
Multi Residential Waste Collection	Miller Waste Systems Inc.	Sept 30, 2022	Three, one-year extensions (i.e., up to Sept 2025)

The contractual end dates and availability of extensions provide the flexibility required to transition on October 1, 2024 (the Region's scheduled transition date) and potentially continue blue box collection post-transition on behalf of producers. Until interest is confirmed and commercial terms between PROs and municipalities are negotiated, many unknowns

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will remain around how the new program will operate including compensation and contract terms. In order to prepare for transition and in consideration of the many unknowns, staff has identified two likely post-transition collection approaches, which may or may not see the Region collect recyclables (see Table 3 for a high-level overview of the approaches).

Table 3: Post-Transition Collection Approaches

Approach	Details	Preference & Rationale
<p>1 – Short-term extensions (1 or 2 years) of the existing collection contracts through available options or negotiated agreements and issue procurement documents for new collection contracts in 2023 or 2024 with new collection contracts beginning October 2025 or 2026</p>	<ul style="list-style-type: none"> • Extensions would extend collection contracts to October 2025 or October 2026 • Procurement documents for new/next collection contracts would be issued in Q1 2023 or Q1 2024 and new contracts would begin October 2025 or October 2026 (dependent on length of extension) 	<ul style="list-style-type: none"> • Preferred • The extension(s) provides the time necessary for, producers and PROs to organize and for negotiations between Peel and the PROs to occur. This will result in an informed procurement document, which should obtain best value for money
<p>2 – Issue procurement documents for new collection contracts in early 2022 with new collections contracts starting October 2024</p>	<ul style="list-style-type: none"> • Procurement documents would be issued in Q1 2022 and new collection contracts would begin October 2024 • Base term of new collection contracts would run for eight years, starting in 2024 • Given the many unknowns, it is unlikely that producers and PROs will be organized in time to inform the development of the procurement document by Q1 2022 so provisional items and exit ramps would need to be included 	<ul style="list-style-type: none"> • Not Preferred • This option does not provide enough time to prepare an informed procurement document and may have to be released without blue box collection included as a service offering. If blue box collection is included in the procurement document, it would be listed as a provisional item or would have to include contract off-ramps both of which would likely result in increased pricing

The Region’s current curbside waste collection contracts expire at the end of September 2024. Given the scale of the collection program, new procurement documents would need to be publicly released by early 2022 in order for the new service providers to be ready by the fall of 2024. The procurement documents are currently under development and could be issued as planned but, in the absence of clear direction from producers/PROs, the procurement documents would have to include provisional items or off-ramps/exit clauses, which would add uncertainty and increase costs. Staff can only begin negotiating with PROs after they are registered and the rules for common collection system are established by July 1, 2022. These risks can be avoided through short-term (1 to 2 year) extensions of the current contracts (first approach identified in Table 3). This would allow the Region to delay the procurement of new collection contracts until more information is available.

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4. Material Recovery Facility Transition Strategy

Through the Province's consultation on the development of the Regulation in August 2019 and from recent discussions with producers after the release of the final Regulation, it was identified that some PROs will not be interested in contracting with municipalities for processing services. Instead, those PROs will likely contract directly with private service providers. This means that municipalities may no longer be involved in the provision of blue box processing services. This confirms and is in line with previous reports and communications to Council on processing of recyclables after transition.

Given the MRF's strategic location, annual capacity to process over 100,000 tonnes of single stream recyclables, and recent upgrades to MRF sorting equipment, there is a strong likelihood that service providers, intending to contract with PROs, would be interested in securing use of the MRF after the Region's transition date.

To confirm market interest in the Region's MRF, and as previously communicated to Regional Council, staff issued a Request for Expression of Interest (REOI) in late 2020. The REOI also sought to obtain feedback on potential terms for the lease, sale and timing of a transaction (either before or after the transition date). The Region received REOI responses from five major service providers with each participating in a commercially confidential meeting. A high-level summary of results from the REOI process include:

- All respondents expressed interest in securing the MRF to process recyclables sourced from PROs and/or elsewhere after transition.
- Respondents expressed a preference to purchase the MRF sorting equipment outright rather than lease or lease to own.
- Respondents were open to leasing the building envelope. Most respondents wanted a minimum 5-year lease term with multiple 5-year options to extend.
- Given the risks associated with transition uncertainty, some respondents wanted to see off-ramp provisions included in an agreement.
- If a transaction were to take place prior to transition, all respondents expressed a desire to process Region's recyclables until transition.
- Most respondents wanted the opportunity to secure use of the MRF as soon as possible.
- Most respondents expressed interest in purchasing, leasing or operating the entire Peel Integrated Waste Management Facility site and building on the Region's behalf.

Recovering Value from Peel's MRF

Given the interest of multiple parties and the desire to reduce the risk of the MRF becoming a stranded asset after transition, staff recommends a competitive procurement process in order to gain best value for the asset. The process entails securing agreement(s) with a vendor for:

1. Sale of MRF sorting equipment. Post-sale, the purchaser will be responsible for all equipment maintenance and will be able to remove, replace or modify the sorting equipment to meet their needs.

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2. Lease of a portion of the Peel Integrated Waste Management Facility site and building, including the portion of the building housing the MRF sorting equipment, office, parking and potentially other areas if required. The lease would permit the lessee to operate a recycling business on the site for the term of the lease.
3. Processing and marketing of the Region's recyclables, if the transaction is completed prior to transition.

Through the REOI process service providers also expressed interest in proposing innovations and value-added services to be undertaken at the Peel Integrated Waste Management Site. Innovations could include using additional areas of the Site for operations other than processing recyclables. Value-added services could include operation of the transfer and organics processing facilities at the Site or providing additional services beneficial to the Region. The procurement approach will therefore also allow proponents to include innovations or additional value-added services in their proposals.

If the competitive procurement approach does not result in a bid which staff considers to represent best value to the Region, the Region could terminate the procurement process without award and maintain a status quo approach that would see the continued operation of the MRF by the existing contractor until transition. In this scenario, staff would use the time leading up to transition to assess options for the MRF and explore opportunities to optimize the Region's land holdings and report back to Council with recommendations.

If this procurement process results in a change of vendor, staff will be required to negotiate with the existing vendor to complete certain work prior to the handover of the MRF to the new vendor which may require changes to the current operations vendor's contract. Staff is therefore, requesting delegated authority to enter into an amending agreement to the existing contract with the current vendor for the work of the MRF handover should this be necessary.

5. Procurement Approach

a) Waste Collection After Transition

Staff will engage the Region's existing waste collection vendors in negotiations regarding potential amendments and contract changes that may be required to implement the waste collection transition strategy. Staff will determine and implement, using existing authorities (e.g., existing contract terms, procurement by-law), the best approach to exercising options to extend terms and/or amend the existing waste collection contracts or to issue a new competitive procurement for waste collection. Any changes that require Council approval to implement the waste collection transition strategy will be requested as needed.

b) Material Recovery Facility

In accordance with the procurement approach outlined by staff in this report to recover the value of Peel's MRF, staff is seeking authority to conduct and award a competitive procurement for the lease of the MRF, the sale of the MRF equipment and the processing and marketing and optional innovations or value-added services of the Region's recyclables in accordance with the Procurement By-law and the authority for the Region's duly authorized signing officers or the Commissioner of Public Works to

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execute all resulting agreements and ancillary documents required to complete the award of the contract.

6. Other Considerations

The final Regulation does not stipulate or mandate a role for municipalities after transition of the system. PROs will need to develop the requirements of the new Blue Box System and determine if there is a role for municipalities, our services and assets. If desired by PROs, the Region may consider providing support services, such as call centre, promotion and education and enforcement services. PROs may also require the use of other Regional assets like collection receptacles and Community Recycling Centres.

The Region currently provides carts to most single-family homes and carts/bins to multi-residential buildings receiving municipal Blue Box collection services. Post-transition, the Region may:

- Continue to provide blue box collection services and continue to provide and maintain collection containers for PROs.
- No longer provide blue box collection containers, if collection services are not provided to PROs, and either sell, lease, repurpose or take back existing containers.

Post-transition at the Community Recycling Centres, where recyclables are currently collected, the Region may:

- Collect recyclables at Community Recycling Centres on behalf of and under contract to producers.
- No longer collect recyclables at Community Recycling Centres and re-purpose recyclables assets for other materials.

Until the details and rules of the new blue box system are established, it is difficult to know exactly how the Region and its residents will be impacted by transition. Staff can only begin negotiating with PROs after they are registered and the common collection system is approved by July 1, 2022. Therefore, the Region's potential role in the future state will only be defined when negotiations with producers and PROs and service providers begin in Q2/Q3 2022. This information will be brought forward to Regional Council expeditiously as more details are known and when agreements are reached, as appropriate.

NEXT STEPS

Staff will continue to monitor the implementation of the new Regulation and learnings from those municipalities scheduled to transition in 2023 (e.g., City of Toronto, City of Ottawa and City of London).

Even though the preference is to negotiate acceptable terms with producers, PROs and service providers to extend Peel's current waste collection contracts for a year or two, staff will continue to develop the procurement documents for the next collection contracts in case negotiations fail and the procurement documents need to be issued in early 2022.

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Staff will continue discussions with producers and PROs until such time as they approve the rules for the new common collection system at which point staff will enter into negotiations with the relevant PROs to provide blue box collection on their behalf.

Staff will proceed with the strategy outlined above to obtain the best value for the Region's MRF assets through a competitive procurement process that would see the sale of the MRF sorting equipment, the lease of the MRF portion of the Peel Integrated Waste Management Facility site and building, and processing and marketing of the Region's recyclables until the October 1, 2024 transition date. The procurement process would also allow proponents to propose value-adds that utilize other parts of the site for innovative and sustainable purposes or offer extra service at an attractive price.

The Region will work with producers and PROs to develop communication plans to effectively inform residents and eligible locations of the next level of waste collection services and who is responsible for the various levels of service to ensure the transition of communications from Peel to producers goes smoothly.

Staff will report back to Regional Council for endorsement and execution authority once satisfactory agreement(s) are reached by staff with producers and PROs, on business terms satisfactory to the Commissioner of Public Works and on legal terms satisfactory to the Regional Solicitor and will request any additional authority to amend existing waste collection contracts, if required, at that time.

RISK CONSIDERATIONS

The Region welcomes the release of the final Regulation and eventual transition to full producer responsibility; however, it is important to note that the transition may pose the following risks:

- Blue box service levels currently experienced in the Region may change after January 1, 2026 as producers will be permitted to change the Blue Box system. They may choose to establish a different collection frequency, collection zones, and to change collection containers in order to meet their mandated material collection targets. Staff will continue to advocate to producers and PROs that the Region's current blue box collection program has been optimized and reflects best practices and that minimal changes be carried out in the Region after transition.
- Producers and PROs may not be organized in a timely fashion to inform the development of the Region's new post-transition collection contracts, in particular a new contract that would start October 2024. To mitigate this risk, the Region will take advantage of available or negotiated contract extensions with existing collection service providers and delay the release of the new collection contracts. This will allow for a seamless transition and provide the time necessary for producers and PROs to inform the Region's new post-transition collection contracts.
- Staff will attempt to negotiate with PROs to collect blue box recyclables on their behalf but there is a risk that a reasonable agreement may not be reached. To mitigate this risk and avert any impacts on the Region's collection program of residential waste and green bin organics, staff will negotiate extensions without blue box collection with existing collection contractors.

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- Existing waste assets may or may not be utilized by service providers or PROs as part of the new blue box system. This increases the risk of the Region's existing blue box assets becoming stranded and/or diminishing in value. To mitigate this risk staff is engaged in discussions with service providers and PROs to better understand the potential role of the Region's assets, including our Material Recovery Facility. In addition, staff is taking actions to ensure the Region realizes the highest and best use of the blue box assets, such as the MRF, with minimum risk to the Region.
- The competitive procurement process may not result in a proposal which represents value to the Region which may result in the MRF asset becoming stranded. Staff will attempt to use mechanisms within the procurement process to mitigate this risk (e.g., clear requirements and expectations in the procurement documents, the ability to terminate the procurement process without award and maintain the status quo until transition).

FINANCIAL IMPLICATIONS

There are no direct or immediate financial implications associated with this report. Any financial implications arising from the transition to full producer responsibility will be communicated to Regional Council throughout the transition process and will be presented for approval as part of the annual budget process in the appropriate year.

For further information regarding this report, please contact Erwin Pascual, Manager, Waste Planning, Ext. 4399, erwin.pascual@peelregion.ca.

Reviewed and/or approved in workflow by:

Department Commissioner, Division Director, Financial Support Unit, Legal Services and Procurement.