

**Title:** Tuesday, September 18, 2007  
**Resolution:** 2007  
**Committee:** Resources and Environment Committee

Date: 07/09/18

Time: 9:33 a.m.

[Mr. Ducharme in the chair]

**The Chair:** I'd like to call the meeting of the Standing Committee on Resources and Environment to order. I'll start by thanking everyone in attendance for their participation in this public consultation process. I'm sure that we're all looking forward to an interesting and efficient meeting today.

Now, to get things started, I'd ask the committee members and the staff at the table to please introduce themselves for the record. I'll start with you, Louise.

**Mrs. Kamuchik:** Louise Kamuchik, Clerk Assistant, director of House services.

**Ms Marzalik:** Anne Marzalik, Legislative Assembly of Ontario.

**Dr. Massolin:** Good morning. Philip Massolin. I'm committee research co-ordinator, Legislative Assembly Office of Alberta.

**Ms Calahasen:** Pearl Calahasen, MLA, Lesser Slave Lake.

**Dr. Swann:** Good morning, everyone. David Swann, Calgary-Mountain View.

**Mr. Lund:** Good morning. Ty Lund, Rocky Mountain House.

**Mr. Ducharme:** I'm Denis Ducharme, MLA for Bonnyville-Cold Lake.

**Ms Rempel:** Jody Rempel, committee clerk with the Legislative Assembly Office.

**Mr. Reynolds:** Rob Reynolds, Senior Parliamentary Counsel.

**Mr. Eggen:** Good morning. My name is David Eggen. I'm the MLA for Edmonton-Calder.

**Mr. Oberle:** Good morning. Frank Oberle, MLA, Peace River.

**Mr. Griffiths:** Good morning. I'm Doug Griffiths. I'm the MLA for Battle River-Wainwright.

**Mr. Mitzel:** Good morning. My name is Len Mitzel. I'm the MLA for Cypress-Medicine Hat.

**The Chair:** Thank you.

Before we get into our first presentation, I'd just like to do a few housekeeping items. I'd like each of the presentations to be a maximum of 25 minutes, including up to 15 minutes for the presentation and 10 minutes for questions from the committee members.

I'd like to ask everyone to make sure that any cellphones, BlackBerrys, et cetera are either turned off or in silent mode. For my colleagues at the table, if you have your BlackBerrys sitting on a table, if you could kindly put them into your pocket. They have a tendency to interrupt with *Hansard* if you should be receiving any messages. Finally, for all members, staff, and presenters, please do not use your microphone switch as it will all be taken care of by *Hansard* at the back of the room.

Once again, thank you for your patience. If there are no other comments from members, I'd like to invite our first presenters, the

Alberta Bottle Depot Association, to address the committee. Gentlemen, could you please introduce yourselves for the record. We're looking forward to your presentation.

#### **Alberta Bottle Depot Association**

**Mr. Remtulla:** Thank you, Mr. Chairman. I'm Farid Remtulla, the president of the Alberta Bottle Depot Association, and to my right is Mr. Jeff Linton. Jeff is the executive director of the Alberta Bottle Depot Association.

**The Chair:** Thank you. You may proceed with your presentation.

**Mr. Remtulla:** Mr. Chairman, thank you very much for giving us the opportunity to present to this committee. I'll just go through the agenda items that we have. First of all, we'll give you a brief introduction as to who the Alberta Bottle Depot Association is, how we fit into the environment and recycling regulation. We'll talk about recycling material streams, the economic incentives that we have in Alberta to recycle, the Alberta bottle depot infrastructure that is in place today. We'll talk a little bit about handling commissions, the BCMB legislative mandate that allows us to exist, and the opportunity that we see for this committee to make a difference to the environment.

The Alberta Bottle Depot Association represents Alberta bottle depots at the BCMB. There are 12 members of the BCMB, and our industry represents four seats at the table. We represent 218 bottle depots in Alberta, and we participate in the industry by operationalizing the legislative mandate, which means that we have operating agreements in place that we assist with to enable the receipt of the containers and to process them in the system. I would like to say that all 218 depots are independent businesses, so these are individual operators that operate these businesses in your communities.

We also represent the face of the legislation to the public. That is a first point of contact in the recycling stream. When an individual brings a container back for recycling, we represent that legislative mandate to the public.

I'll turn it over now to Jeff Linton, who will take you through the rest of the presentation.

**Mr. Linton:** Thank you very much, Farid. Thank you for the opportunity to speak today. You're going to hear seven presentations today and eight on Thursday. At the end of this process, you probably won't remember a single word that I've said, so we're going to do a little bit of very brief show and tell to try and leave you with some images that will help.

I'll start off with the slide that says that in 1972, when the legislation started, the aluminum pop can was introduced to the legislation as a container that was under that legislation. You can see that that container doesn't look a whole lot different than the container that was exempt until 2001. The two aluminum cans are now both in the system. In 1997 HDPE and paperboard, juice containers, water, and the noncarbonated containers were brought into the system. Of the containers that you see before you here, we have one container that's not in the system and one container that is. Similarly, with the gable tops we have one container that's in the system and one container that's not.

The similarities in these containers in all aspects have been a significant source of confusion for the consumer, and that's really been a significant element of what drives down return rates, aside from the economic incentive and that instrument. In order to eliminate customer frustration and confusion, we believe that the

similar materials should be legislated with the same deposit and that those deposits need to be fixed rather than minimums so that the deposits such as are currently on the aluminum cans are not different. The two cans you see before you: one has a 5-cent deposit, and one has a 10-cent deposit.

Our goal is to divert waste from landfills. We don't represent a biased opinion on any of these manufacturer products, but we do come and speak on behalf of the consumer in that they bring their message to the depots.

#### 9:40

As you can see, in the last five years the depot infrastructure has been able to keep pace, up until recently, with the tremendous growth in sales of containers in the province. Only recently, in the last 18 months or so, we've seen where the sales have actually outpaced the return rate. It's our belief that this has a lot to do with the incentive, the instrument that's been used. In 1972 it was a 2-cent deposit, in the middle '80s it was raised to 5 cents, and it's been sitting there since 1986.

In our neighbouring provinces we have different economic drivers that produce different return rates. In the slide that you see before you, we can see by the pop cans that are 5 cents in both Alberta and British Columbia and 10 cents in Saskatchewan that there is a difference in the return rate. A lot of the details, the numbers behind this slide are actually in the ABDA submission. Similarly, glass is a lower deposit value in Alberta and higher in British Columbia and Saskatchewan.

Now, the difference in the size of this bar graph may not seem significant when you look at the size of these little towers, but in Bev Yee's presentation she pointed out that the difference in these small towers is 115 million containers. It's probably worth pointing out that since 2002 the depot infrastructure has received on the order of 30 per cent more containers. In 2007 we'll handle 30 per cent more containers than we did in 2002, which we believe is a significant increase in the number of containers and is evidence that the depot infrastructure is well able to handle the volumes. It has more to do with the economic instrument that determines whether or not consumers choose to do the right thing or choose to do the wrong thing after they have purchased that beverage.

I'll give you a couple of examples of other infrastructures. In Oregon they have a deposit legislation that was introduced a year before ours. Portland, as an example, has a population that is similar in size to Calgary, both with approximately a million people. In Oregon they have a return to retail, and that's what the R2R stands for. More than a thousand points of return are opportunities for that million people to return their beverage containers. In the province of Alberta Calgary has 22 permits serving approximately the same population. In the years studied, Calgary actually generated a higher return rate than Portland, so we have every reason to believe that the depot infrastructure is not only efficient from a cost-effective perspective, but it's also something that consumers choose to use. I think that has a lot to do with the fact that our industry is focused on one thing and one thing only, that's the regulation. Our industry exists solely to deliver the objectives of the regulation to the consumer, and we're not confused or encumbered with opportunities to sell retail products or do other things. This is what we do.

We saw a similar situation in Alberta pre-2001. The depots in the province received about 70 per cent of the beer returns in the province. When the legislation removed the exemption to beer and they were brought into the system in 2001, that began to change. Today less than 5 per cent of deposits are refunded through the return to retail component that was grandfathered in the system at that time. It's also important to point out that when they were grandfathered in, there were approximately 138 liquor stores who

were actively engaged in the return to retail component of receiving beer containers and providing refunds to consumers. Today less than 50 per cent of those licensees are still actively involved in the activity.

A little closer to home Rocky Mountain House, as an example, had an opportunity to engage in return to retail in 2000. The depot was unable to negotiate a satisfactory contract outside the legislation for a handling rate that was acceptable. They were forced to drop their agency agreement, and at that time the brewers attempted to find a return to retail vendor who would receive those containers on their behalf and were unable to. Rocky Mountain House was one of several depots that was forced to drop their agency agreement in that year. I think that that was a significant contributing factor to the consumer voicing their opinion to the government of the day, that ended up removing the exemption that was on beer. Clearly, there was a consumer preference to choose depots. We believe that depots are an effective way of reducing collection costs and improving efficiency overall, when you can bring all your containers to one location.

If you've heard anything at all about the Beverage Container Management Board, I'm sure that you've heard about some of the problems that they've been having. We really just kind of want to let you know that the problems associated with the BCMB are really quite focused. The issue of consensus has to do only with handling commissions and not any other aspect of their managing of the day-to-day affairs of the regulation.

Since 2001 there have been three votes on the issue of setting handling rates. Each time it was 11 in favour and 1 against. Because by definition Madam Justice Bielby decided that that didn't equate to consensus, we've been forced to go through a fairly lengthy and costly litigation process, including a hearing that was just recently completed. I think that other than that the BCMB is a very effective regulator.

I think it's important to understand that this regulator needs to be in place as an independent third party. Clearly, the manufacturers have indicated that they either don't want to be in the system or they want to run their own system. In effect what that tells us is that they do not want to be regulated. Retailers have told us, by exiting the system and speaking out against attempts to implement bottle bills in other jurisdictions, that they do not want to handle empty containers. They want to focus on retail sales. Consumers overwhelmingly support depots. Because our system is focused on one thing and one thing only, we believe that the BCMB is necessary to hold the system publicly accountable and transparent and balance the interests of the economy with the interests of the environment.

I would leave you with one final thought. I believe that this committee has an opportunity to make recommendations that will make a difference. We believe that like materials need to be legislated similarly so that we can reduce consumer confusion and maximize the ability of this system to recover containers. We believe that the deposit needs to be a set value, not a minimum value, so that manufacturers are not free to change the numbers and continue to create confusion among consumers. We believe that the deposit value needs to be increased based on the economic value of the nickel today.

Depots achieve environmental efficiency through their current structure. We have been working diligently on trying to promote alternative methods of recovery. On the back of your presentation package there's a brief outline of some of the initiatives that the ABDA has undertaken recently.

We believe that the BCMB is an independent governing body absolutely necessary that effectively manages environmental stewardship.

**Mr. Remtulla:** Mr. Chairman, that's all we had for the presentation.

**Mr. Linton:** Thank you very much for your time. If there are any questions, we'll sit down at the other end of the table and be happy to field those questions.

**The Chair:** We have a couple of members that have indicated that they'd like to ask some questions. I'd like to start with Mr. Lund.

**Mr. Lund:** Thank you, Mr. Chairman, and thanks to the presenters for their presentation.

I find it interesting, those larger containers that you showed us, with the one in, one out. But when you go in a grocery store, you see that there are many other products that are in similar containers. For example, I'd see vinegar in a container that's identical to the ones that you showed, and there are a number of other products as well. If we were to put the milk containers into the return system along with the juice, that's already in there, as bottle depots how do you see keeping those other products out of the stream? Would you accept those other products but just not give any return? Unless we brought them all into the system, there wouldn't be a deposit on them.

9:50

**Mr. Linton:** I appreciate your insight, Mr. Lund. I think that consumers are, I guess, fairly well educated as to what is a beverage and what isn't, and that would be a significant criterion that still would be a decision that the consumer would have to make. We were just simply trying to point out that when the consumer comes to the depot, understanding that the regulation is around the issue of beverages, they bring two containers thinking that they're both in the system. Some of the reduced return rates that we see on some of those material streams like high-density polyethylene and the gable tops, for example the juice boxes and the tetra bricks, are in part because of that confusion.

**Mr. Lund:** Well, I guess, in my opinion, those other containers are just as detrimental to the landfill and the environment as the ones that we may be bringing in. I don't know whether the composition of the container is the same in all cases. Maybe it's a different type of plastic and it wouldn't mix. But what would be the attitude of the bottle depots if we said that we would expect you to take those and put them in the recycling system even though there's no deposit and/or return? I think a lot of the public are prepared to bring them back; it's just whether the system would handle them.

**Mr. Remtulla:** To answer that question: the current regulations are on beverage containers, and the consumers are tending to bring containers that had products that they have consumed as a beverage, so that's why we've got the milk containers, that are made of the same plastic as water. In terms of vinegar and food items, those are very similar looking, and that does create a problem. It's the same thing as windshield washer fluid. You know, it's the same type of plastic, but it's not regulated as a beverage.

**Mr. Linton:** If I can just add, Mr. Lund. I believe that your point is a good one, and there are many depots in the province who are engaged in other recycling activities. We spearheaded a project to accept empty oil containers in the middle '90s, if you're familiar with that program. The Rocky Mountain House depot was one of the pilot depots in that project. There are many depots who actively engage in the recycling program for their community and accept all of those containers. It's not a question of whether depots want to

handle them. We're just simply citing that there's some confusion in the system right now, but depots actually would welcome the opportunity to recycle other commodities as well. That's the business that they're in, and consumers are already coming there. Every indication would be that we could probably see increased return rates on all of those containers in any recycling program where we made it more convenient for the consumer to do so.

**Mr. Lund:** Thank you, Mr. Chairman. That's the answer I was looking for.

**Mr. Remtulla:** Just to add, I do own one depot in Calgary, and we do accept glass containers that have contained food products, that we do recycle, but there's no deposit refunded on them, obviously, things like olive oil. We recycle that glass. The consumers do bring that in to the depot already, but there's no deposit paid and there's no volume tracked.

**Dr. Swann:** Thank you for the presentation. I'm wondering if you could comment further about the challenges that you might face with the milk jug returns. What are they, and how do you propose to deal with them at the level of the depot?

**Mr. Linton:** We're already handling the material stream, so they would actually not introduce any new sorts into the system unless there was some efficiency in doing so. Obviously, there is going to be an increase in volume, but right now I think the depots are well positioned to be able to introduce those new volumes without any significant changes in the way they handle containers. We're working on programs like piloting densification in depots to try and cut down on the amount of space that's required to manage the program and cut down on the transportation that's required to bring those containers to the market. We would just advance some of those objectives at the same time as we saw these increased containers come in.

**Dr. Swann:** I'm wondering, if I could, Mr. Chairman, about some of the concerns about health implications of residual milk and odour problems.

**Mr. Linton:** I can speak first-hand from managing a MRF. The only time that those containers actually presented a foul smell was when we were baling them, not when we were receiving them from the consumers. We have heard clearly from Occupational Health and Safety that there are no adverse health or safety risks to the consumers or to the staff of the depot system, and many depots are already handling those containers through those recycling programs.

**Dr. Swann:** Thank you.

**Ms Calahasen:** My question has to do with what you're requesting. How does that impact my small bottle depot owners in my constituency?

**Mr. Linton:** I'm sorry. The first part of the question?

**Ms Calahasen:** What you're proposing and what you're requesting. How does that impact my small depot owners in my constituency?

**Mr. Linton:** The small depots would see an increase in volume almost immediately if the deposit was increased. We've seen from the juice containers, that were introduced in 1997, that the ramping up of those container return rates has been somewhat slower, so

there would be a gradual increase in return rates experienced by those containers. Both would increase the container flow in the depot, increase the number of consumers coming to their depot, increase their viability, and probably make the system on a cost-per-unit basis more efficient.

**Ms Calahasen:** Thank you. When you're talking about the membership votes since 2001, you say each resulted 11 to 1 in favour, no consensus. What was the rationale or the reason that the one did not vote in favour?

**Mr. Linton:** As one of the manufacturers at the Beverage Container Management Board they did not feel that the rates that they were voting on were rates that they were willing to accept for their beverage containers in the system.

**Ms Calahasen:** Thank you. Thank you, Chairman.

**The Chair:** Mr. Mitzel.

**Mr. Mitzel:** Thank you, Mr. Chairman. Just a couple of things. On one of your slides you noted that there are 218 bottle depot permits in Alberta. Are all those depots members of the association?

**Mr. Linton:** Currently, no. Right now I think our membership stands at about 193 out of 218. That number fluctuates as depots turn over. Membership takes a few months to bring them in. We have seen our membership as high as 204. On a volume basis, though, we represent about 96 or 97 per cent of the volume in the province. The outlier depots tend to be some of the smaller rural depots.

**Mr. Remtulla:** If I could add, though, at the BCMB we do represent all 218 depots. So when we have stake at the BCMB board, all of the 218 depots are communicated with whether they're members or not. We do represent all of them at the table.

**Mr. Mitzel:** I guess if I can, Mr. Chairman, the follow-up to that, then, is certainly: when you look at bottle depots or go to bottle depots across the province, as far as the standard of service you see from one end of the spectrum to the other, you know. Do you foresee your association trying to perhaps standardize the type of service you have, whether that is the type of building, the area, the type of service, visual, everything that's involved in that? Do you foresee anything like that?

**Mr. Linton:** We have actively pursued that over the last several years, and the most effective vehicle that we have for doing that is by our seats at the BCMB when we develop standards that the BCMB actually imposes. The ABDA is a voluntary association – depot operators are free to become members or not – so we do work with the BCMB in developing those standards, the inspection process, even the quality control and auditing systems. We work through the BCMB to accomplish those standards. Recently there's been a standardization of the branding so that the logo starts to look the same in the advertising, as an example.

**Mr. Mitzel:** Is there any way, then, of trying to maybe enforce those standards once that happens? Because, quite frankly, there may be some depots that people would be reluctant to even go to.

**Mr. Linton:** I believe that there is an increased interest in enforcing those standards. Certainly on our part there is. I believe that with

the new team, if you will, at the Beverage Container Management Board, we have put a lot of those things back on track, and we're seeing significant improvements even now.

**The Chair:** Mr. Lund.

**Mr. Lund:** Thanks, Mr. Chairman. One of the difficulties we have, of course, is that the percentage of return is going down. I don't want to call it a franchise, even though we wouldn't allow another bottle depot to be established in a given area. If we said that within that caption area, for example, we wanted to see a return rate of 85 per cent or 90 per cent or whatever that number might be, what would be the attitude of the bottle depots if we came out with a decision along that way and said that if a bottle depot was not meeting the target that would be set, we would expect, particularly in rural Alberta – you may have a village that simply doesn't have the population to support a bottle depot, but a bottle depot could operate a satellite, say, two days a week, for example, or something along that line in order to get this recovery rate up – that someone else would have an opportunity to attempt to? What would be your attitude?

**10:00**

**Mr. Linton:** Absolutely that would be embraced by the membership of the depot association. We've already taken that step in Edmonton, as an example. Notwithstanding our interest in making sure that return rates are as high as possible, I'm not sure that 85 per cent is achievable without an increased economic interest. The deposit needs to go up. Having said that, if a higher deposit was available to the depots, I don't believe that there would be absolutely any trouble in setting benchmarks or standards by region, by territory, whatever the design would be, and the depots would then be free to actually be a little bit more innovative than they perhaps have been in the past in being able to accomplish those goals.

**The Chair:** Thank you.

We're already into overtime. Mr. Eggen.

**Mr. Eggen:** Thanks for your presentation. I'll be very brief. I just want some clarification on two comments that you've made. First, you're seeking a unification of similarly shaped bottles and containers of a similar composition and also an increase in the overall return rate for all beverage containers, I presume. Now, would that extend to beer bottles? Beer bottles have a particular shape to them. Are you advocating an increase or any change in the regulations surrounding beer bottles?

**Mr. Remtulla:** I think that what we're suggesting is that similar-sized containers and similar materials stream should have the same deposit. Currently beer bottles have a 10-cent deposit; glass containers have a 5-cent deposit. It would be worth while to have those the same. Same as with the pop can and the beer can: we have a 5-cent deposit on pop cans and a 10-cent deposit on beer containers. We would like those to be the same to eliminate the confusion with the public.

**Mr. Eggen:** So are you advocating that we use the top end as the standard, then?

**Mr. Remtulla:** Well, we have seen that the low end of the standard is not enough of an economic incentive to generate the higher return rate, as we have seen with provinces adjacent to us.

**Mr. Eggen:** So you're saying that you don't want to change the beer

can and beer bottle rates but, rather, bring the others up to the beer bottle and can rates. Is that correct?

**Mr. Remtulla:** That's correct. We would like to see, you know, the 10-cent deposit as a minimum. But I wouldn't say as a minimum; I would say that we would like to have it set at 10 cents so that manufacturers don't have the ability the next day to change the deposit level and cause more confusion.

**Mr. Eggen:** Okay. Thanks.

**The Chair:** That ends my speakers list. I'd like to thank the representatives from the Alberta Bottle Depot Association for taking the time to come and meet with us today. We thank you very much for the information you've provided.

**Mr. Linton:** Thank you for your time, Mr. Ducharme.

**Mr. Remtulla:** Thank you.

**The Chair:** Our next presenters will be Refreshments Canada. If you could please give your name for the record and go ahead with your presentation. Thank you.

#### **Refreshments Canada**

**Mr. van Heyningen:** Good morning, Mr. Chairman and members of the committee. My name is Anthony van Heyningen. I am the interim executive director of Refreshments Canada. I'd like to thank the committee for the opportunity to appear before you today.

Refreshments Canada is the national trade association representing over 30 brands of nonalcoholic beverages. Our members are active participants in beverage recycling and recovery programs in all Canadian provinces. Refreshments Canada is a strong proponent of designing sustainable stewardship programs that embody a number of important key principles; namely, a level playing field so no free riders, no cross-subsidization; fair and equitable programs that are based on the materials; comprehensive, consumer-convenient, efficient, cost-effective diversion programs; having shared responsibilities between stewards and service providers; having not-for-profit, transparent programs with industry-run organizations; having benchmarked and science-based targets; and having harmonized programs with other fair and equitable programs in other jurisdictions. We would ask that any changes being made to Alberta's current beverage container recycling regulation respect and facilitate these principles that I've outlined.

I note that Alberta Environment has set a goal of diverting 55 per cent of all waste generated by Albertans. As the committee knows, the diversion rate of used beverage containers in Alberta is already well above that 55 per cent benchmark.

Now I'd like to just touch on some of the issues that have been raised during the review. One of the questions has been about deposit levels and whether the existing deposit levels should be raised. The short answer would be no. The keys to the success of any program are awareness, intent, and participation. People must be aware of the programs, then they have to want to do the right thing, and finally they have to be able to participate. That means that it has to be easy and convenient for them. I would like to stress for the committee that convenience and not deposit levels is what drives recovery.

While the underlying hypothesis for raising deposit levels is increasing recovery rates, research shows that concern for the environment is a primary motivator of why consumers recycle.

Recycling rates increase when recycling is convenient for those consumers. Raising the minimum deposit levels will not provide any additional convenience for consumers nor will it raise consumers' awareness and concern for the environment nor will it improve the ability for consumers to return their containers at the bottle depot return points.

Committee members will be aware that various Canadian jurisdictions have different deposit return systems and varying deposit levels, yet I would point out that recovery in all of these systems has declined in recent years. I would contrast this with 80 per cent plus recovery rates being achieved for used beverage containers collected using curbside collection in some nondeposit jurisdictions. The primary reason for these high recovery levels in those jurisdictions is that it is very convenient for consumers to recycle.

The recovery rates in deposit jurisdictions have been declining due to a number of factors, including increased out-of-home consumption, which means that there are less opportunities to recycle the containers when they're finished; there's an increasing proportion of the population living in multiresidential dwellings, and storage space is an issue for them; and access to recycling options is limited.

There are a number of measures that can and should be implemented towards improving recovery rates for beverage containers and hence overall waste diversion. This would include things like communication and education programs to help consumers understand the key components of successful recycling programs, communication outreach programs to target beverage containers in multiresidential, commercial, and public spaces, and finally more access points to increase the convenience for recycling their containers. The most important thing to keep in mind is that the key motivator is convenient access to a recycling mechanism, not getting the refund back.

There are a number of negative impacts that would come about from increased deposit rates for both the system, depot operators, and also consumers. An increased cost to the system would occur due to post increased redemptions from hoarded containers, the majority of Albertans would be forced to shell out more money at the cash register when they're purchasing the beverage containers, and depot operators would be obligated to carry double the cash float in order to deal with the redemptions that they handle.

I would respectfully suggest to the committee that there are many significant issues – such as depot standards, the ratio between population and the number of depots, and other issues – that need to be addressed, and attention should be focused on these types of program improvements. Unfortunately, arbitrarily raising deposit levels would divert industry efforts away from the important task of addressing these types of efforts. I would also note that there is no evidence that would support that increasing deposit levels will actually raise recovery rates. We would thus urge the committee to recommend that deposit levels remain as they're currently defined in the regulation.

#### **10:10**

There's also been a suggestion during the review that there should be only one deposit level for all containers. I would point out that this would put Alberta at odds with the neighbouring provinces and thus encourage the cross-border movement of used beverage containers both in and out of Alberta, leading to increased costs for the system. We would recommend that there should continue to be the two deposit levels as currently stipulated.

There's also been a question about large and oversized beverage containers and whether they should carry a higher deposit level. As I previously noted, recovery of beverage containers has less to do

with the monetary value and has more to do with the convenience of being able to return the containers. We would thus recommend that oversized beverage containers continue to carry the higher level, the 20-cent deposit level, and the efforts should be focused on convenience.

I'd also touch on the question that has been raised about whether management of unredeemed deposits should be transferred away from the manufacturers and to the delegated administrative organization, the DAO, or if manufacturers should continue to manage those funds. I'd bring your attention to a number of points. One is that the beverage industry's stewardship agent organization, namely ABCRC, is a not-for-profit organization that handles all monies associated with its system. One hundred per cent of the unredeemed deposits are applied towards beverage container recycling in Alberta, and no monies are flowed back to manufacturers in any fashion. We strongly believe in the principle that there should be no cross-subsidization between different materials or sectors.

Our stewardship agent ensures that unredeemed deposits are applied towards efforts and programs that target increased recovery of the material/container streams that generated those funds. Moving management of unredeemed deposits away from the organization would open the potential for misappropriation of those monies for unrelated activities, and I would note that there are historical examples of this taking place in other jurisdictions. We would thus encourage the committee to recommend that control of unredeemed deposits remain with the manufacturers' agent to ensure that the funds are used only for managing used beverage containers.

Likewise, I would suggest that the beverage stewardship agent is in the best position to determine how those unredeemed deposits are used to facilitate appropriate recovery of containers, and thus we would recommend that there not be any stipulation in the regulation about how they're used because that might inadvertently hinder the effective use of those funds. We would suggest that adhering to the principle of not-for-profit, transparent programs and industry-run funding organizations will ensure that unredeemed deposits continue to be used appropriately.

I'd touch on the depot system very quickly. I would note that the recovery system has been largely unchanged over the last 35 years while waste management strategies and methodologies have evolved substantially over that time. I've noted that the key driver is convenience, and right now the current deposit return model of designated territories, as Mr. Lund had mentioned earlier, may be seen to effectively create a monopoly environment, which serves as a disincentive for continuous improvement.

The number of return points of these depots has not kept pace with the rapidly growing population, and I'd also note that those depots are primarily located in industrial areas. We suggest that this depot system needs to evolve into a new model that allows for more competition within all areas of the province. More return locations are needed in areas such as commercial areas. I would also note that consumers can and should be able to recycle their beverage containers through curbside and drop-off recycling programs, and we would suggest that containers collected in these alternative venues should also be included in the performance measurement of beverage container recovery in Alberta. We would urge the committee to recommend that alternative collection options be allowed, and recovery of used beverage containers through these alternative means should be included in any measurement of recovery.

I'm cognizant of the time, Mr. Chairman. I'm trying to make sure I stay within my time.

**The Chair:** You still have another four minutes.

**Mr. van Heyningen:** All right. Thank you very much.

I know that the question had been raised about the number of common collection agents and whether that should be a business decision and not prescribed in the regulation. We would recommend to the committee that the regulation should stipulate that all manufacturers and importers of beverage containers that are obligated under the regulation be required to use the same common collection system until such time as beverage containers are managed under any broader stewardship frameworks.

I know that I keep coming back to this issue of convenience, but that is one of the key drivers for consumers to participate. The other is cleanliness and service. I would note that Albertans have been subject to varying levels of service and cleanliness at the existing depot infrastructures, and the DAO has not really been enforcing its own depot operating criteria for the last while. There's been little improvement over the years, and what we're facing, really, is a stagnant bottle depot system, with minimal conditions, hours, and locations that make it somewhat inconvenient for Albertans to return their used beverage containers. We would thus recommend that the regulation should actually stipulate the minimum standards right within the regulation but allow that those minimum standards could be augmented and expanded upon.

I would raise one other issue for the committee to consider, and that is the current DAO model itself. Rather than being the facilitator or an oversight body for the deposit return stewardship system, I would respectfully suggest that the BCMB is going to continue to be challenged in developing an efficient and effective recovery system. The previous presenter has noted that there are certain vested interests on the current BCMB that have diverted focus away from attaining results that are in the best interests of the stewardship system. This unanimous consensus requirement means that the responsibilities for revising handling commissions have been effectively abdicated by the DAO. We would thus recommend that the regulation be updated to set out the specifics concerning the establishment and subsequent future revisions of handling commissions. I think that would help to take some of the difficulties out of that aspect.

On a final note I would note that there's currently a mismatch between what the industry's responsibilities are and the authority of the industry to act appropriately. Our industry has the responsibility for meeting the performance parameters set out under the regulation, but this is not matched by an equal level of authority. The decision-making authority is currently held at other levels, and this has effectively isolated the stewardship agent for the manufacturers from its realm of responsibility. Again, to embody the principle of not-for-profit, transparent programs with industry-run organizations, we would suggest that the beverage industry should be given the increased authority to implement a system that addresses its responsibilities.

In conclusion, I would reiterate that convenience and not monetary value is the key driver for consumer participation. It would be inappropriate to raise deposit levels when so many other opportunities exist to improve the current model, and those opportunities are currently outside of industry's control. Beverage manufacturers should be given increased authority to allow us to improve the recovery system, and all obligated manufacturers should be part of that system. Industry should continue to manage this system in a transparent, not-for-profit manner, as is the case currently. We would ask that the regulations specify the minimum standards for depots and specify how handling commissions should be established and revised.

I thank you again for allowing me to appear before you today. I believe I've just stuck to the time.

**The Chair:** Very good.

Any questions to our presenter?

**Dr. Swann:** Thank you very much for your presentation. One of the issues that has been raised, obviously, is the unredeemed deposits, and that amounts to, I gather, up to \$6 million in any given year. Is an audit ever done of that money, and if so, what does it show that the unredeemed deposit is spent on?

10:20

**Mr. van Heyningen:** I'm not familiar with all the audit procedures, and I would potentially ask one of my colleagues to address that question. There is a separate accounting of all the monies for all the different material and container streams. All those funds are kept segregated, and that embodies our principle of no cross-subsidization. So any monies that are unredeemed for a given container type would be applied towards the cost of recovering those containers.

**Dr. Swann:** Can you make any suggestions about how that system could become more transparent?

**Mr. van Heyningen:** There would potentially be an ability to have a stewardship plan that could be approved, and there could be audited financial statements that are then assessed and provided as part of the requirements of such a stewardship plan. That's what's done in some of the other jurisdictions that have stewardship organizations. There is a transparency there to show that all the monies are accounted for and that everything is in order.

**The Chair:** Before I go on to the next questioner, I'd just like to acknowledge the presence of committee member Mr. Hinman.

I'd go on to the next questioner, Mr. Eggen.

**Mr. Eggen:** Well, thanks very much for your presentation. I'm curious to hear your thoughts more on expanding the opportunities for people to recycle through different locations. My own constituency, Edmonton-Calder, is a very large constituency, and we have no bottle recycling facility at all. Certainly, lots of people do recycle. I'm wondering if the return to retail model might be more appropriate because as the density of the city increases, it becomes more difficult to even entertain putting more bottle recycling facilities in different areas with the property values, and availability is diminishing quickly in this city. So the return to retail seems intriguing. I'm not familiar with how it works. Have you analyzed its effectiveness to any great degree?

**Mr. van Heyningen:** I don't know that ABCRC has undertaken any kind of a study on that. I would note that return to retail does have a number of constraints to it in terms of the impact on the retail operations. If you're talking specifically about grocery retail, you'd basically be looking for retailers who are charged with providing consumers with safe foods to become also a waste management operation. That would have a large impact on both the safety and sanitation aspects of those retail outlets as well as a large impact in terms of the human resources and physical space implications. The retailers, obviously, are paying whatever their location costs are for the purposes of retailing foods and beverages, and to have to dedicate space to that would certainly have a negative impact on them.

We would certainly encourage the alternative return points, whether they would be some sort of a drop-off mechanism where consumers could voluntarily return their containers, any kind of a drop-off mechanism, whether any commercial venues could be

established, which might be a smaller floor space, free-standing or separate from a retail operation, in terms of an alternative return point. As you know from your jurisdiction, obviously there is the blue bag program in Edmonton in terms of consumers being able to use that alternative means of diverting the containers as well.

**Mr. Eggen:** Well, thanks. You know, I appreciate the limitations or problems, but if we opened up the regulation to allow entrepreneurship in regard to bottle recycling together with a change in the rate, perhaps then we would get more points, locations where consumers could choose to recycle. I'm just wondering why there are only 218 in the whole province and why there are none in Edmonton-Calder in terms of places to go to take your bottles.

**Mr. van Heyningen:** As I noted, we would encourage an increased number of access points for Albertans. I believe that the Canadian Council of Grocery Distributors will be presenting to the committee at a future point during the hearings, and I would encourage you to direct your question about return to retail to them as well.

**Mr. Eggen:** Absolutely. Thanks.

**The Chair:** Ms Calahasen.

**Ms Calahasen:** Thank you very much. First of all, thank you for the concise information that you provided with those answers.

My question relates to the BCMB. You say that it is essentially a roadblock to system improvements, and you listed a few items that should be taken care of in dealing with this specific board. Do you foresee a different type of establishment or something else that would help in this situation, or is it just internal issues that have to be dealt with in the BCMB?

**Mr. van Heyningen:** I'm not sure I follow the question.

**Ms Calahasen:** You identified it as: needs to be improved. Then you proceeded to suggest that it's a detriment to the development of an efficient and effective recovery system. So my question is: is it internal issues that we have to deal with or that the BCMB has to deal with that would improve this, or is it another system that has to be established?

**Mr. van Heyningen:** I don't know if I would want to hazard an opinion one way or the other. In terms of the current structure right now the BCMB holds the criteria for depot standards, and we would suggest that that type of responsibility should be given to the manufacturers themselves and their stewardship agents to help them address the effectiveness of the system because they're the ones that are responsible for making it work. It would be better if that type of criteria and decision-making was at the agent level rather than at the BCMB.

On the second point of your question I would just note that there are a variety of ways to handle stewardship in general. In British Columbia, for example, they have a comprehensive stewardship framework, and the stewardship agencies actually report directly into the ministry. It works very effectively for them. Another example would be the Ontario model, where there's actually an arm's-length oversight body overseeing all stewardship programs in the form of Waste Diversion Ontario. The stewardship agencies then report to Waste Diversion Ontario, and the WDO is responsible for a very defined process. It's very clearly spelled out, and it takes all the guesswork out of establishing stewardship programs. So there are a variety of ways that Alberta could go.

**Ms Calahasen:** Thank you.

**The Chair:** Mr. Hinman.

**Mr. Hinman:** Thank you, and thank you for the excellent presentation. I have a few areas of concern, but one is definitely the convenience, and it is the number one issue that I deal with in talking to people as well as the bottle depots. My question. In opening up the monopoly currently existing, where you can't open up another depot and compete, when I talk to the actual depot handlers, they say: well, we can't afford to make things run as it is. If you were to open up another depot in close proximity, they say that they can't exist. In looking to the benefit of Albertans, has the monopoly caused too much grief, and should we be increasing, I guess, the free enterprise to see whether they handle it? Even with the retail outlets there are some that could easily have the area and could open up a position, but there isn't the opportunity. So in balancing out those two and looking at our goal as recycling and doing a better job, what do you feel are the answers to that?

**Mr. van Heyningen:** I would basically raise two points to your questions. One is that Alberta has obviously been along the road of trying to review and revise its handling commissions, and we would all expect that those handling commissions would reflect the fair cost of handling containers through a depot and deposit-based system. That's a step that other deposit jurisdictions undertake, and it would be done through an impartial third party, which would look at all the aspects of the system – what are the revenues, and what are the costs? – and develop what is seen as a fair and reasonable return for the operators.

**10:30**

Once you have that established, again we would encourage that there should be an alternative in terms of the current system and that if there was the opportunity for other operators to get into the system in terms of providing additional convenience to consumers, the system would basically understand that these are the handling commissions that are fair and appropriate for containers. If a new enterprise can make a successful go of it, then we would expect that that would be allowable.

**Mr. Hinman:** Thank you.

**The Chair:** That concludes my list of questions from the committee. I'd just like to thank you once again for your presentation and for having joined us here today.

**Mr. van Heyningen:** Thank you very much.

**The Chair:** Have a good trip back.

Before we go on to our next presenter, I'd like to put on the record that Mr. Miller, another committee member, has just joined us. Welcome.

Our next presentation will be by the Alberta Dairy Council. If I could ask you to state your name for the record and please continue on with your presentation.

**Alberta Dairy Council**

**Mr. Tott:** My name is Ian Tott. I'm representing the Alberta Dairy Council. I work for Saputo Dairy Products Canada, and I'm based here in Edmonton. What I'd like to do at this point in time is give my presentation in a position paper that we've prepared. I under-

stand that the way that it's structured is that there'll be a certain amount of time for the presentation, and then we will field questions at that point in time.

**The Chair:** Yes. You have 15 minutes for presentation and 10 minutes for questions and answers.

**Mr. Tott:** I was right so far.

Okay. Good morning and thank you for providing the Alberta Dairy Council with 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 environment and 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 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, individual communities, industry, nonprofit organizations, and businesses all have played an important role in achieving the vision for Alberta.

As a starting point we'd 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 environmental principles endorse the minimization of environmental impacts, consistency with the four Rs 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, which are the processors who market milk and cream products in the province of Alberta. Far from downloading responsi-



bility 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 that the program design meets the province's need 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.

The program is funded, managed, and operated by industry. At the same time it has a multistakeholder 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.

The program is operated in an environmentally sound manner. The majority of municipalities bale or shred the empty containers before they're shipped to end-use markets, meaning fewer trucks travelling 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.

The CCME also outlines a number of implementation principles in support of extended producer responsibilities, 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, this strategy has been publicly recognized for excellence in a number of areas. It received an Emerald award in 2002 for environmental achievement in 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 has formally committed to continuous improvement to ensure that 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 a business plan and are reported in the annual report. The program ensures reasonable access to collection systems, to use the 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 high level of access for the consumer. One of the program's proudest achievements is that 95 per cent of Alberta's population has direct access to milk container recycling in their communities.

#### 10:40

Perhaps more importantly their 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 that has been achieved through a funding collection, an 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.

We would like to now address some areas where government, other industry, nongovernment organizations, and some consumers are on the opposite sides of this 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 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 can 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 that 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 per cent 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 there 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 or containers similar to milk containers, and that is largely due to the accumulated surplus from previous years.

We're 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 to 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 two to four servings of milk every day. We cannot accept suppressing consumption through imposing 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 is 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 agricultural sector in reaching its target of \$10 billion in farm gate receipts by 2010.

To recap some of the program's achievements, I'd draw your attention to the following accomplishments, and I'd say that we're very proud of them: over 9,800 tonnes diverted from landfill; over 95 per cent access rate to collection points; over \$6 million invested in program design, management and operation; a seven-year recovery rate increase of 22 per cent for HDPE jugs and 28 per cent for gable-top cartons.

We must also ask ourselves: what sort of message is government sending to other industries who in future may be encouraged to set up voluntary programs? Why would industry invest millions in establishing a program only to have it hijacked by the government? Removing the exemption from 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, too much money invested by not only the Alberta Dairy Council but also the Alberta municipalities and private recyclers throughout this province. We believe that we've been successful in many areas, 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 for your time. That's the end of my presentation. What I would like to ask: I have other members of the committee with me that represent the other companies and the manager of our program in Alberta; I'd like them to join me to field questions that some of you may have.

I want to thank each and every one of you for listening to our position. Respectfully, we very much are behind our program. We're encouraged that we would like to move it forward, and we would hope that your decision would support that. We'd like to continue the partnership with government on this voluntary program to ensure that in Alberta we continue to be the leading edge for not

only Canada but for North America and for the world on our recycling program because we care about the environment.

Thank you.

**The Chair:** Thank you.

Mr. Miller.

**Mr. R. Miller:** Thank you very much, and thank you for that presentation.

**Mr. Tott:** Excuse me. Before we start, could I just introduce the members with me if you don't mind?

**The Chair:** I omitted that. I should have asked that. Please give their names for the record.

**Mr. Tott:** Okay. I have Brian Miller representing Lucerne, Corey Creese representing Lucerne, and Roberta Windrum, who is the person who manages our, I would say, very successful program in Alberta.

**Mr. R. Miller:** Mr. Chairman, perhaps because I was late in arriving, if I can just clarify: are we using a similar format to Public Accounts, where we're allowed a supplementary question?

**The Chair:** I've been allowing it, yes.

**Mr. R. Miller:** Okay. Good. Thank you.

Then my first question would be – I've asked before various other entities and not had answers that I'm satisfied with – has your group done any research as to the impact on low-income and fixed-income families if, in fact, we were to add a deposit program to the milk containers?

**Ms Windrum:** No, we have not.

**Mr. R. Miller:** Thank you. My supplementary question, and I'll just preface it by saying that for the most part I'm quite sympathetic to your position. The exception to that would be the Milk 2 Go retail program. You didn't mention it in your presentation today, or at least I didn't hear you mention it. I'm wondering if you would be amenable to having that retail program treated separately from sort of the mainstream milk containers.

**Mr. Tott:** I guess, if I summarize your question, you're asking about the impulse purchase products that are in convenience stores and other areas. The Milk 2 Go product is a product that Saputo processes in the province of Alberta. Just so you are aware, we do distribute it across the country. It is the only production facility that we have that does that product. When we look at the program itself, we look at it in an entirety. From our perspective, a focus on that type of package would be encompassed in the program. From our point of view, we would like to leave it in the program, and we would be looking to take steps to deal with that accordingly as we move forward.

I will say that the Milk 2 Go product has very much been a success for the organization and for the industry because it is using product or raw material that is available in Alberta. From our organization's perspective, we've invested in the province of Alberta based on that. We will continue to do that, and we look for more products in our Edmonton facility that have that kind of success.

Again, we would like to keep it within the program. When all is said and done, this committee would make that decision, but we're wanting to keep the program whole.

10:50

**The Chair:** Thank you.  
Mr. Lund.

**Mr. Lund:** Thank you, Mr. Chairman, and thanks for the presentation. I've been encouraged by what the industry is doing without any government interference.

**Mr. Tott:** Excuse me. It was a partnership. Government was supportive of what we're doing. I do want to be excused for interrupting, but we look at it as a partnership and not industry taking control. We've worked closely with government on each of the areas over the past seven years.

**Mr. Lund:** I guess maybe you don't realize that I was the minister responsible at the time when this program started.

**Mr. Tott:** I do.

**Mr. Lund:** I'm very, very aware of the partnership. However, I'm curious. I've got your '05-06 program performance, and I'm curious if you've got it for '06-07. That's one question.

I notice that for the HDPE container you have a 52 per cent recovery rate in '05-06 but for the polycoat only 28. I'm curious: what would be the reason why the polycoat is so much below?

**Ms Windrum:** To answer your first question, we do not have the final numbers for the '06-07 year. Our year-end was June 30. We have three recyclers in the province who we are still awaiting the final numbers from. Some of them, because they're nonprofit organizations, rely on volunteers to compile reports and that sort of thing, so we do not have those numbers.

As for the difference in the recovery rate between the HDPE jugs and the polycoat containers, there are a number of municipalities, the city of Red Deer being one of the larger municipalities, who collect the polycoat containers in with mixed paper or cardboard. Unfortunately, the only numbers that we can report on are the verifiable, audited numbers, so although we know that the recovery rate is higher than the 28 per cent, we can only report on that 28 per cent.

**Mr. Lund:** To supplement, if I might, have you any idea what they are doing with the milk containers? It's a different product than just ordinary cardboard.

**Ms Windrum:** The majority of the milk cartons are shipped to the U.S. JMK Fibers, I think, is the company name. From there I believe they're going over to the Asian market, where they are recycled into other fibre products.

**Mr. Lund:** And some are burned. I'm curious, though: is Red Deer separating those out from their cardboard stream?

**Ms Windrum:** No, they are not. They are commingled, and they go to a fibre recycling facility. The ones that are burned we can't account for in the recovery number.

**Mr. Lund:** Oh, no. They are after they leave the province; they're not burned in Alberta. There's a plant down in the U.S. I happen to know this because when you were setting up the program, one of our problems was: what would we do with those containers? Then we found that they were actually used for heat.

**Ms Windrum:** In a waste energy recovery facility.

**The Chair:** Mr. Hinman.

**Mr. Hinman:** Thank you. I appreciate your presentation as well. The one question that I have: I love the solving of the problem yourself within industry, but do you feel that you'll be able to achieve the same rates as the deposit rate eventually and get up to that 70 per cent or higher? What do you see for your achievements going down the road if there is no deposit required for milk jugs?

**Ms Windrum:** One of the issues that we continue to address is ongoing tracking research. We continue to peel back the layers on the onion to get a better understanding of first of all what motivates Albertans to recycle, what are the barriers to recycling, and how we address those issues. With that in mind, we continue to build more comprehensive communications and education programs. At the end of the day that is always our target: to achieve that recovery number.

**Mr. Tott:** Could I add to that answer? In addition to that, again, we go back to our education program throughout the province. We're going to continue to invest in the future and invest in increased recovery through our marketing programs and awareness for Albertans. We've made a number of commercials and have some things that people relate now to the recycling in Alberta. We believe we can only build on that today. We'll continue and invest in that, and we're very confident that the rates will increase over the next few years.

**Mr. Hinman:** As a supplement, do you have a goal, then, where you think you can get to – 65, 75 – or just that they're going to increase and that's good enough?

**Mr. Tott:** No. The goal is always 100 per cent. Whether you ever attain 100 per cent: you have to be realistic.

**Mr. Hinman:** That's my real question. What do you feel is achievable under your current system and the current authority that you have in recovering those?

**Ms Windrum:** We don't know what is achievable because this is a groundbreaking program in, you know, Canada, in North America. We have that target of 75 per cent, the overarching goal, currently. In past MOUs that we have, there have been interim targets that have been aligned with the recovery rate of a similar container within the deposit program, and all we do is continue working towards those, believing that eventually we will get there.

**Mr. B. Miller:** What we've done over the years is, you know, as we've seen recovery rates move in one direction or the other, develop strategies around that. In the last number of years we've begun to focus more. Initially the program was to try to get universal access. We've achieved that. Now, we're trying in the past few years to focus on some of the bigger areas, Calgary and Edmonton, Red Deer – lots of containers in there – to put some focus and see if we can drive the numbers up. It's always a work-in-progress, I guess, is what I'm saying.

**Mr. Tott:** Yes, and the other thing is that, as Brian said, we tried to allow all Albertans access to this program, and I think we've accomplished that in a big way. Now we've just got to try and really go back and focus in on the areas where the population density will drive the number up but not lose sight of the fact that all Albertans need access to the program.

**Ms Windrum:** If I could just add one thing, that this program in its initial design was to target recovery from the residential sector, and based on a research waste audit that we've conducted, we've done a pretty good job of that. Our focus this past year and going forward is looking into the multifamily sector, the industrial/commercial/institutional sector because we know that there are milk containers there that currently are not being recycled.

**The Chair:** Since we still have about a minute and a half, is it all right for the chair to pose a few questions? One of the issues with many of the submissions that Albertans provided to this committee was the fact that they are paying a recycling fee in the price of the product that they're paying for. You guys, basically, add a fee into the cost of the product to be able to work with the municipalities as far as the recovery. Some are stating: well, we're paying; we want an opportunity to get it back. I'd just like to hear your comments on that.

The other one. Some of the members did touch on the Milk 2 Go containers. Many of the Albertans that submitted said that it is becoming a major litter issue, let's say in our ditches, et cetera, because of the fact that people won't bother picking it up as people will scour for beer bottles or beer cans, et cetera, because there's a refund. Your answer was not very, very clear. You say that it would fall within the program that we have in place, but I think it's a bigger issue than that. I would just be curious to see what you have planned. If you were to stay the way you are, what are the plans in terms of being able to recover those so that they don't land up in our landfills or don't land up in our ditches?

**Ms Windrum:** To address your first question, regarding paying the fee and "I'm paying the fee, so I want it back," when consumers call our toll-free number, when you explain to them what the fee is being used for, it's used to provide financial assistance to municipalities to offset their costs associated with recycling the milk container. It's a fee that is similar to or the same as fees that may appear on deposit containers at any given time depending on what the current recovery rate and that sort of thing is. As we said, it's a complex issue.

Up until June of 2007 there was a recycling fee in addition to a deposit on deposit containers. The consumer for the most part does not, I think, fully understand the complexities of either program and what the recycling fees are used for. In many cases they don't realize that they are paying a recycling fee in addition to the deposit. They get the deposit back, and they think they've received all their money back. So I think it's an education thing that has to continue to happen.

**11:00**

As far as the litter issue we just recently partnered with the Recycling Council of Alberta, who conducted a litter audit. The milk containers were not a big issue in that litter audit. We would be happy to provide the committee with a copy of the results of that audit. But it's not a litter issue as far as far as in the ditches and that sort of thing goes.

When it comes to, "How do we include them in the program?" we have a number of schools in the province that we have been working with who have been set up and who are already recycling those containers. We have built into our communication and education plan in this year that we're in right now a component that will address more of an education component within the school system to collect not only the Milk 2 Go but the little single serve gable-top containers.

**Mr. Tott:** I'll just be very brief. The institutional segment of the

market is one that we're starting to focus on now because we were focused on the larger containers in the initial stages of the program. It's like anything else: things change within a marketplace, depending on the environment and other things. So that's an area that we're starting to focus in on now.

**The Chair:** Well, thank you ever so much for your presentation, and we look forward to using the information you've provided us as we go forth with our recommendations on the regulations.

Thank you.

**Mr. Tott:** Thank you very much, and I do apologize for the raspy voice.

**The Chair:** Our next presenter is the Vulcan District Waste Commission. I believe it's Mr. Dick Ellis that will be doing the presentation. Welcome.

### **Vulcan District Waste Commission**

**Mr. Ellis:** My name is Dick Ellis. I'm the general manager of the Vulcan waste commission. We're a small rural waste authority that consists of the county of Vulcan, the town of Vulcan, the villages of Arrowwood, Carmangay, Champion, Lomond, and Milo. We have a total population of 6,000 people, but we're spread out over quite a large area.

I'd like to speak with you about two of the things you're addressing today being explored. The first issue: the number of bottle depots. In our jurisdiction we used to have eight bottle depots, and now we have one. This is serving the same area that the Vulcan commission has 12 recycling depots in. Seven of these depots are open 24/7 so that people can recycle whenever it fits their lifestyle or schedule.

We believe that the bottle depots, if they're going to be equal and able to collect the same things we are, need to be a lot more accessible than they are. When people can't access a bottle depot, returnables end up mixed in with the garbage. Once they're in with the garbage and contaminated, it's very hard for us to recover them even in a recycling facility. They're now waste, and they go to a landfill.

I ask that you try to please consider allowing more bottle depots, whatever that takes in finding them. I support the bottle depot system – it works very well – but we do need more of them. We need people to be able to get to them. In our jurisdiction a lot of people are just finding that it's not worth the problem. Because they're small, they're going in with the garbage, and like I say, once they're in the garbage bags, they're contaminated, and they're very difficult to deal with.

The other issue I'd like to address is the milk container exemption. The Vulcan waste commission over the last 10 years has invested a lot of time and effort working with the dairy board to set up a milk container recycling program. Like I said earlier, we have seven 24-hour, seven-day-a-week accessible facilities that people can take their milk jugs to any time and drop them off. It doesn't matter what their schedule is. We also have five waste transfer stations that people haul their waste to. All of these have an operator at them and source separation, and the milk jugs and all other recycling can be removed from them at those sites.

We weren't involved in plastic prior to getting into the milk jugs. Whenever we did get into it, we'd find that we'd finally get a system going, we'd recover something, and then the market would disappear for it. We now are able to get into virtually all plastics, but I guess the way we see it as a waste commission is that the milk jugs

somewhat might be subsidizing that. If we remove the milk jugs out of our plastics system, we remove the only thing that we have a guaranteed income on, our \$800 a tonne that we know we're going to get when we recycle them.

We contract out our recycling operations, and when our contractors handle milk jugs, they know that they're going to get the recovery of their labour at the end. We really don't have any other commodity that goes through our recycling depot where that can happen. What we have to do with all the other commodities is we have to guarantee our contractors their labour. Sometimes we find ourselves trying to convince municipal politicians to spend three times the cost of landfilling to keep recycling going, and as we take away anything of value or we subsidize, like the milk jugs, we're just increasing that cost. We have to continue operating recycling whether the milk jugs are there are not. Therefore, we're just going to have to spend more to do it because we're losing what was subsidizing our entire operation before.

Right now recycling is quite good for our operators. We are able to expand into new things, but we've also operated for years where it was \$5 a tonne for cardboard, \$5 a tonne for paper, and the milk jugs will provide a stability through that. I ask you to please seriously consider moving them into the bottle depot system. I know that the bottle depot systems are different in different parts of the province, and I know that our rural area has unique challenges of its own, but we've managed to make recycling accessible. The bottle depots aren't in our area. You have to go to the city. You have to leave our jurisdiction to get rid of them or go to the one that's operated in Vulcan at restricted hours. So please seriously consider leaving the milk jugs right in the system they are in. We have had a guarantee from the dairy board that we can market our product. It's enabled us to invest quite a bit of time and money into it, and we need that stability to continue.

I don't have any more of a presentation for you this morning besides that. I'm just asking you to please be careful when you remove the milk jugs from the system. They are helping to pay for our recycling system.

Thank you.

**The Chair:** Thank you.

Mr. Hinman.

**Mr. Hinman:** Thank you. From a rural perspective that was excellent and hit some of the problems directly that are faced. You say that you have five waste transfer sites. I'm not sure from your presentation. Do you actually have recycling places at your five waste transfer places, or are they separate?

**Mr. Ellis:** Yes, we do. We have recycling at every transfer station. We have depots at four of them, and then we have our actual processing plant and a depot at the Vulcan one. Then we have seven more 24/7 depots in the towns and villages. As well, we're just building one at a summer village we have, Little Bow Resort. It's a summer village that has about 500 people now on a weekend.

**Mr. Hinman:** Thank you.

**The Chair:** Dr. Swann.

**Dr. Swann:** Thank you. Thank you for your presentation. I'm a bit confused. It's clear that to maintain the recycling program, you need funds. I may have misheard, and I need clarification on whether or not you feel that moving milk jugs into the depot system with redeemable deposits is going to continue to support your system or is going to undermine your recycling of plastics.

**Mr. Ellis:** It's going to undermine our system because right now when the milk jugs come through our system, we handle them with all the other recycling. We're actually even moving into sorting now. We're guaranteed a return on the milk jugs; on the rest of the stuff going through we're not. So when we contract out the operation of our plant, our operators know that they're going to get the return on that product. They don't necessarily know on any of the other products. If we remove the one they know that they're going to get the return on, we could very easily end up with a month where they make 70 bucks for an entire month's work as soon as it hits \$5 a tonne again.

Unfortunately, I'm convinced that just as a reality the markets go up and down. We don't have a guarantee on any other product. We have sold cardboard for over a year at \$5 a tonne. We're now at \$115 or something like that. We also sold paper for \$5 a tonne for over a year, and it's now at \$100. But we can't be guaranteed when we go to sell in a month that it will be there. The milk jug guarantees us a return. We get a guaranteed rate on every tonne we recycle whether the market collapses or not.

**Dr. Swann:** Thank you.

**Ms Calahasen:** That was my question, regarding if the consumer would like to see a return on what they buy versus the return that you get. They're telling us that maybe they should be getting the money rather than you. It puts you in a jeopardy situation as an organization – right? – because what you're relying upon is that money that comes in that's guaranteed.

*11:10*

**Mr. Ellis:** Yeah. We could just raise our municipal taxes to recover that, I guess. You know, we get our money one way or another. One thing that was important to the Vulcan waste commission is that we do not charge for garbage disposal. We have free access to all our transfer stations, but you have to sort, you have to recycle, or you can haul to somebody else's landfill.

**Ms Calahasen:** Okay. Thank you.

**Mr. Eggen:** Thanks for coming up and giving this information. It's really useful. I'm wondering: do you keep track of other revenue you receive from recyclables that go through the trash system, like from people putting bottles in there or other recyclables like that?

**Mr. Ellis:** We've only done it just in looking into it. What we're looking at right now is a recycling collection in our jurisdiction, and we actually did a little bit of a waste audit. We have several provincial parks in our jurisdiction and private campgrounds, and we find that we're getting a lot of returnables in with that waste, like half a garbage truck full of nothing but returnables. These people come on the weekend. The depots aren't open. They'll drive by our recycling depot and throw them in a dumpster because we don't take them.

**Mr. Eggen:** Right. I'm just thinking. I know the single largest contributor of bottles and cans and whatnot comes from the city of Edmonton. People just throw them away. Then they collect them, and then they make money off them. I mean, perhaps if we're changing the rules somehow in other ways the loss that you might incur from the plastic tonnage would be offset by other benefits that you could get from a change in regulation here, like if we're increasing the bottle price and stuff like that.

**Mr. Ellis:** Yes. That would be beneficial. Whatever it takes to convince people to take them to the depot. Once they're in the garbage, we consider that contaminated, and we just haven't crossed that line into separating like Edmonton has. We don't have the resources or the facilities to do that.

**Mr. Eggen:** Okay.

**Mr. R. Miller:** Thank you, Mr. Ellis, for your presentation. One of the things you said at the outset was that you used to have eight bottle depots and you're now down to one. I'm wondering if you could describe to the committee why you believe that is.

**Mr. Ellis:** Well, you know, I'm not totally positive why that is. I think that economics played a part in it, but all of the places we used to have depots, all of our small communities, still have the businesses that were with it. It's just the depots that disappeared. Whether they weren't financially viable or they were restricted in how many could be in an area – I'm not really sure what the demise of them was. I haven't been involved in that. I know it's difficult to get one if you don't have a depot now. For somebody to open one in a store – as an example, in Milo you're 40 minutes from Vulcan, but we have stores there. We have gas stations, you know. If we could have some kind of a returnable facility there, then possibly we could get the people that camp out there to return them on their way back or take them back to the cities with them or wherever they came from and recycle them there.

**Mr. R. Miller:** Thank you.

**The Chair:** Any other questions?

Seeing none, I just want to say thank you very much, Mr. Ellis, for your presentation and your insight and the information you've shared with us today.

**Mr. Ellis:** Thank you.

**The Chair:** We're running about 15 minutes ahead of schedule. I'm just wondering: is our next presenter, the Alberta Plastics Recycling Association, here?

**Mr. Cameron:** Yes, we are.

**The Chair:** Yes? Would you be prepared to go? Okay. Thank you.

### **Alberta Plastics Recycling Association**

**Mr. Cameron:** Thank you, Mr. Chairman. Good morning, everyone. My name is Grant Cameron. I'm the current executive director of the Alberta Plastics Recycling Association. I'd just like to tell you a little bit about the fit of the milk jug in plastics recycling in the province of Alberta. Our association uses the plural "plastics" because there is a great variety of plastic material in the waste stream, and all of them have to be treated a little bit differently. There is no opportunity to commingle those materials after the fact. Polypropylene has to be recycled separate from high-density polyethylene, a high-value product which is used for the milk jug.

We have a range of members, including our board of directors. Our board of directors has representation from the ABCRC, the bottle recycling folks. We also have the Alberta Dairy Council as part of our group and the Alberta Used Oil Management authority as well as representatives from Dow, NOVA, and other manufacturers of plastic. Our association has played an instrumental role in the

development of the milk jug program in both its design and facilitation.

It's important to understand, when we're talking about what's going to happen with milk jugs in the future, that the science of plastics in consumer use is relatively new. We're talking about a science which is 40 to 50 years old, and the recycling component of that science is only about 25 years old and really has only matured in the last 10 to 15 years. So if I tell you this morning that new plastics are coming along every day and new solutions are being developed to deal with those plastics, you'll understand that it is very difficult for anyone to say exactly what the landscape is going to look like in three, five, or 10 years. It will be changing, and plastic is becoming a more important component of it.

We have a number of strategies in our association to assist all parties in achieving higher rates of recycling and diversion away from landfill. Our association is focused on postconsumer recycling and ICI, which is industrial, commercial, and institutional recycling. We also believe that landfill is a very important component in this recycling process, and we are also monitoring and assembling information on waste-to-energy recovery.

We're here this morning to talk about postconsumer as a component of recycling in Alberta. It's important to understand that it's emerging. We've just heard from Vulcan, one of the many rural areas in the province of Alberta, that has a wide range of acceptance protocol for waste materials, including plastics. But it's important to understand that there is a wide dissimilarity in programs, across rural Alberta in particular, and it has been increasing in terms of its plastic capture. It's possible to take a drive down any one of Alberta's rural highways and drive through three or four towns in 45 minutes and find that the range of recyclable materials that they're gathering is different in each of those communities.

What we are advocating at the Alberta Plastics Recycling Association is codification of those plastics and other materials in that waste stream that are recovered, or captured, and we also want to see regional marketing. There is a great challenge to getting rid of one, two, or four bales of a product in a year, whereas if we can get subpopulations of 35,000 to 50,000 to market together, we're going to have a great deal more success at moving these products to market for good return.

There are a number of things that are encouraging for a plastic capture in Alberta. The codification of these programs in co-ordination is only one of them. There is a very large potential for increase in plastic capture when Calgary moves to some form of each and every dwelling, or curbside, collection. We have to understand that the use of plastic in packaging is increasing, and the Alberta waste plastic processors are also growing in their capability and are going to be able to increasingly accept these materials as they come in.

We're very encouraged by the Alberta Department of Environment's recent initiatives in the area of the ICI. It's important to understand that about 35 per cent of the waste stream in Alberta comes from the postconsumer side, about 65 per cent from the postindustrial, or ICI, side. But in the case of plastic, those figures are much closer to 20-80 or 25-75, meaning that the ICI is, in fact, the greater user by far of the plastic resource. Think in terms of municipal water pipe, plastic underlay, traffic signage, those sorts of things. ICI uses the majority of plastic.

APRA itself takes no position on whether the milk jugs should be moved into the deposit system. I think there's a possibility that if it were to do so, it would produce a short-term increase in the capture. I don't know whether it would match other deposit containers immediately, but I suspect that that rate of increase might happen more quickly than if it was left where it is now. There will be a cost

to the consumer. It needs to be understood that that requires a fair amount of study, and I'll deal with that in a moment. Our fear at APRA is that moving the milk container may slow or stall efforts on other plastics.

There isn't any question in the mind of our association that the milk jug has been the anchor product, as you heard the chap from Vulcan indicate. That is what has made plastic recycling in the postconsumer stream accelerate tremendously in the past five or six years. Plastic capture across the province of Alberta on all products on average is increasing about 16 per cent a year, and we have some spectacular rates of increase in some areas, like film capture and shopping bag capture, which are going up very dramatically.

#### 11:20

Some form of recycling is now available to more than 95 per cent of all Albertans at more than 300 remote locations. It's available through curbside, blue box, blue bag. It's available through subscription recycling, which is growing rapidly in the city of Calgary. There are multiproduct drop depots, and there are also multifamily drop boxes in the city of Edmonton and in some other communities at landfills and transfer stations. That has been driven by the process of regional landfill development across Alberta as the transfer station network has been upgraded. There are a tremendous number of opportunities currently to get rid of plastic.

Well, what's driving this plastic capture? The simple facts are that there's little or no return value on a great deal of the plastic, particularly the coloured plastics and some of the other products that are problematic to capture. However, the number 2 natural, high-density polyethylene is a highly desirable product because it is not tainted with any dye; it's an absolutely pure resin. It is of all of the candidates probably the most ideal for the recycling process, and that's why it's so sought after, and that's what is holding the prices as high as they are right now.

The funding combined with sales. You earlier heard a presentation here this morning from the Alberta Dairy Council talking about their top-up funding and transportation funding. There is no funding provided to the cities of Calgary or Edmonton, so my presentation today is largely going to be focused on small-town, suburban, and rural recycling in the province of Alberta. The Dairy Council funding, combined with strong sales for high-density polyethylene, is currently worth in excess of one-half of 1 million dollars to these small municipally operated depots, which incidentally were largely funded at their outset by the government of Alberta through resource recovery grants. A lot of them still receive a subsidy either from the municipal government or from the landfill associations and commissions across Alberta, who recognize that plastic, while it's not harmful in terms of leachate or gas production once it's buried in the landfills, takes up space. We want to recycle more plastic in Alberta because plastic on average is about two and a half times less dense than the average material mix in landfill in Alberta, so every tonne of plastic that we can keep out of the landfills in Alberta represents about two and a half times the landfill capacity of other materials going in there.

Here's our challenge this morning at APRA. This funding of about half a million dollars across the province of Alberta has encouraged the small-centre depot network to take on plastic capture and expand the range of products accepted. Five years ago or three years ago a small community may have accepted milk jugs only. Two years later they may have decided to go to an all-bottle program, and they now take small-neck bottles: ketchup, mustard, shampoo, soap, that sort of thing. A year later they may have added shopping bag recycling to the program. The challenge for our association and I believe for all of us here this morning is going to

be: if we take this funding that flows to them from the milk jug off the table, what incentive now is there for any small community that is only doing the milk jug to say, "Well, they took the milk jug away and the money, but we'll go after the margarine container," for which there's relatively little return?

They have used this the same way that the huge surge in cardboard prices in the 1990s allowed municipal depots all across Alberta to expand the rate of materials collected to include a wide range of paper products, tin, and others, funded in large part by the cardboard prices. Once they got up and running, the cardboard prices dropped off, but there's been no let-up in the recycling rate. In fact, we continue to gather more of a wide range of materials over and above plastic, but that funding does need to come from somewhere.

The next component that I'd like to talk about that exists in this suburban and rural and small-town depot network is that the funding from a combination of the paper products and the milk jugs has allowed these depots to adopt the use of horizontal balers. I don't know if anyone else will be talking to you about the actual technology of capturing and transporting milk jugs or other materials over the course of your presentations, but it's very important for everybody here to understand that one bale of milk jugs, which would be smaller than any one of these individual desks, weighs approximately one metric tonne and, depending on the operator and the temperature inside the building, can contain anywhere between 900 and about 1,300 four-litre milk jugs. If those are just in the swish-and-squish form, that bale represents the entire capacity of a highway tractor-trailer unit. So when it comes to collecting these materials, whether it be at a bottle depot or at a municipal recycling depot, we need to have the equipment on hand to take this vast volume of material and squeeze it down to a size which is practical to transport.

There's a second type of baler, which is called a vertical baler. The horizontal baler I mentioned a moment ago is a large piece of equipment costing in excess of \$100,000, a range of about \$100,000 to about \$140,000 plus installation. It takes up a fair amount of square footage, and it uses conveyors. You simply use shovels or some kind of an implement to drive the material up onto the conveyor, and it goes into the baler. Some of the smallest of these depots have vertical balers. Vertical balers are about two and a half times less efficient. It takes about one hour to produce a bale that you can make in 18 to 20 minutes with a horizontal baler. A vertical baler typically contains 300 to about 425 milk jugs, again depending on room temperature and operator skill. That is better than transporting the jugs loose.

This network, which has been set up through the resource recovery network and paid for with continuing subsidy from municipal and landfill authority dollars, has now set up a depot network across Alberta where they're uniquely well equipped to handle these jugs. I believe absolutely that the bottle depot network could adapt and handle the jugs in a similar fashion. However, there would be a cost, which would be borne by the industry and the consumer, in order to do so.

At any rate, in conclusion, what I would like to suggest to you this morning is that we need to keep three things in mind before moving the jug from one side to the other, or from network A to network B. First, the existing network services the recycling demands of a wide range of consumer products, and milk jugs support that network. Funding reduces the need for municipal subsidy. The chap who preceded me made that very point. They can either get it through increased ratepayer assessment, or they can go back cap in hand to the municipal government, and they can take money away from some other area of the budget and say: here's your dough. These

places operate with a strong component of volunteer labour. They oftentimes work under difficult conditions. They're dedicated to the environment and to their own communities, and I doubt that we can probably get the materials themselves handled for much less money by a different network.

They're currently equipped to deal with the unique nature of these jugs, and I believe that should you move them to the depot network, we need to make sure that there is no loose-haul transport of the milk jugs in particular from one jurisdiction to another. We need to figure out some way to properly determine the value and the unit return value, whether they're in Peace River or Medicine Hat, before they're loose-hauled into another collection point before they're sent out to Vancouver. What we need to do is make sure that there's some kind of a plan in place that would allow the town of Peace River to collect these milk jugs and send them directly to the processor, cutting out one step in the transportation cycle.

Should a decision be taken to move the milk jugs to the deposit system, some attention needs to be paid toward continuing support or bridge funding to encourage future increases in plastic capture. Once again, my comments are directed not so much at those whose ridings or focus are the city of Edmonton or the city of Calgary. All of these problems of adjustment that I've mentioned this morning are going to be relatively easy to deal with in the major cities, perhaps even in Red Deer, but outside those three centres we need to talk about what the transition would look like, knowing that we're already equipped to handle it. One of the things I'd like to add is that I believe that if you move it to the depot system, perhaps there is an opportunity on a fee-for-service basis for the depot network to take them loose-haul in a small centre, pay the deposit out when they have achieved a certain amount of storage, have verified by their management group the value of those returns. They could short-haul them across the street or across town to the municipal recycling depot with a horizontal baler, have them baled there, and then have them go directly to the processor.

#### 11:30

One of the trends that encourages me on the concept of this fee for service, should it move to the deposit network, is that increasingly in Alberta small towns there is a move towards combining the municipal recycling depot with the bottle depot, and I applaud that. I think it's an absolute natural mix, that will encourage increased capture and diversion of plastic in the future. The more such examples like Athabasca we can find, that combine those two under one roof – again, I don't think that's necessarily the best way to go in an Edmonton or a Calgary, but in populations certainly under 25,000 and absolutely under 15,000 that looks to me like an ideal goal for the future, to combine those facilities. That doesn't mean we should close one or the other tomorrow, just that the next time we're ready to open a bottle depot or expand the nature of a municipal recycling depot, we should examine any opportunity that we can to combine those services in small-town Alberta.

At any rate, thank you very much. I hope that my presentation has helped in some way to put the milk jug into perspective with recycling.

**The Chair:** I have some questions. Mr. Lund.

**Mr. Lund:** Well, thanks, and thanks very much for the presentation. I need to know a little bit more about these different types of plastic. You mentioned the high quality, which is used for the milk jugs. Now, we had earlier today – and I don't know if you were here for it – a presentation. Of course, the juice jug is currently in the bottle depot system. Is there a different plastic in that container?

**Mr. Cameron:** There may be. In the main the juice jugs are high-density polyethylene, but there are also some polypropylene and other plastic blends, typically in the smallest of servings.

**Mr. Lund:** Even if it was in the municipal system, how can the operator tell the difference between those two?

**Mr. Cameron:** The emblems for the product content are visible on all of these plastics, so it's just a matter of educating the staff. In the modern era if you turn it over, not only is the jug itself indicated as to what resin it's manufactured from. If you turn over the majority of caps, you'll see that the jug may be high-density polyethylene, that the cap may be another material, including polypropylene or other. It's a matter of the science of the packaging industry to determine what is the best relationship between the thread set on the lid and the thread set on the bottle. That's one of the challenges, quite frankly, for us in the plastic recycling business, that what are called rings, caps, and labels tend to represent contamination to the recycling process.

There are some good-news stories emerging with that form of contamination. We now have a major recycler in the province of Alberta who's about to embark on cap, ring, and label recovery, meaning that they'll strip those down through the wash and manual process. They'll be able to take that material, which was previously waste going to the landfill, put it into a gasification unit, use that to heat the water to clean the jugs or the bottles for recycling. So we're starting to see more of these loop-closing techniques, but again I can't overstate this morning the fact that the industry and the science of plastic recycling is continuing to emerge. There are lots of good-news stories, but I can only project that it's going to get better rather than worse.

I think there's much less head scratching going on in the industry than there was, say, in 1995, when we saw the failure of some plastic wood manufacturers and some large, ambitious plants went under in the province of Alberta. We're not seeing that level of failure anymore. We now have large, successful processors capable of handling a wide range of these products, provided that they're separated. So it's a matter of educating the public as to what the resin content is and educating the collecting system as well. That would include the bottle depot network, should they take the project on, and does now include the municipal recycling facility.

**Mr. Lund:** One more, if you don't mind, Mr. Chairman. I find it interesting that you raise the issue about the cap and that that's how you would identify what type of plastic. I had complaints from bottle depots that consumers were not taking the cap off and that they, the bottle depots, were spending extra dollars taking caps off jugs and that for the return that they were getting, it wasn't worth it. I don't know. If we educate the consumer to take the cap off, then how do they tell what kind of plastic?

**Mr. Cameron:** Well, I believe that's true: first handler, first choice for education, always. The further along we move these contaminated products in the recycling chain, whether they contain milk or cigarette butts or lids and rings, the more costly it is to the industry to get rid of the contamination. So, absolutely, public education is key. Our association wishes that it had the necessary funding to mount that kind of education program. We can only work with others in trying to achieve it.

I believe we need to deal with more specific information in public education efforts broadly. I include in there traffic circles in the city of Edmonton. You know, rather than just "drive safely," we need to tell people how to get around a traffic circle. For those of you who



grew up in Edmonton, it's not so much a challenge as for those who visit. It's the same thing with recycling. We need to talk to the people who have it in their hand on the first go-round and are making the decision. Whether the item is to be returned for deposit, recycled, or thrown in the garbage, we need to get the information in their hands.

**Dr. Swann:** Thank you very much for your presentation. We heard from some presenters that moving milk jugs into the deposit system would in fact undermine their own efforts to increase recycling, so I was pleased to hear about your comments in rural areas, more particularly where they combine recycling with the bottle deposit return. What happens, then, to the two fees that you have for plastics, one for the plastic itself and the other a deposit return if it was part of the deposit return system? How would you reconcile both of those, which, in fact, provide incentives?

**Mr. Cameron:** Yes, indeed they do. That was my comment on the potential in rural Alberta for fee for service. I can't tell you in the examples that are out there now exactly how that relationship has been brokered. I can only presume that it has been an accommodation that worked equally for the solid waste administration, as an example the town of Athabasca, and the separate and private organization that runs the bottle depot there. It's not only worked out nicely enough for them, but Athabasca is a small enough town that depending on the amount of traffic flowing through the facility, the bottle depot people come over and help with the baling. If they get a big lineup on Saturday, the people that work for the depot are over helping in the bottle depot, and they have a system for accounting for whose hours were spent where.

Now, I'm going to suggest without equivocation that such a system wouldn't work in a city the size of Camrose, as an example. You need to have a bottle depot, and you need to have a municipal recycling system. But they could easily share the same piece of property or be across the street from one another. That would allow for the easier handling of this baling operation that I was talking about. I believe that is one of the keys to moving the product from one side to the other. Again, we take no position on where it should be. We just think the implications of moving it from the municipal system into the bottle depot system need to be examined very carefully so we understand what the handling protocol would be like and so on.

**Dr. Swann:** Thank you.

**The Chair:** Mr. Hinman.

**Mr. Hinman:** Thank you. One of the things that interested me was that you talked about: the funding needs to come from somewhere. It sounds like milk jugs have certainly been the backbone of the funding for some time, the price going up with cardboard and whatnot. You mentioned the problem with coloured plastics and the value not there. Have you ever considered, being the Alberta Plastics Recycling Association, asking for a tax on coloured plastics and those types of things, that the marketers who want to use and implement and put that dye in have to pay a tax that would make it a disincentive to try marketing with them?

**11:40**

**Mr. Cameron:** That conversation has been around for quite some time in order to facilitate greater amounts of recycling. I should indicate here that there are end markets for these products. It's not like if we pull the plastics from the waste stream in a clean and

uncontaminated fashion, they have no home to go to. It's that the return is not strong enough to encourage people to recycle that component all by itself, but it's back to the landfill, which is where I think part of the funding needs to come from.

I talked earlier about the volume-to-weight ratio of plastics. One of the things that's not commonly understood in the province of Alberta is that we have one of Canada's best designed landfilling systems. We have got tougher guidelines and better engineered landfills than virtually every place in the country. However, they are not cheap. The idea that we can continue to take garbage from the municipal system and from the ICI and willy-nilly throw it into landfill at low cost is simply not on any longer. In all of the study work that I've been involved with involving landfilling, I believe now that the minimum value of a cubic metre of space in Alberta landfills is absolutely at a floor of about \$25. Many landfills now operating in Alberta with synthetic liners or other engineering components that go beyond the norm may be as high as \$75 and \$80 a cubic metre. If we can slow down the use of that valuable landfill space, then we have a trade-off in dollars. That's the reason that these landfill authorities and commissions are funding and subsidizing the depot network.

Now, the same thing applies to all forms of paper. At a given time computer paper typically has the highest value. Cardboard, as you heard this morning, goes down as low as five bucks, currently around \$100 or \$100 and change and has been in my experience as high as \$360 briefly in the late '90s. But there's a tremendous amount of mixed waste paper that still has a home for which they get paid virtually nothing but which the municipal depots continue to collect without any kind of a levy or a tax or other government intervention on the side only because their goal is to expand the recycling rate to increase capture and to do what's the appropriate thing for Alberta's environment. I think we can rely on this depot network to continue to do so as long as they're funded.

If I've left a misconception, please let me correct this. The milk jug funding is not what's keeping the municipal recycling depot system going; it's simply one of the sources of revenue. However, there are very few recycling systems operated municipally outside the cities of Calgary or Edmonton that do not require subsidy from a combination of landfill authorities, municipal government, private grants and donations, business partners, that sort of thing. If we take the milk jug money out of there, what I'm saying is that there is about half a million bucks outside Edmonton and Calgary that would instantly go missing, and that rate is climbing. As you probably heard the Alberta Dairy Council indicate, they are spending more on these support programs. As the capture increases through the existing system, I don't know what the subsidy rate and the sales rate for high-density polyethylene would be in 2009 or 2010, but it's certain to be well beyond a half million dollars within another year or two.

**Mr. Hinman:** My supplemental was: you mentioned that the horizontal baler cost \$100,000. I wasn't sure if that was an additional \$140,000 for installation or just a total price of \$140,000.

**Mr. Cameron:** No. Depending on their capability, power, size, style of conveyor, the price range for a horizontal baler is between \$100,000 and \$140,000 plus installation, which typically runs about \$10,000 to \$15,000. They require three-phase power, and that may or may not be available at the next building you decide. So if you have to bring in additional power supply or whatever, all those costs would be there. They do require a certain amount of square footage to operate, so they are a very difficult piece of equipment to shoehorn into an existing building if you have not contemplated the

size of this inbound stream. These things are large, clumsy, and awkward to deal with.

For the most of you who are from rural or suburban ridings, I'm certain you would have visited your own depot over time, so you have a picture in your mind of what these facilities look like. Very few of them have space that goes begging. They are in relatively confined spaces, and most of them have been designed around the addition of these balers. They tend to be rectangular buildings with about one-third, maybe 45 per cent of the building taken up by this baling operation, which they use for all forms of paper, all forms of plastic, and in some cases tin as well.

**The Chair:** Ms Calahasen.

**Ms Calahasen:** Thank you very much, Chairman. First of all, I wanted to indicate that I really believe we have to look at the recycling of all plastics somewhere along the way and any containers. When I look at the information you've provided, you say that 95 per cent of all Albertans had access to municipal recycling in some form by 2005, and 90 per cent had access to milk jug recycling. My question is: what is the percentage of other recycling that happens to any kind of plastic containers versus milk jug containers?

**Mr. Cameron:** I'm not quite sure that I follow your question.

**Ms Calahasen:** Well, you're indicating that recycling is important; jug recycling and milk jug recycling are important. It's an anchor. Right?

**Mr. Cameron:** Yes. Yes.

**Ms Calahasen:** You're indicating that if there is a loss of milk jug capture, that could cause other forms of plastics capture to stall or even fall off.

**Mr. Cameron:** Yes.

**Ms Calahasen:** You indicated that 95 per cent of all Albertans had access to municipal recycling in some form by 2005, and 90 per cent had access to milk jug recycling. Most accepted a range of plastics and capture is increasing in 2007. My question is: if we have the milk jug capture presently and if you say it's going to fall, what is the amount or the percentage of other plastic containers that we now capture at this stage?

**Mr. Cameron:** Thank you. I guess your question is: what plastics are we recycling in the province of Alberta?

**Ms Calahasen:** What percentage of that, yeah.

**Mr. Cameron:** Expressed as a percentage of all inbound plastics in the province of Alberta, I don't think that can be quantitatively stated at the moment, but the 2005 total for plastic capture and recycling in the province of Alberta from municipal collection systems in 2005 was at approximately 11 tonnes. The total from the post ICI, or commercial, sources was about 17,000. That takes us to just short of 31,000 tonnes in the province of Alberta in 2005. We believe that all plastic recycling is increasing at an average rate of approximately 16 per cent, so we are probably upwards now, by the close of 2007, of about 40,000 tonnes. We are encouraged by that number, and we want to see it go higher.

My reference with the milk jug to other forms of plastic is that of that 95 per cent of Albertans who have access to recycling, some can

recycle plastic milk jugs but not shopping bags. Some can recycle shopping bags and milk jugs but not margarine containers. Some can recycle those three products, but there's no acceptance there for other rigid plastics, and so on.

We're very encouraged by some of the developments over the last 12 months in the province of Alberta. There was a recent conference sponsored by Northern CARE, who I'm sure particularly the northern members will be familiar with, at which we gave a presentation about the challenge of making sure that everybody was recycling the same things and getting together on the marketing of them. Northern CARE has volunteered to identify, first of all, who's recycling what all across the province of Alberta, which is essentially everybody on highway 16 and north, and then, furthermore, to work co-operatively with their own members to say: let's get our act together and make sure that we're all recycling the same thing. I believe that initiative alone for a significant part of the province's non-urban population will immediately cause a spike in plastic recycling, but the good news is that it will cause a spike in other forms of paper recycling as well because they're going to say: oh gee, you guys, you should have been accepting this all along; you know, we can help you market it.

The great challenge has been that all of these depots popped up all over the province of Alberta in the late '90s and early 2000s, and they tend to be co-operative in speaking with one another on the phone and exchanging information about, you know, who's buying this or who's buying that, but there is no central number they can just phone and say: how can I get rid of this? Then they're faced with the challenge of getting rid of a very small – even though they're down there burning the midnight oil, collecting as hard as they can and baling it, in the total recycling picture the product coming out of a town of 10,000 is just sand in the eye. But if we can combine these various centres, now they can sell all of their plastic perhaps once a year rather than trying to give away two bales of plastic when they're sending in a load of cardboard, which is frequently what happens as the hauler, who is desperate for the paper, says: well, okay, I'll take a partial load of plastic because I need the paper.

What we need to do is to make sure that these products are stored, that there is regional knowledge of who's got what, and that we can now get a truck to go out there and get all of that commodity and take it to the end house rather than bringing the plastic back to a paper recycler, leaving it in his yard for six months, and then he's got a little more of it and moves it on over. We really need to see this municipal network, which, again, has only really emerged in the last 12 or 13 years outside the metro areas, is still maturing, and we need to get them collecting all the same products. We are very anxious to see them collect more plastics, a wider spectrum of plastics, for which we know there are currently homes.

11:50

**Ms Calahasen:** If we take out the milk jugs from the area and put them into depots, you're saying, then, that probably will drop off as you've indicated here? How would we encourage more of the recycling of plastics?

**Mr. Cameron:** I think that's my fear only. I don't have any way to prove that because I have no experience in observing another jurisdiction where we had a municipal depot system exactly like Alberta and we moved it to a deposit container system. But I think that we have been able to encourage increased plastic capture by saying, "Great job you're doing with the milk jugs. Can we help you get other plastics?" knowing that there's funding on the table to help supplement their activities.

If we take away that component of the funding, there is less incentive for them to get aggressive in terms of these less marketable and less desirable plastics in terms of the marketplace. Regardless of the value of the plastic the emphasis on having it recycled should be the same. We should not only be after the highest value commodities. That would be like saying: "Well, we're going to recycle only computer paper in Alberta, and we're only going to recycle cardboard as long as it's over 75 bucks. The day it goes under 75 bucks, back to the landfill." This makes no sense because it costs more than 75 bucks to put it in most landfills.

**Ms Calahasen:** Thank you.

**The Chair:** Thank you for that extra info, but we've got to stick to beverage containers.

**Mr. R. Miller:** Well, thank you very much, Mr. Cameron, for your knowledge and experience that you've brought to the discussion this morning. Having said that, you raise more questions than you answer, I think. I appreciate that because they're questions that I think we should all be mindful of. Can I paraphrase your presentation by suggesting that you believe we should be very cautious before we make what would be a major policy revision in terms of a deposit program for milk containers?

**Mr. Cameron:** I think that might be the right paraphrase. I don't think we should fear moving from one to the other, but we should understand what the costs are: what the social costs are and what the infrastructure costs are going to be not only for the new system but for the system that's left behind. Yes, I think that we need to see very clearly what all of these implications are before the decision is taken.

**Mr. R. Miller:** In the way of a supplement I'll just comment that my thought to this point is that given that nobody else has done this yet in North America, I'm starting to sense that we don't have the answers to those questions either. You clearly don't feel that you do, and I'm not sure that we do yet.

**Mr. Cameron:** Well, I think the answers are available. I don't want anybody to take my comments to indicate that we can't do this because we don't know what will happen. I think what we have to do is to say: if we wish to do this and we wish to do it because we believe that it will result in an increased capture rate for the milk jugs, then we should proceed, but before we do so, let's find out exactly how we think the cards are going to fall. That's all my recommendations are. Let's find out everything we need to know before we take it away from one system and move it to the other, keeping in mind that the system that we have now, while not achieving the results it was originally designed to do, is serving Albertans very well. It's a system which was established through funding from the province of Alberta and by the encouragement of Alberta Environment. Once again, I think that with regard to the jug, it's not working as well as it needs to work, but it is part of a system that is serving Albertans well.

**Mr. R. Miller:** Thank you.

**The Chair:** That ends the questions. Mr. Cameron, thank you very much for your presentation.

The committee will reconvene at 1 o'clock.

**Mr. Cameron:** Thank you for the opportunity.

**The Chair:** Thank you.

[The committee adjourned from 11:54 a.m. to 1:02 p.m.]

**The Chair:** I'd like to call the committee back to order. I'd like to thank everyone in attendance here today. There are a few little housekeeping items I'd like to go through. We have two more presentations to take place this afternoon. I'd like to advise the presenters that they have 25 minutes. Hopefully, it'll be about a 15-minute presentation. Then we'll allow the committee another 10 minutes to pose questions and receive some answers. I'd ask that any cellphones or BlackBerrys be shut off so that they won't interfere with our meeting.

I'd now like to call upon our next group, which is Canada's National Brewers, to please come forward. Welcome, gentlemen. I'd ask you to please commence your presentation by identifying yourselves for the record, and please go forward with your presentation.

#### Canada's National Brewers

**Mr. D'Avignon:** Right. Thank you, Mr. Chairman, committee members. We appreciate the opportunity to be invited to provide testimony to the committee today with respect to the system in Alberta. My name is Greg D'Avignon. I'm the president of Canada's National Brewers. We're an organization that represents the beer industry on regulatory issues in the province of Alberta and across western Canada and Ontario. Joining me today is Neil Sweeney, the vice-president of corporate affairs for Labatt North America. Regrettably, given the tight timing that all of us are under, I think, with respect to this committee hearing, Mr. Peter Kaines was unable to attend, but he's asked me to table a letter, which you'll all receive, providing some perspective from his experience.

We want to focus on the issues at hand, and we're also aware that you've raised some individual issues, perhaps on the outskirts of the mandate. Our intent is to provide facts and also some suggestions on how we can improve the system for Alberta consumers and, fundamentally, how we can ensure that we protect the environment.

On the surface it's a fairly simple system, but in fact in Alberta it's complex. It's costly. It's a logistical and service business that has all kinds of wrinkles. It's undermined by ineffective and out-of-date regulation, poor to no enforcement, economic self-interest that comes at the expense of consumers and the environment, and ultimately is faced with the same pressures of a growing population and economy that other industries face in the province.

Brewers are no different than anyone else that has presented, I think, to the committee today. We all have an economic self-interest. We're economically motivated. However, unlike many interests the brewers' system in terms of how we protect and manage containers has a significant environmental benefit which happens to be at risk under the current system.

Just by way of quick background the brewers have recycled and reused empty beverage containers in the province since 1924, in fact May of 1924. The Silver Spray Breweries, which is about 10 blocks up the street, when it opened four weeks after prohibition, started a deposit-based take-back system. The brewers looked after those empty containers from that day forward.

The deposit regulation that came in in the early 1970s was based largely on the brewers' program of returning refillable containers to retailers and nonrefillable containers to the depot system. We paid fees to a combination of hoteliers, retailers, and 165 bottle depots for over 30 years to ensure that consumers had convenient locations to take back their empty containers. Again, as I said, we're economi-

cally motivated to do so, and I'll explain why that is in a moment.

We similarly manage deposit systems based on returning empty beer bottles and cans in every other province and territory in the country. In fact, a lot of that was based on the original stubby beer bottle, that you'll remember is an icon in Canada. It was the first refillable container. The current long-neck container – I brought some props along because whenever you say long neck, people bring different connotations into it; it could be a goose or something else – is an industry standard refillable container that's reused on average 14 times by over 50 breweries across Canada and in Alberta. It's environmentally beneficial because of its reuse, but also it cuts down on transportation because it gets returned to the brewery nearest to where it came back, either the depot or the retailer.

I can give you a bit of a quick life cycle as to how this container works. Mr. Sweeney has got a board that I think has been handed out to you individually. The container gets reused on average 14 times, up on the top. The full bottles are taken to retailers and licensees in hotels across the province. They're sold to consumers, where they pay a 10-cent deposit. The consumer enjoys the product down here, and then the containers are returned in unprecedented levels. This container gets returned more than any other container in the province of Alberta, in excess of 92 per cent. However, sadly, it has dropped from 97 per cent in the last five years. That container comes back to retailers and to bottle depots and to bars and restaurants across the province. Our trucks pick up those containers from bottle depots at our expense and return them, as I said, to the nearest brewery, whether it's Big Rock or a small brewery or a large brewery.

As you can see, we've managed the full life cycle of this container, and because we're dropping off full goods and picking up empties at the same time, often we're doing that with fewer trucks on the road and less greenhouse gas emissions.

As I said earlier, the container gets returned at unprecedented levels, 92 per cent, and as I said, we want them back. The more times we can use it, the less cost there is per container. We want to have the ability to use them and get them back because we're a just-in-time business. For example, if any of you have ever been to a brewery, the warehouse facility is not much bigger than about twice the size of this room.

The container is useful for a variety of reasons. If we just had a single-serve container, we'd have nine times more empty beer bottles in the province than we do today. It removes 15,000 tonnes of greenhouse gas emissions because we're refilling that container. We also provide a subsidy to smaller brewers to come into the container, which reduces the sorts at bottle depots and, therefore, the labour cost but also allows small brewers to get into a packaged product that they can sell into the marketplace, and they can't do that unless that subsidy is there. Again, it's a true co-op where economies of scale prevail and keeps costs down.

Mr. Sweeney is going to talk a little bit about the importance of that container to their production facility here in Edmonton and in the country.

**Mr. Sweeney:** Very briefly, we have a brewery on 99th, and we employ about 200 Albertans there, not including our distribution system. The ISB is incredibly important to that brewery. It is by far a very strong cost driver for us. We can keep our costs down to the consumer by ensuring that our containers come back. The brewery in Edmonton is the single source of refillable bottles sold by Labatt in western Canada. Our capital and people are dependent on having the container returned efficiently and at the lowest possible cost.

We are concerned about the increasing inefficiency in the system here. By way of example, on January 1 our cost of bottles will go up

somewhere between 15 and 20 per cent based on the rising cost of glass in the United States. So it's critical for us to maintain a container return system that's economical and efficient and that incents the consumers to return our bottles because, quite frankly, not only do we want them back, but we need them back to keep beer at a reasonable price to consumers.

*1:10*

**Mr. D'Avignon:** That also holds true of the can, which is a predominant container of choice in Alberta. We want those containers back as well. Aluminum is a valuable commodity in today's world, where resources are at a premium. A pound of aluminum is worth about a dollar. We use that scrap metal to subsidize the cost of returning, so it's a true what's called extended producer responsibility, or user-pay, system. So we have an economic motivation, again, to get those empty cans back to help us defray the cost of managing the environment.

The other added value, as I said earlier, is that for recycling cans it requires 95 per cent less energy to reuse a can than it does to use a virgin can. In the United States, for example, return rates are as low as 3 per cent for aluminum cans. In Alberta, again, the brewers have the highest return rate on cans in the province, at just over 86 per cent. Over the last five years recycling beer cans has meant that 23,000 metric tonnes of aluminum, or 150,000 metric tonnes of greenhouse gas emissions, have been averted from landfill and from our environment.

As I said earlier, the committee has been charged with looking at a number of issues. I'd like to try to sequentially go through some of those and give you some examples of some solutions to problems we see and that the committee has addressed but also some concerns, the first of which is deposit levels. Brewers, as we stated earlier, are the only container class to exceed the province's standard of 85 per cent return rates. We've done that for decades, but we're in jeopardy of falling below that because of some of the inefficiencies and the lack of convenience for consumers in the province.

We have containers of similar size to other containers in the marketplace, most notably pop cans. I brought some along today just to give you a sense of the absurdity of the deposit level. It's difficult, perhaps, from where you're sitting to distinguish which is beer and which is pop, but each of these is a beer and a pop container. They're almost identical containers, and they're recycled. The deposit level on pop is 5 cents. The deposit level on beer is 10 cents. On average we get a 15 per cent higher rate of return on beer containers than we do on pop containers of a similar type, and that's consistent not just in Alberta but every province across the country.

It's even more important for us, again selfishly, from an economic perspective because a bottle depot has to do two sorts. They have to take a pop can and a beer can and put them into separate bags. That takes more labour, and it takes more time and space. We'd like to have the opportunity to mingle all of these cans in one bag. We would gladly hand over the logistics of that to the ABCRC to improve efficiencies, but we can't because our return rates are higher and our deposit levels are higher.

The difficulty we've got is twofold. One is that a depot could be motivated to put a pop can into a beer can bag, and for every 1 per cent contamination of pop cans and beer cans, brewer and brewer customers subsidize the soft drink industry by \$165,000. We've seen significant contamination. Just last week, as an example, the Beverage Container Management Board's Handling Commission Review Panel met. It's like a utility hearing, and the evidence was provided under oath. I'd ask you to turn your attention to some of those transcripts. What we heard is that there is no contamination in pop bags, but there is significant contamination in beer bags. What

it leads me to believe is that either depots aren't spending as much time sorting the pop cans from the beer cans, and therefore beer isn't taking as much labour, but moreover, as I said, there's an economic incentive for a bottle depot operator to throw a pop can into a beer can bag because they get an extra 60 cents per dozen. As I said, every 1 per cent of pop cans that go into a beer can bag costs beer consumers in this province \$165,000.

The second issue that we talked about – and I generally call it service levels – is a concern we've got in the province, and that's the ability for consumers to have convenient locations to return both in the city and in rural areas.

In British Columbia there are about 4.1 million people; in Alberta there are 3.3 million and growing. Five years ago we had in excess of 340 bottle return locations for beer containers. Today, sadly, that has shrunk to 277. In B.C., by comparison, with not many more containers we have over 1,050 return locations, almost 4 to 1. We get higher return rates, and 92 per cent of the population in British Columbia is within five kilometres of a return location. In fact, in B.C. in the last five years alone we've had 400 new return locations added to the system.

I'll come to the kinds of locations that people can take containers back to because, as the ABCRC will tell you and our research tells you, customer convenience means different things to different people. Some would prefer to take all of their containers back to a bottle depot because it's convenient; they can drop it all off and get rid of it. Others would like to take it back where they live. If you live in an apartment in Calgary or downtown Edmonton, it's easier to drop them off when you're purchasing other products. Other people would prefer to throw it into a blue box or throw it into an alley and let a street person pick it up or whatever it is that's convenient for them to satisfy their environmental intent.

We don't have those kinds of options in Alberta, and with labour shortages and land pressures and bylaws depots are increasingly becoming irrelevant in terms of their ability to service the marketplace. We hear repeatedly of one-hour lineups at bottle depots on the weekend for consumers to take back empty beverage containers, and the consequence is that people are just giving up. The problem in urban areas, where the vast majority of the volume is, is that that's what's driving the reduced returns. In rural areas, where I believe there's a public policy imperative to have the choice to take a container back to get recycled where I purchased it, you have to drive in some instances as many as 24 kilometres to take that container back. It's just not acceptable, again, from our environmental perspective and our economic interest, which is that we want the container back. So we have tried to look at a variety of different things to address those issues.

The other problem is that last year there were a hundred million more containers that came into the system – and we're on track for that kind of growth again this year because of the robust nature of the Alberta economy – but we've had the fastest decline in return rates of any of the western provinces, as I said earlier, with respect to beer.

Our suggestion is to really look at Edmonton. I know the BCMB staff, of which I'm a member of the board, did an analysis of depots right here in Edmonton. Of the 18 depots in Edmonton just six of them are south of the river, where most of the population growth has happened over the last number of years. Only four of those depots are meeting their licence requirement of servicing 40,000 members of the public. They've either been unwilling to move or unable to move. The consequence is that the average return rate up to about May of this year was 69 per cent, well below the provincial average and well below the provincial target of 85.

It's interesting that the BCMB hired a gentleman by the name of

Bruce Acton to do an economic analysis and review of the bottle depot system back in 2002. He knows the numbers as well as anybody in the marketplace and actually applied to open a bottle depot in the south side not too long ago. Because of the BCMB bylaws it was rejected. Now, here's an individual who knows the numbers, knows the system intimately, and is prepared to put his own risk capital at stake, and the system said no despite the fact that return rates are below an acceptable level.

As we said earlier, we believe the issue is – and we heard it last week in testimony – that there's a concern about competition among the bottle depots in the marketplace. If you've got a monopoly system and you add one more person into the mix, you dilute that monopoly. It's our belief that that concern – and we heard it in testimony at the Handling Commissions Review Panel last week – is at the root of the inability to bring new and innovative solutions to the table.

Like other markets we would suggest that you open the system up in the urban areas to competition. Right now a \$500 licence often trades for as much as a million dollars. It's a very low-risk business. You often get paid within four and five days. The supplies are provided by the manufacturers. The transportation costs are covered by manufacturers. The risk you have is managing your labour pool efficiently and managing your depot location.

There's been no net loss of depots, and in fact, as you well know, the best and highest use of land is usually found out in a robust economy. Bottle depots haven't changed hands. They haven't turned from a bottle depot into a high-rise apartment or something else largely because the rate of return we found through the Beverage Container Management Board process in 2005 was 15 per cent after tax. In a low-risk business that's a substantive return. Moreover, some larger depots which are efficient have internal rates of return by our calculation of as much as 50 per cent. It's a lucrative business that's enabled by a regulatory licence that provides geographic protection at the expense of the environment and the consumer.

#### 1:20

As I said earlier, deregulation of depots in urban centres would allow for competition. It would allow for innovation. It would allow for additional types of return locations, like reverse vending machines, kiosks, or, for example, a depot could enter into a joint venture agreement with Imperial Oil to pick up containers from their gas stations around the city and do it in a way that actually is innovative to try and get containers back.

The other thing we support is: the person that looked at the numbers for the Beverage Container Management Board handling process calls for a flat fee for rural depots to ensure that they're economically viable. We support that. Back to my comment earlier, people in rural settings should have the ability to take containers back to where they purchased them and do it in a fashion that's convenient. It's better for the environment, it's acceptable for the consumers, and, from our own selfish interest, we get the container back.

The committee also is looking at issues of unredeemed deposits. One thing that concerned me is that the department indicated that the brewers don't report our unredeemed deposits or our financial information, which, unfortunately, is incorrect. We're regulated by both the Alberta Gaming and Liquor Commission as well as the Beverage Container Management Board. We submit a report that's available to the public and to the board and are under the scrutiny and approval of the Beverage Container Management Board. Part of that report each year is not only how we operate, but it's also based on audited statements and financial statements that we must

supply under the bylaws. We've done that each and every year and had approval of our system each and every year. We're also governed by a stakeholder board made up of industry as well as the government of Alberta to ensure that the rates are set at appropriate and reasonable levels. That's to ensure transparency and accountability.

I can tell you that 100 per cent of the unredeemed deposits in the case of the beer industry are used to offset the cost of running the business. In our case the unredeemed deposits are much lower because our return rates are higher than the average container in the province, but as I said earlier, it's a true user-pay system. We currently have, based on auditors' advice, about \$3 million in reserve. That's intended to ensure that if the corporation is wound up or if the deposit system goes away, we have enough surplus to be able to pay out those containers that are out in the public. I'm happy to make those audited statements available to the committee if they so wish.

I'll quickly move on to a couple of other items given the time. We've already spoken in part to return rates, but we are significantly concerned about the falling return rates in the province and want to ensure that we're doing our best to keep those rates as high as possible. We've had a history in this province of being over 90 per cent for every container we sell. We'd like to get back there, and as I said earlier, we're economically motivated to do so.

We talked about the fact that we would encourage through a flat fee more rural depots. We'd open up return to retail. We'd deregulate urban centres to allow people to compete and provide innovation to the marketplace. I think you need the licensed bottle depots to ensure that they're meeting performance standards, but remove the irrelevant rules that are in place today which require depots to have a certain number of parking spots and a working sink and a variety of other things that are irrelevant to the environmental benefits that they provide.

I won't read it into the record, but I provided you a letter from Mr. Peter Kaines, who couldn't be here. He's out of the country. He provides a unique perspective because he worked in the beverage industry for 40 years. Thirty of that was in the soft drink industry as the head of Pepsi Bottlers for B.C. and Alberta but also as the head of the Canadian Soft Drink Association. He was the founding member of the ABCRC board as their chair and is also sitting as the current chair of the Alberta Beer Container Corporation, the two entities that look after containers. He provides a unique perspective in terms of the motivations and what can be done in terms of improving the environmental benefits of the collection system. I'll leave that to your perusal.

The last thing, I think, which is on the minds of everyone is the issue of handling fees. I know you've heard lots of testimony. The beer industry is often painted as the bad guys in this scenario, and to a certain extent it's even more frustrating for the beer industry. The current handling fees in Alberta are the highest in western Canada and have been for five years. The regulation calls for the lowest possible cost, and as I said earlier, we have an interest in trying to get our containers back as efficiently as we can.

Brewers came into the monopoly depot system, which used to be a bipartisan negotiation between soft drink and bottles. When the brewers came in, it became a tripartite system, which enabled two parties to essentially come to an agreement at the expense of the third. Our interest was to ensure that we had the facts. In any monopoly disclosure is important. The court found—Madam Justice Bielby—that there was no basis of sound information to set rates initially, and they directed the current process we're in, which is a form of a utility process. We're just about concluding that now. They found that depots are a regulated monopoly with no choice for

manufacturers but to sell their containers back to the bottle depots.

The proposed rates back in 2002 would have increased the cost to beer consumers in the province by \$12 million annually with no environmental benefit. The BCMB board allows for a veto, according to Madam Justice Bielby, to ensure that the economic interests at the board table are protected from somebody gouging or railroading a rate at their expense. As we said earlier, the court proposed that we go into this utility process fundamentally to get at sound information on the costs.

To give you a comparison of the handling fees paid in other provinces for beer: 28 cents a dozen for bottles, 18 cents a dozen for cans in bottle depots, 18 cents a dozen for bottles and cans in retailers. Alberta retailers are 25 cents a dozen for bottles and 20 cents for cans. It's 30 cents a dozen for bottles in Saskatchewan and 17 and a half cents a dozen for bottles and cans in Manitoba. Alberta is already at 34 cents and, as I said, has additional costs, which I'll walk through very quickly.

**The Chair:** Could I ask you to be quick, please?

**Mr. D'Avignon:** I'll wrap up very quickly.

**The Chair:** Okay.

**Mr. D'Avignon:** The costs in Alberta in the last five years are for the beer industry about \$10 million more today than they were in 2001. Part of that is about a million dollar cost that we incur to fund the Beverage Container Management Board. By comparison, in British Columbia there is no regulatory cost. We've had about a \$750,000 increase in costs to handling commissions in British Columbia; in Alberta we've had an \$8.7 million increase in costs. So combined we've had, as I said, a \$750,000 increase in costs in B.C., a \$10.1 million increase in costs in Alberta, and the return rates are dropping faster in Alberta than they are in British Columbia. We're paying more, the consumer is getting less service, the environment is getting impacted more, and at the end of the day we've been in a position where we've had to try to defend the consumer through making sure that facts come out and are borne out in the system.

The last thing I'll leave the committee with is: our interest is to try to drive efficiency in the system. I talked about harmonizing the deposit and moving our cans over to the ABCRC, but we find ourselves often in difficult circumstances. I'll table with the committee some evidence of depot audits that we did in October of 2003. We audited cans. There should be 1,800 cans in a bag. What we found in a variety of these audits was that in one particular case, which I'll share with you confidentially—and it was about the middle of the road—there was a 6.69 per cent shortage. What that meant was that we pay out \$1.54 per dozen for every dozen that are missing in that bag. If you extrapolate that 6.69 shortage across all the bags, about 213,000 in the province, the consumer in Alberta is paying \$3.2 million to the bottle system for containers that were never returned.

Borderline fraud is occurring in the province of Alberta, and the Beverage Container Management Board and the parties involved have been aware of it since 2003. That same series of audits that we undertook in 2003 found at the bottom of one of the bags, from the photo you'll see here, what appears to be a couple of shovelfuls of rock. I can only assume that that's intended to try to offset the weight differential and the missing cans that were in the bag.

**1:30**

I don't use the word "fraud" lightly. I can see variations in the shortages in the can bags being something that happens, but there's

a consistency in the shortage that is almost exact in terms of the number of cans missing in each bag. What's happened in the last four years to this particular depot that was caught shorting bags? Well, there's no financial consequence because we just pay out the deposit for the containers that are actually returned. In that four years they've actually had their licence renewed. We did another audit of that same bottle depot in January of this year, and I can say that they're improving: the shortage of the cans in the bag went from 6.9 per cent, or about 120 cans per bag missing, up to 10.7 per cent, meaning they were actually shorting even more cans in January of 2007 compared to October of 2003.

The frustration we have as an industry is that there are some bad operators that are protected because of this regulatory monopoly that's been created through their licence. It's impacting the Alberta consumer because they're paying more for a service they're not getting. The environment is being negatively impacted. As I said earlier, our own selfish economic interest is that we want to get as many containers back as we possibly can. We used to get almost 98 per cent of these back in this province. We get 98 per cent in other provinces. The more we get back, the more utility we have, and we can reuse and reuse and reuse this container.

As I said, our interest is to try to find efficiencies in the system, which is what the utility process is doing. We are interested in finding the facts so that depots can make a fair and reasonable rate of return and, most importantly, that urban depots have the ability to have the economic wherewithal to stay open to service rural citizens in this province.

Lastly, we would suggest that that innovation needs to take place, or we're going to be in a very significant circumstance in about three years or four years from now as the population continues to centre in urban areas that just don't have the capacity to get beverage containers back. Particularly if milk is one of the containers that comes into the system you're considering, there just isn't the capacity or the ability to manage that volume.

Thank you very much. I'm sorry that I'm three minutes over, but I'm more than happy to take your questions.

**The Chair:** You're welcome for your three minutes. I guess we run different clocks. It's important that we hear from – you're the only group that was really representing from the other industries.

**Mr. D'Avignon:** We consolidated from three organizations down to one to try to save some time.

**The Chair:** I was lenient in allowing that.

Any questions from the committee? Mr. Miller.

**Mr. R. Miller:** Thank you, Mr. Chairman, and thank you, Mr. D'Avignon, for your presentation. I, too, have concerns about the openness and transparency, and as you noted in your presentation, even the department has made some comment as to their concerns about that.

I undertook to learn as much as I could about the Alberta Beer Container Corporation and came up virtually empty-handed. There is no website. I couldn't find any annual report. I couldn't find any explanation as to the relationship between Canada's National Brewers and the Alberta Beer Container Corporation. I'm wondering if you could please enlighten us as to what that relationship is and why it's so terribly difficult to find anything online. Even Canada's National Brewers comes up with a nice little info piece that tells me who you are but nothing in the way of what I would consider to be publicly available information.

**Mr. D'Avignon:** Sure; more than happy to. I'll step back for a second. The beer industry, as I said earlier, is regulated not only by the Beverage Container Management Board and the Ministry of Environment but also the Alberta Gaming and Liquor Commission. We're unique in the context that everything we do is regulated, from distribution to sales to marketing as well as our environmental returns. We have an obligation under the regulation of the Beverage Container Management Board to establish what's known as a common collection agent. When we were brought in in 2001, we needed to do that, so we created an entity like ABCRC, which is a not-for-profit corporation called the Alberta Beer Container Corporation. It's a duly incorporated company in the province of Alberta, and that corporation is responsible to the Beverage Container Management Board.

We file a report every year and have done so since 2001 with the Beverage Container Management Board. I'm more than happy to furnish you with those reports. I'm not aware if they're online with the BCMB or not, but that's our obligation under the regulation.

As I said, it's managed by a stakeholder and government board. It's made up of Big Rock, Molson, Labatt, Sleeman breweries. As well, the Alberta Gaming and Liquor Commission has a representative to manage and represent other small brewers that don't have an interest or import beer containers. As I said, we report to the Beverage Container Management Board in exactly the same fashion as the ABCRC does.

In addition to that, Canada's National Brewers, as I said at the outset, is a regulatory association of Molson, Labatt, and Sleeman breweries. We work with small brewers in other provinces on a variety of issues, from taxation through to environmental and social responsibility. We do that in order to provide some economy of scale both to the companies but also for governments so that you don't have, as you may have seen today, five or six different organizations that effectively represent the same interests.

In terms of the relationship, I have a responsibility as the secretary of the Alberta Beer Container Corporation. Again, under the bylaws of the BCMB the ABCC, as it's called, Alberta Beer Container Corporation, can't nominate someone to the board of the Beverage Container Management Board. A space was created for the beer industry. So we had to create this group called the Alberta Brewers' Association, which is made up, effectively, of the same group, which nominated me to the board. We go through a process that's approved by the BCMB to do that.

So we're, if you will, the victims of regulation in that we've got to set up a variety of different organizations to comply with the different regulatory requirements we have in the industry.

Again, Mr. Miller, I'm more than happy to furnish the last four or five years' worth of annual reports, which includes our operating report, the bylaws, and the obligations we have and agreements with the bottle depots and with our contracted operator, that has been looking after empty containers for beer in the province for the last 40 years.

**Mr. R. Miller:** Thank you very much for that answer. I would ask that you make those reports available through the chair to the clerk – is that the correct procedure? – and thereby they would be available to all members.

**Mr. D'Avignon:** Whatever is the most convenient for you.

**Mr. R. Miller:** In the way of a supplementary question, then. You indicate that all of the unredeemed deposits currently go into the recycling program. I'd like a little more explanation as to what exactly you do with what I understand to be somewhere in the area of \$11 million last year in unredeemed deposits.

**Mr. D'Avignon:** Yeah. I don't have the numbers in front of me, but that is a number significantly higher than I recall. Not unlike the Alberta Beverage Container Recycling Corporation, effectively it's a simple model of the costs for each container stream. Beer is responsible for the industry standard bottle, the Sleeman refillable bottle, as well as nonrefillable bottles, often called imports, as well as beer cans. Each of those streams is managed independently. The costs associated with handling those containers – so the depot handling fee, the transportation picking them up, the supplies that we provide to the depot to get those containers back, the administrative and warehousing space we incur, all of those costs – are applied against whatever revenues are available to offset those costs.

The quirk with the beer industry and with the liquor industry is that we have to report whatever the net is to the Alberta Gaming and Liquor Commission, which then builds that into the cost of beverage alcohol. It's an internalized cost, unlike the soft drink industry, which is an externalized cost. It's outside of the price to consumers. That's a regulatory requirement we have through the Alberta Gaming and Liquor Commission.

I'll use beer cans as an example because it's the biggest volume container in our system. Simplistically, the costs, as I said earlier, are transportation, supplies – for example, we provide boxes for a limited number of containers that come back – the can bags themselves. We've got warehousing space, administrative space. We've got the transportation cost to pick those up from the bottle depots and from licensees plus the handling commission we pay to the bottle depots and to retailers.

Against that cost is whatever the value of the aluminum is that is sold to, in our case, Alcoa in the United States. In the case of the soft drink industry it's sold to Alcan. That aluminum plus any unredeemed deposits is applied against the costs of managing the system. The net of that – and over the last five years it has fluctuated from a positive to a negative number – then gets put against the wholesale price of beer under the regulation. The consumer then sees either an increase or a decrease in the price of beer, depending upon whatever that net number is.

**Mr. R. Miller:** Thank you.

*1:40*

**The Chair:** Ms Calahasen.

**Ms Calahasen:** Thank you very much, Chairman. First of all, the question that I do have is regarding the difference between B.C. and Alberta in terms of the bottle locations. I think you said that there were 1,050 in B.C. and 340 in Alberta.

**Mr. D'Avignon:** Just over 270 in Alberta.

**Ms Calahasen:** What you're saying is that with the high numbers of bottle depots in B.C. they have a higher return rate?

**Mr. D'Avignon:** For beer containers.

**Ms Calahasen:** Can you tell us what the percentage is?

**Mr. D'Avignon:** Well, our return rates for cans are about 90 per cent in British Columbia and about 94 and a half per cent for bottles. They're down a little bit. The phenomenon is that we've had, as I said earlier, 400 new locations come in. Some of those are bottle depots, but some of them are also retail stores. You get a bit of this in Alberta as well.

If I open up a new liquor store, the brewers and the wineries and

the spirits industry have to provide the initial inventory for that store, and it gets cited as a sale in terms of the calculation for return rates. But, in fact, you never really get that container back because their shelves are never empty. If you will, there's a volume that goes into the marketplace that you never really get back because you're always replenishing it. So there's been a reduction in B.C. and to a certain extent in Alberta because of that increase in the number of new stores.

I see Mr. Szumlas sitting behind me. He can probably tell you the exact number of new stores in the province of Alberta in the last year, but in B.C., for example, we've had almost another hundred in the last year and a bit but 400 over the last four years.

So to answer your question, there are just over 200 government liquor stores, there are 200 rural retail stores, there are about 600 private retail stores, and then in the province of British Columbia there are about 170 bottle depots that take beer containers back. Of those, we have contractual relationships with about 45.

**Ms Calahasen:** Sorry, Chairman; may I? So in essence what you're saying is that with competition we seem to see a higher rate of return.

**Mr. D'Avignon:** Yeah. I can give you an example. We've GIS mapped British Columbia and Alberta. It's software where you can pinpoint the location of return sites, and then also you can overlay a variety of different statistical information, consumer behaviour patterns, transportation, all those kinds of things. You have huge holes in the province of Alberta, and/or you have bottle depots that were given out 20 or 30 years ago that are in the wrong location. That's why the system we had prior to 2001 – we often had, for example, two hotels in an area that were taking containers back and a bottle depot across the street. We didn't need the bottle depot across the street because it was just surplus. It didn't provide any additional convenience to the consumer. But when you have more return locations in an area where people can conveniently take containers back, that assists in the return rate of containers. Similarly, we find that case in Ontario as well.

**Ms Calahasen:** Thank you.

**The Chair:** Mr. Eggen.

**Mr. Eggen:** Thanks so much. Thanks for your presentation as well. I just wanted some clarification of something that you said earlier about the application of the revenues from this overall recycling procedure that you go through, the aluminum and the unredeemed deposits and all this. I heard you say that you apply that against the wholesale rates of the beer. Could you perhaps just clarify that a little better for me?

**Mr. D'Avignon:** Yes, I sure can. It took me two years to figure it out, so you've got 90 per cent of it in about three minutes. Again, walking back, there are two component parts to the recycling costs. There's the cost of managing the beverage container, which is handling fees, transportation, supplies, administration, warehouse space – let's for illustration's sake say that that's 10 cents a dozen – and then there's revenue that goes against that particular container type. In the case of the ISB other than unredeemed deposits, which are relatively small, there is no revenue because we're getting the container back. We don't get any revenue from selling glass or materials. So the net cost is going to be the total cost less the revenue that is generated, in this case from unredeemed deposits. Let's say that that number is 5 cents.



That 5-cent cost is reviewed by the Alberta Beer Container Corporation board. It takes a look at future assumptions based on currency fluctuations, based on return rate patterns, based on sales in the marketplace to try to figure out what the rate should be going forward because we don't want to change the rate every few weeks, ideally once a year if possible.

Then we have to under the regulation notify the Alberta Gaming and Liquor Commission and say: "Okay. A case of beer is \$10, and that's what it's going to be sold at to liquor retailers and licensees and bars and restaurants across the province, which includes the tax that the Alberta government collects. On top of that we'll also collect the 5-cent net recycling fee." So the cost to the retailer is going to be \$10, which is the cost of the product, 5 cents for the recycling portion, plus the \$1.20 in deposit, 10 cents per container, and that's what the retailer will purchase. They then when they go and sell it to the consumer mark that up based on whatever their markup is and charge the consumer the \$1.20. Then when the consumer takes that back, the depot pays it out, and we pay the depot within usually four days the deposit plus the handling fee. So that gives you a sense of how the economic . . .

**Mr. Eggen:** Yeah. I just was curious, you know, how that differential might apply across, if that's just a blanket rate that's set for all of the product that's going into the store.

**Mr. D'Avignon:** It's a blanket rate by container type, so the rate would be one rate for industry-standard bottles, one rate for import bottles, one rate for beer cans. The same thing applies to wine bottles or spirits bottles or other container types.

**Mr. Eggen:** Right. So there is some measure of the efficiency that you guys are realizing through your various recycling efforts that is being applied back to affect the wholesale rate of the actual product.

**Mr. D'Avignon:** Yeah. Absolutely. For example, I talked earlier about how our trucks go out full with goods and pick up the empties. I didn't share, because we ran out of time, what often is happening. We used to go and pick up those bottles, largely bottles because that's what gets sold in bars, for free, so there was no cost to the consumer of Alberta. We'd do it and bring them back because the truck was already there. What's happened is that now that the handling fee went up in 2001, bottle depots, not surprisingly, have a little bit more money in their hands, and they can pay a bar or restaurant an inducement to get the container.

The best example I can give you – and this is a factual example. In Red Deer our transportation company has warehouse space. A bottle depot comes in from a community about an hour away from Red Deer, goes to all the bars and restaurants in Red Deer, picks up a bunch of these, takes them all the way out, an hour out of town, and then our truck goes from Red Deer, where they were picked up, all the way out to pick them up at the bottle depot to bring them back to Red Deer. So the containers move back and forth four times. We've had to pay 34 cents a dozen, and there's been no added value other than the fact that the trucking companies have emitted a lot of greenhouse gases and there are more trucks on the road. So you get those kinds of perversions in this economic model because of the licensing system that's in place. It just doesn't make any sense.

**Mr. Eggen:** Thank you.

**The Chair:** Dr. Swann.

**Dr. Swann:** Thank you. You're increasingly complexifying the whole system.

**Mr. D'Avignon:** I'm sorry.

**Dr. Swann:** I appreciate knowing how complex it is and your comments about some of the problems with the monopoly system and even fraud at some levels and clearly inefficiencies and waste and environmental consequences.

I have not heard clear conclusions and recommendations for how we could reconcile two systems that are presently trying to work together, apart from stronger regulations, perhaps, and deregulation of some of the depot systems. Can you summarize your key recommendations to improve the returns and improve the efficiency of the existing system?

**Mr. D'Avignon:** I sure can. By two systems I take it that you mean the Alberta beverage container recycling collection system and our collection system?

**Dr. Swann:** That's what I mean.

**Mr. D'Avignon:** Yeah. I mean, the two systems exist, first of all, for two reasons. One is that we go and pick up beverage containers from places that the Alberta Beverage Container Recycling Corporation doesn't. We service liquor retail stores and bars and restaurants, as I talked about earlier. A good portion, in fact 23 per cent, of these containers are sold on-premise, as we call it, in a bar or restaurant or other, so we're motivated to go to those places and get them back.

**1:50**

Where there's a huge opportunity for efficiency, the first recommendation is to level the deposit rate for pop cans and beer cans. That will enable us to go to the ABCR and say: "Great. We no longer have to get a depot to do two sorts. Put them all in one bag. You can pick them up. You can sell the aluminum in the marketplace, and you've got some leverage now because you've got double the volume." What we want to ensure, though, because our return rates are higher than they are for soft drinks, is that there's a proper audit process in place and that we've got a clear accounting for the revenue and the volume that comes back so that we can be transparent to beer consumers in the marketplace to ensure, as I just explained to the member, that the costs are appropriate. So that can be resolved.

The second issue, as I said, is to deregulate the bottle depot system in urban areas and largely the highway 2 corridor. There's already competition in those areas despite the geographic constraints. People have trucks and they go out and pick up from a bar or a restaurant or a school or some other location in the geographic-controlled area of another bottle depot. Some operators, like a lot of industries, are more efficient than others. But the problem you've got is that the regulations require that you've got this buffer of so many kilometres. It also requires that you have these arcane rules around parking spots and things that really don't bear any basis on the value of the service that's being provided. Also, it's a system that's based on an old model of land economics, which is to go get 5,000 square feet in downtown urban Calgary or Edmonton, which just isn't economical any longer.

If you deregulate it, as has been done in other markets, you have the ability to allow entrepreneurs to put their own risk capital at play and service the public. The value is that for every additional container they get back, they already have a fixed cost, so their profit increases on that incremental additional container that comes back. The other consequence is that the consumer is better served because now they've got a plethora of opportunities to take their container back other than having to wait for an hour in line at a bottle depot in

a location where there may be a fraud taking place, which is further increasing the cost of the system itself. So that's a key, I think.

The other is that, quite frankly, the Beverage Container Management Board functions fairly well outside of the handling commission issues because of the economic interests at play. I think it's commonly misunderstood that there's a veto for everything at that board. There isn't. It's just the veto related to handling commissions. We operate as all boards do, on a 50 per cent plus one basis, and we get some things done. The problem is that because of the economic interests of the board, the right thing doesn't often get done, and that's why parties like the Bottle Depot Association and ourselves had to file suit against the BCMB. We had to get an objective observer to come in and try to get at the core of what the facts are and what the costs are. We've incurred in our case almost a million dollars trying to advocate to just get some transparency in the system, and that just isn't appropriate.

So if you replace the BCMB board with a professional board and bring in economic interests like myself for the bottle depots or others to provide advice to that board on an ongoing basis, that would be useful, and then decisions would get made on what is the lowest cost to consumers and what's the best impact to the environment.

Lastly, we think that you should continue to collect the financial data from bottle depots in the province of Alberta to ensure transparency, but also that becomes the catalyst for how much rural depots should get paid as, if you will, a stipend to ensure that they're economically viable in their communities. As you know – and many of you are from rural ridings – there isn't a lot of volume in containers that go through some places. In fact, the BCMB used to require that you had to have another business just to subsidize it. Well, the industry now is a pretty big industry. You've heard that \$89 million of deposits flow through it. It's a significant monetary cash-flow system. We've got the means with very little money to be able to ensure that consumers outside of Calgary and Edmonton and the highway 2 corridor have access to return their containers, and if you provide a flat fee, you'll be able to do that. I think one concern was that there was going to be a rush of bottle depots in rural Alberta, and I say good.

**The Chair:** Thank you.

Mr. Eggen.

**Mr. Eggen:** Yes, just very quickly. You said that your bottles go through so many life cycles. Then what happens to them?

**Mr. D'Avignon:** Oh, they're either broken or cracked or not usable. If you've ever been to a brewery, we actually X-ray every bottle three times in the production line, so checks for inclusions and potential breaks or chips or whatever it might be. Those get culled out, and then they get recycled with a glass recycler in the marketplace. It ranges, depending upon the market, anywhere from 1 per cent to 3 per cent, depending upon whether there's new glass coming into the system or whether there's a percentage of glass that's been in the marketplace for some period of time. That all gets recycled as per the regulation.

**The Chair:** Mr. Miller.

**Mr. R. Miller:** Thank you. Mr. D'Avignon, you spoke in your submission about the stresses put on the system and the declining rates of return that accompanied the addition of beer containers to the current recycling stream. I think you touched on it, but I'm wondering if you could outline whether or not you foresee similar consequences if we were to add milk containers to the stream?

**Mr. D'Avignon:** Yeah. I might clarify your comment just a bit. We've always been in the system. I think there's a misnomer that somehow all of a sudden beer came into the depot system. We've been there for 30 years. The reality is that sales are going through the roof in beer and pop and wine and spirits, like all other consumer goods in this province. The growth in beverage container sales is outpacing the growth in the economy, and as a result, the return of containers is outpacing the growth in the economy. You've got a hundred million more containers coming into the system coupled with, you know, a 10.6 per cent population increase. So that's where that pressure's coming from in terms of the volume. There are some operators that are good at managing that volume and some that are abysmal at it.

I think what needs to happen if milk gets brought into the system is that you're going to have more consumers returning more containers in an already bottlenecked system. I know that the committee has been talking about the innovation of opening it up. For example, the department talked about opening it up to retail. I would encourage any opportunity you can to return containers to some infrastructure that's already in place because the capital cost of adding a new type of return location may be prohibitive for some. In other markets there are mixed systems of retail and depots that work very effectively. In fact, it's embedded in the regulation in British Columbia. We have a retail system largely. A hundred per cent of our containers come back in Manitoba in the same way.

I made some suggestions. For example, in Michigan, which I've been to, beverage containers go back to retail, and largely they're put into reverse vending machines. This is a big province with about 1.5 billion containers this year. There's enough economy of scale to go out and negotiate with some of the world's largest reverse vending machine companies to bring some of those machines into either liquor retail stores or into grocery retail stores. I don't know if you've seen them in grocery stores in Michigan or California or Oregon. They're very small, convenient, and they can actually be a revenue generator. In the case of beer 78 per cent of our consumers buy more beer when they take their containers back, so their retailer actually benefits by providing that additional service. Not to speak on behalf of John, who's behind me, but it's good for their business.

I'm more than happy to go into more detail, because we operate systems in every market in the country, but I'll stop because I'm looking at the clock and the nervous twitching of the chairman.

**The Chair:** The chairman isn't totally nervous, but you may owe John some complementary beverage or something later for having given up some of his time.

**Mr. D'Avignon:** I've got enough money in the bank with John that it might be the other way around.

**The Chair:** Well, this ends the questions from the committee. I'm sure that you've given us lots to think about and lots to work on. So, Mr. D'Avignon and Mr. Sweeney, thank you very much for your presentation.

**Mr. D'Avignon:** Thanks for your time.

2:00

**The Chair:** It's my pleasure to welcome Mr. John Szumlas from the Alberta Liquor Store Association. Sorry for the delay, sir.

**Alberta Liquor Store Association**

**Mr. Szumlas:** Hello. No problem. Thank you very much, Mr. Chairman, members of the committee. As a student of participatory

democracy I welcome this opportunity of presenting to the Standing Committee on Resources and Environment. I bring greetings on behalf of the 522 members of the Alberta Liquor Store Association, who, as all of you know, sell beverage containers, so this topic is one that is near and dear to our members' hearts.

You may or may not be aware, but the last time that the deposit system was modified in this province, I as an official with the then Ministry of Environment was intimately involved in moving it from 2 cents to 5 cents. That was done – I hate to tell you this – close to 20 years ago.

So let me commence. I recognize the time, Mr. Chairman, and I appreciate the opportunity to appear before you and the committee.

The Alberta Liquor Store Association, as you know, was established in 1994, shortly after the desire, the wisdom, and the trust that the government of Alberta had in allowing Albertans to responsibly retail adult beverages. It is closing in now on 14 years, and I think that by all accounts there's no one in this province who can stand before you with any sincerity and say that the system has not worked. It has been an outstanding success. We have opportunities for Albertans to acquire and responsibly consume a multitude of adult beverages that run the gamut in the numbers that have been placed before you, running to 32,000 different products that have moved through our warehouse and some 13,000 different products that are available for sale across the province, so it's been an outstanding success.

We only sell adult beverages in individual serving containers, so we are very much a contributor to the beverage container cycle, and we feel that we have a need to come before you to answer the six or seven questions you pose but also to share with you some of our experience and some of our understanding with respect to the challenges that the existing designated administrative organization faces.

Some of you probably know that I personally have taken a position for the last number of years that the current designated administrative organization known as the Beverage Container Management Board is dysfunctional. Frankly, I strongly recommend that a wise decision of the committee is to recommend to the minister to disband the DAO and make it a subset of an existing designated administrative organization like the Alberta Recycling Management Authority, which currently has two or three streams and some other streams added to it so that the public policy governance component can be undertaken without the competing vested interests that are very endemic of the challenges that the BCMB has faced and will face and continues to face.

Back in 1988, when we approached then the soft drink manufacturers to realistically look at the fact that less than half of all of the containers that they sold on which deposits by Albertans were paid that they collected, that they administered, that they held, close to 36 per cent, I believe, if my memory is correct – and I am getting old – were never redeemed at a universal depot. We moved from 2 cents to 5 cents, and instantaneously that collection went back. Some of you may recall the whole notion of collecting bottles, and I know that there are a few of you in the room that recall that. When I was a young child, it was something that I viewed as a tremendous economic stream. It was predicated on and modelled after the gopher-tail equation, that the Member for Cardston-Taber-Warner's father was very much involved in back in the '60s. So Alberta has a long history of good waste management rules. With Mr. Yurko's appointment as Canada's first minister of the environment beverage container regulations were put in place, and it worked for the most part very well.

I know that Mr. D'Avignon, who can talk circles around me and, I'm sure, a couple of others in the room, very much eloquently

articulated that their container bottle for beer worked extremely efficiently. What's necessary is to underscore that what we have to focus on are the public policy objectives that are necessary, and that is to get containers out of the waste stream and allow Albertans to get their money back. They have no choice. They must pay the deposit when they purchase, either from one of my members or from any other retail outlet.

That's why I strongly recommend, Mr. Chairman and members of the committee, that in addition to strongly recommending that this subset of the waste stream should be managed by one governing board, in this case the Alberta Recycling Management Authority, if that's your wish, you need to ensure that all beverage containers that are sold for single-service purposes or beverage containers have the same redemption rate. It makes no sense for our members to sell beer and charge a 10-cent deposit on the identical can for the authorized mix that we're able to sell, for which we only charge a 5-cent deposit. It makes no sense whatsoever. We want to ensure that all containers have the same redemption rate, the same deposit rate.

You've heard occasionally the notion of reverse vending machines. Well, back in 1995, 1996, when the Alberta Liquor Store Association was moving from a beginning to the next phase, we approached the government of the time and bodies that were responsible for this function and said: you know, our research in jurisdictions across the southern U.S., which has about 18, 19 of those jurisdictions that allow their residents to retail responsibly adult beverages, shows that they have embraced innovation, and they use these reverse vending machines to meet the public policy objective. What is our public policy objective? To keep it from the waste stream. We want to divert. If that's our stream, then multiple access points are critical.

At the commencement of privatization we were mandated by regulation to take back containers. We were mandated by at that time the Alberta Liquor Control Board to take back our beer containers. We did, and we continue to do so. We have about 60 class D. Through an absolute bizarre tale of woe – and I don't have enough time to go through that, Mr. Chairman – we were assigned a designation known as class D beer depot operators. There were about 140 at the commencement because all retailers viewed that as a necessary contribution to two points: one, a contribution to the public policy objective of diversion, and two, to provide convenience and a service to their customers. So we were taking back their containers. Currently there are only 60 because it is a real piece of work. We do want to recommend to the chairman and members of the committee that innovation like reverse vending machines is something that a body whose interests are not focused on economic interests but are focused on public policy objectives can carefully examine.

I also think, you know, that the time for milk exemption is over, and I think that all beverage containers should be wrapped into the equation. Albertans are very, very, very clear in demonstrating that if you make it worth their while, then they will participate at the grass roots in accomplishing public policy objectives. Whether it was in the early '60s or the late '50s, when I went out to harvest Richardson's ground squirrels, I made a lot of money at 5 cents a tail. Providing that there is an economic, realizable incentive, that stream can be and will be back up to our 90 percentile that we were at with beer. We can improve our percentile relative to our return rates on other containers.

## 2:10

The issue of unredeemed deposits. You've had a lot of discussion on that, and my suggestion to the chairman and the members of the committee is that it is an issue that should be considered, but it

should be considered by a dedicated administrative tribunal whose interests are not economic interests but whose interests are public policy interests. We do encourage the committee to recommend that the issue of unredeemed deposits be considered.

The first question that you posed, Mr. Chairman, and then I will conclude by quickly going through them: is the number of bottle depots in the province sufficient? I laughed when I read the question. I go: absolutely not. You know, the 215 depots that we have in this province are identical if not very close to how many depots we had back in the days when I was in the Legislature Building working with the Minister of Environment. We need more depots.

Exemption for milk containers. The time has come. They've had an opportunity to try their volunteer system. We sense that they, too, will admit that it doesn't work, so let's not confuse Albertans any more than we need to. If it's a beverage container, it falls within the parameters of the regulation, and it should be handled in the same fashion.

Deposit levels should be the same. It makes no sense whatsoever that a soft drink aluminum container has a 5-cent deposit and an adult beverage aluminum container, primarily beer, has a 10-cent deposit. It makes no sense. They should all be the same.

Unredeemed deposits. I spoke to that and indicated that it should be reviewed, but it should be reviewed by a tribunal that does not have economic interests as their job one.

Service quality. In my opinion – and I speak to my introductory comments, Mr. Chairman – the Beverage Container Management Board is dysfunctional. Just thank the members. They tried very hard, but we should thank them and send them on their way.

The common collection agency. That was created because of the dysfunctionality of that. Do we need it? I don't know. Should we have it? I don't know. They're competing interests. Beer recycling focuses on getting their refillable container. At one point in time in this province all containers were refillable, whether it was Sicks' Lethbridge Brewery. I'm from Taber, so I'm very proud of that. We used to drink pineapple soda from Sicks' Lethbridge Brewery, but we would take our container back to the ALCB outlet or to the retail operation that sold it.

I will wrap up by saying, Mr. Chairman, that I thank you for this opportunity. I look at my clock. I have consumed 13 minutes, and I followed the note that the chairman sent: keep it tight and keep it short. If there are any questions, it would be an honour to answer them. Thank you.

**The Chair:** Thank you, John.

**Mr. Eggen:** Thanks so much for your presentation. It was very entertaining and useful too. My question is directed to your opinions about the board. Now, are you suggesting that we, in fact, just function without that board, or should we change the terms of reference or governance in how that board conducts itself?

**Mr. Szumlas:** No. I think that with the greatest amount of respect to the chair, Mr. Eggen, the reality is that a single-commodity designated administrative organization may have had a purpose back five, 10 years ago, but today, like electronic waste, like tires, like paint, like used oil, which continues to have a separate entity but hopefully not for long, the issue is public policy objectives. We want to maximize an environmentally sound method to capture, recycle, and reuse certain entities. So giving them new marching orders, in my opinion, will merely – I heard Mr. D'Avignon indicate, you know, a million dollars in lawsuits, and I'm not sure what Mr. Linton from the Bottle Depot Association may have said relative to

their lawsuit, and I'm going: "Well, wait a minute. What's the public policy objective? What do we hope to accomplish here?"

At the end of the day what we want to do is we want to meet what Mr. Hinman's dad's objective was back in the early '60s: we've got to minimize killing cows. That's where this all came from. We had a prize bull that was killed apparently from chewing on some grass that was collected from a ditch that had a broken beverage container in it, and that cow died. So the province of Alberta at the time, under the Socreds, put in place a method to capture and contain junk along roadsides. Not rocket science, you know.

**Mr. Eggen:** Thanks.

**The Chair:** They didn't teach us that in social 10.

**Ms Calahasen:** John, thank you very much for an entertaining presentation but also very informative. I didn't know that you were that old.

**Mr. Szumlas:** I am.

**Ms Calahasen:** I always thought you were a young buck.

**Mr. Szumlas:** Oh, thank you.

**Ms Calahasen:** You've been involved in this for a long time. I remember 1989. We were dealing with this issue for many, many years, and then we pulled together this BCMB – is that what it's called? – the Beverage Container Management Board. We've talked forever about what we need to do in order for us to reduce, reuse, and recycle. Right? My question to you, then, is: if we have situations where we're not doing that, does our policy need to be changed, or do you think it still meets what we're trying to do in today's market, in today's world?

**Mr. Szumlas:** Through the chair to Member Calahasen, the public policy objective of diverting waste that can be used or reused or recycled from the waste stream is a very good public policy objective. The question that the committee needs to look at in its mandate as providing advice on the review of the regulation is: is there a better way?

My recommendation, my advice to you, my long-standing experience in this – I recall the heated debate between 2 cents a container and 5 cents a container; in fact, it was very heated – is: "Listen. What we need is a public policy objective. What is the best way to govern the administrative infrastructure to ensure that we have viable operations like the 16 charitable depots that are providing tremendous community service, those entities located in small, restricted environments, commonly known as rural or isolated Alberta?" You know, they don't have a million people at their doorstep that have some artificial barrier relative to: you can't put another depot into it. That's nonsense. At the end of the day, how do you embrace innovation and ensure that the public policy objective is achieved?

My advice to you is to dismantle the current DAO, assign that responsibility to a DAO that has a broader objective with respect to ensuring that sound, efficient, transparent, accountable governance models are put in place, but make sure that everybody pays 10 cents on their redemption for the deposits for their containers that are the same size.

**Ms Calahasen:** Thank you.

**The Chair:** Mr. Miller.

**Mr. R. Miller:** Thank you. John, for a man with your experience I'm wondering if you would care to comment on the handling commissions, which many others have and you didn't.

2:20

**Mr. Szumlas:** As you know, and I'm sure that in your briefings you have been told, two of us, the Alberta Liquor Store Association and the Alberta Hotel & Lodging Association, have a shared appointee to the BCMB. For the first term that individual was from the Alberta Hotel & Lodging Association, and for this term that individual is a member of the board of the Alberta Liquor Store Association. I have probably in my files close to four feet of data dealing with the dispute, if I can use that expression, relative to the container handling fee, the time when the government made a determination that beer containers would become part of the universal depot system. We came to a very quick, you know, resolution of the matter with the beer entities to indicate that we want you to continue to keep the cost of our shelf product down. Our depot operators indicated: well, here's a responsible fee that we need to levy so that we can continue to redeem those containers.

Now they've spent hundreds of millions of dollars, and I'm going: whoa. You know, it's foolish, unnecessary, and in my opinion it needs to stop. I think that our chairman and the learned members of this committee can recommend resolution to this very quickly by dismantling a body that, in my opinion, by its bylaws make it impossible for a resolution of the handling fees. I gather they get along really nice on everything else. Well, at the end of the day I don't care about everything else. I care about: how can my member make sure that the container he sells doesn't end up in a ditch, doesn't end up on a street, and doesn't end up in a waste stream that's going to go into a landfill? That's what we need to focus on.

**The Chair:** Mr. Miller.

**Mr. R. Miller:** That's okay. Thanks.

**Mr. Hinman:** Well, thanks very much for the presentation. That was very good. The first question I have, though, is regarding the milk containers. In the presentations previously it was referred to several times that because of the value in the milk containers, a lot of other recycling is basically subsidized from it, whether it's cardboard because it goes down or shampoo bottles and whatnot. Is that an urban or rural myth that you could dispel for us, the fact that the milk containers are subsidizing a lot of other containers? We're talking about recyclable beverage containers, which is by far the big picture, but there are a lot of other plastic containers that we're not recycling. What's your expertise on that?

**Mr. Szumlas:** Well, Mr. Chairman, through the chair to Mr. Hinman, the bottom line is that I see a whole lot of my colleagues who are spin doctors sitting in the room today. We can spin anything that you would like. At the end of the day we are talking about a beverage container regulation, and are we putting a bounty on that container for a public policy objective? We put a bounty on the container. Why? Because we want it back.

Now, cross-subsidization. I remember the people from the two larger manufacturers of soft drinks, you know, both our friends from Pepsi and our friends from Coke. They sat in a room over in the Leg. Building on the third floor, where our offices were, and let me tell you how they went on and on about cross-subsidizing water containers and cross-subsidizing that. I kept saying to them: "But you only get 32 per cent of your containers back. What are you doing with the other 68 per cent of the deposits that I pay and every

other Albertan pays?" So let's be frank relative to a public policy objective, relative to beverage containers.

Right now we're not talking about other containers, and if there's a public policy objective that we wish to get shampoo bottles back, well, that's a public policy consideration that should be crossed when we come to that point. Today we're talking beverage containers, and anything that contains beverage we should, as we have stated – you know, we have legislated that they have a bounty. Let's make sure the bounty is identical, and then let's put in place a governance structure that will ensure that our redemption rates don't continue to fall.

I've been looking at the 2005-2006 annual report of the BCMB. I was appalled to see, notwithstanding more containers and more people, that our redemption rates are lower. I'm going: what are we doing? You know, that's got to be a wake-up call.

So my advice to you, sir, is that we'll have to spin in a room. We can spin some more, but at the end of the day we're talking beverage containers, not shampoo containers. We've got a bounty on them. Why? Because we want to keep them out of the waste stream and landfills. If that continues to be our public policy objective, let's get it done. Enough of this, in my opinion, wasting our time standing before judges and arguing technical points of law. I've gone in, and they're sending me briefs about a thousand different variables, and I'm going: "I don't want to read this stuff. I just want the container not in the garbage, period. Make sure that I get my 10 cents back for beer and hopefully 10 cents back for my pop can when I sit in line for an hour to find, you know, something." Why can't we be innovative? That's my point there.

**The Chair:** Thank you very much, John. That's the end of the questions that I have for you. I'd like to thank you very much for your presentation on behalf of the Alberta Liquor Store Association.

**Mr. Szumlas:** Thank you.

**The Chair:** I'd like to thank all the other presenters today. That's the end of our presentations for today. We reconvene again in Calgary at 1 o'clock this coming Thursday. Thank you very much.

Colleagues, is there any other business that you wish to raise at this point in time?

**Dr. Swann:** I just wanted to make a suggestion for how our researchers will work with this material. It strikes me that I don't know whether we've discussed how they're going to put all these together and come out with some possible scenarios and the advantages, disadvantages of those various scenarios on the major questions that we're looking at, but it would make it much more efficient, I think, for us to see two or three scenario changes with the advantages and disadvantages of those three or four scenarios, highlighting the various input that we've had.

**The Chair:** I'll ask Philip if he would like to respond.

**Dr. Massolin:** Yes. Well, I guess it's up to the committee to decide what my instructions would be. I would really appreciate sort of some specific direction as to what the committee would like to see from the research component.

**Dr. Swann:** I guess that my sense, having listened today and done the reading for the past while, is that we're talking about some key decisions about increasing rates, consolidating different streams that have been separate, indeed the role of the management board, and

the addition or continued separate development of the milk containers. That lends to, at least, permutations and combinations of four major policy directions. Some or all of those would have advantages and disadvantages, and it would seem to me to be very helpful for us to look at the various economic and political implications of each of those.

**The Chair:** Well, if I may suggest at this time, we have another day of presentations. We'll all be receiving copies of the *Hansard* as to what we've heard today. I think that in light of that we've got a day break, it might be a good idea if we can maybe bring this issue up again on Thursday after we've received other presentations too. As we saw today, it took a lot of different twists and turns. It's certainly very evident that the various groups have their own interests that they wish to protect with recommendations, so we've got our work cut out as a committee as we go forward.

Are there any other questions?

**Ms Calahasen:** I think that's a really good recommendation because we do have additional information we'll be getting. But I see a lot more than just the four components, so maybe at that point we'll be able to come up with a summary of what the areas of interest have been and what we can then recommend.

**The Chair:** Also, one other item I'd like to bring up is that we received four late submissions. I guess I look for direction from the committee as to what we should be doing with them. Personally, I think they should be distributed to all the committee members. We haven't reached that point in our deliberations where we're coming up with recommendations. But it's open for discussion.

**Mr. Hinman:** We're going to take submissions the next day, so if we've got some, I would consider them not really late, just part of it. So I'd be open to that for sure.

2:30

**The Chair:** Mr. Lund.

**Mr. Lund:** Yeah. I would agree with that.

**Ms Calahasen:** Agreed.

**The Chair:** I guess the administration is asking: is the 20th the last day for submissions?

**Mr. R. Miller:** Well, I was just looking for the same clarification. When you say that you've got late submissions, that means they came in after the deadline. Is that what you're indicating?

**The Chair:** That's correct.

**Mr. R. Miller:** It leads to the question, then, that if one were to come in this afternoon or tomorrow morning – exactly what the clerk is asking – at what point do we say: “That's it. No more submissions”? I think that's something that we should determine right now,

then. If we're going to allow these two, do we allow something tomorrow morning?

**The Chair:** Well, as I mentioned, we haven't started the deliberations yet. As far as our recommendations I guess that all information is probably good to receive from anyone that's taken the time to submit it. But I would probably think that by the time we've finished with our meetings in Calgary, we may have to draw a line in terms of that we've extended it for a fairly long period after the date that we had advertised. You're in agreement with that?

**Ms Calahasen:** Agreed.

**Mr. R. Miller:** I guess we have to have a line somewhere.

**The Chair:** The date of our next meeting.

**Mr. Eggen:** I just had a comment. It sounds like you're going to go over what I was just about to ask: what are the details of us getting down there and everything?

**The Chair:** Our next meeting is going to take place in Calgary. The Ministry of Environment has provided us with a plane to be able to commute from this end. We are to meet at 10 a.m. for departure at hangar 4 at the airport just downtown here, and then we'll reconvene in Calgary for our presentations on Thursday.

**Ms Calahasen:** So we leave at 10 a.m.

**The Chair:** Yes.

**Ms Calahasen:** Thank you.

**The Chair:** Now, has everyone confirmed with you, Jody, in regard to their attendance for the plane?

**Ms Rempel:** Everyone has confirmed, and later this afternoon I will send something to all members and their staff just confirming who's listed on the manifest and kind of giving you an idea of what to expect as far as the schedule for the day.

**Mr. Lund:** I won't be on it. I'm going to drive.

**Ms Calahasen:** I'll be going.

**Ms Rempel:** Okay. Thank you.

**The Chair:** Okay. With that, I'd look for a motion for adjournment.

**Mr. Griffiths:** So moved.

**The Chair:** Mr. Griffiths. All in favour? Carried. Thank you.

[The committee adjourned at 2:32 p.m.]