

E&E Project Evaluation Form

****Please be advised that completed evaluations are made available publicly and are posted on Stewardship Ontario's E&E Fund web site****

Project Name/Number/Priority area: Analysis of User Pay System Costs in Ontario / 191/ Innovative Financing and Program Compliance

Lead Sponsor/competed by/date: Oxford County/ Clayton Sampson/ October 10/06

Project Duration: 7 months

Total project value: \$22,700

E&E funding amount: \$22,700

Section 1 –To be completed by Project Applicant

Note to the reader:

Net recycling program cost = total recycling program costs – (revenues + funding)

Net' (net prime): total recycling program costs – revenues

1) What were the Project Goals and Objectives (as per the E&E Application and/or Contract)?

The project was undertaken to detail the financial impact of user pay waste collection on recycling and waste management programs.

2) Were the goals and objectives met? (and if not why not?)

Yes: six programs were examined and analyzed to determine the financial impact brought on by the introduction of user pay waste collection.

3) Summary of Project Accomplishments (i.e. what did the project do/achieve?):

The project results provide a detailed financial analysis of six Ontario user pay programs and outlined the costs, revenues and overall waste management impacts (i.e. program changes) of implementing user pay waste collection on both the blue box recycling program as well as the overall waste management system.

4) Summary of Project Limitations (e.g. is there anything that should have been done differently?)

It would have been useful to have included some "control" programs (i.e., programs that do not have user pay) over similar time periods in the analysis to compare the selected program recycling costs in order to determine the baseline costs and cost changes.

5) What do you consider to have been the key "lessons learned" from this project? Does your project/activity represent a "best practice"?

Implementation of user pay results in an increase in the amount of recyclables captured in the blue box program. There is also a demonstrated increase in cost in the recycling (blue box) program with the implementation of user pay. The net cost per tonne of blue box programs varied (some were lower, some were higher) with the introduction of user pay, so there is no

definitive statement that can be made with respect to “next least cost tonne”. The overall net waste management costs in programs that implemented full user pay programs is lower after the implementation due to the revenue received through the user fee for garbage.

It is important for any municipality which is considering, or in the process, of implementing a user pay program that clear goals are set and that waste management system data (costs and tonnages) be rigorously tracked and recorded before, during and after program implementation. This is key to determining if the program goals are being met, and if they aren't, this information can be used to assist in tailoring program changes.

6) What specifically are municipal staff doing with the experiences and data from this project? Do you have plans to apply these lessons in your program? Please explain how.

The information and findings from the research will be made available to all municipal programs to use as baseline data in examining the potential impact of implementing user pay garbage collection.

7) Has your municipal council been informed about the project and its results?

The project report will be provided to Council for information later this year or in early January.

8) Do you think there are opportunities to share/replicate the successful elements of this project with other Ontario programs? If yes, how and where?

This study can be made available to municipalities through the Knowledge Network. They can use it to help them determine the costs and benefits of implementing user pay. Also it may be useful to provide a “help desk” type of feature on the Knowledge Network to assist municipalities that are considering the implementation of user pay.

9) Did this project result in either reduced costs per tonne of Blue Box waste recycled and/or increased Blue Box tonnes diverted? (Please explain)

The project confirmed that implementation of user pay results in an increase in the amount of recyclable materials recovered in the blue box. The analysis also showed that the gross cost blue box programs also increase with the implementation of user pay (mainly due to the fact that more material is captured).

Section 2 –To be completed by Stewardship Ontario (and reviewed by applicant)

10) Did this project do what it set out to do? If not, what were the reasons/ barriers?

As per the original project application, the project goal was to determine the financial effect on recycling systems within a user pay waste program. The objective was to undertake an analysis of the impact of user pay on municipal waste and recycling programs. Although the project fulfilled its objective, it only partially succeeded in achieving its goal.

As stated by the proponent in Section 1, the research found that the implementation of User Pay resulted in an increase in gross blue box system costs. It was not possible, however, to identify the true impact on the net (funding removed) cost per tonne of blue box system (in some instances, the cost increased, in other, it decreased), therefore no definitive statement that can be made with respect to “next least cost tonne”.

This was due in great part to the scarcity of good pre and post financial data. This challenge was first identified in the research carried out by AMRC for project 126 – User Pay Manual. In an attempt to overcome this, funding for project 191 was made conditional upon the selection of programs based on availability of pre and post data and robustness of this data.

Although these conditions were respected, they were not sufficiently detailed to ensure that the expected outcomes would be met. For example, one recycling program (the Town of Marathon) was introduced in conjunction with user pay; no comparison can therefore be made with previous year costs. In another case (the Town of the Blue Mountains), the user pay program was launched concurrently with a weekly curbside blue box collection program (a depot program existed previously). Finally, Woodstock’s user pay launch year included changes in its recycling program with the addition of new (bulky) materials to the blue box (tubs/lids, bottles).

In only one case (Stratford) was there no substantive changes in the waste management system, including the Blue Box program. The immediate (launch and post-launch) impacts of Stratford’s user pay program were an increase in recycling tonnage, which resulted in lower per tonne costs for blue box collection/processing – a concrete example of the elusive ‘next least cost tonne.’

Finally, although not explicitly stated as an objective, the analysis that was undertaken confirmed that User Pay programs lead to an increase in the recovery of Blue Box materials, and a decrease in waste generation. For the six programs examined, recycling tonnage increases ranged from 22 to 86%. Waste tonnage decreases ranged from 6 to 61%.

11) What are the key learnings from this project? Are there any next steps? What is being done to share the results?

A key process learning is the importance of carefully developing the program selection criteria when carrying out this type of analysis. While bearing this in mind, it should be noted that the availability of such data is completely dependant on the quality of record keeping, sometimes over decades.

The research found that both net and net prime total waste management system costs decreased with the launch of **full** user pay programs (as opposed to partial), due in large part to the buffering effects of tag sale revenues for all waste disposed. Based on this, the report

emphasized the fact that Blue Box programs and costs should not be regarded in isolation but rather as an integral part of a total waste management system.

In terms of key findings pertaining to Blue Box program costs revealed by this research, the following points were made:

- Comparing pre-launch with post-launch year, Blue Box system net prime cost increased in 4 programs (of these, 1 switched from depot to curbside recycling and 1 added materials to its BB program) and decreased in 1 program (Brockville). No data was available for 1 program (Town of Marathon)
- Comparing pre-launch with post-launch year, Blue Box system net prime cost per tonne decreased in two programs (Brockville and Stratford) and increased in 3 programs (of these, 1 switched from depot to curbside recycling and 1 added materials to its BB program). No data was available for 1 program (Town of Marathon).

12) Was the project good value for the money (e.g. were there measureable program or system cost reduction benefits, cost effective tonnage increases, etc?)

This was a relatively low-cost project (\$22,700) which provided useful information, even though it did not meet its goal completely.

13) Does this project represent “best practices”? If yes, explain.

The recently-launched “Recycling Program Enhancement and Best Practices Assessment Project”, a \$2.5 million E&E Fund initiative awarded to KPMG, has provided the following definition of Best Practices:

“Best Practices are defined as waste system practices that affect Blue Box recycling programs and that result in the attainment of provincial and municipal Blue Box material diversion goals in the most cost-effective way possible”

As mentioned previously, the research conducted for this project confirmed the fact that User Pay programs result in increased Blue Box tonnage, thereby meeting the first Best Practices criteria provided in the definition above. The second criterion in this definition dictates diversion goals should be attained in the most cost-effective way possible. In the context of User Pay, this would translate in a decrease in cost per tonne. As mentioned throughout this evaluation, the findings from this research do not allow one to make any definitive statement with respect to the financial impact of User Pay on the “next least cost tonne”.

In light of this, it is recommended that the question of whether User Pay qualifies as a Best Practices be brought forward to the Recycling Program Enhancement and Best Practices Assessment Project team for their consideration. The decision on whether to proceed with the Help Desk function for User Pay on the Knowledge Network will therefore be deferred until completion of the project.