

Flat Tax Equals Flat Performance

Beverage container recovery in Manitoba

by Clarissa Morawski

Like Ontario, Manitoba's beverage container collection is consolidated with the collection of other recyclable materials and (with the exception of beer containers) doesn't have a deposit-refund system. Of the 138 municipalities (of a total of 202) that provide collection services for recyclables, 58 per cent do so through depots and 42 per cent operate via curbside collection.

The Manitoba Product Stewardship Program manages both the depots and curbside collection. The program dates back to 1989 and is a product of the 1990 *Waste Reduction and Prevention Act* (WRAP). The Manitoba Recycling Action Committee (a multi-stakeholder group) suggested that brand owners or their distributors should be responsible for product-associated waste minimization. Specific materials that were identified for stewardship included: tires, batteries, lubricating oils, disposable diapers, newspapers, corrugated and commercial waste paper, yard waste and beverage containers.

The primary recommendation of the committee was to use the WRAP Act as a backdrop for applying packaging or product taxes that would generate revenues dedicated to fund recovery programs. To date, Manitoba has not applied levies to products other than beverage containers and phone books.

Whereas Nova Scotia uses the unredeemed portion of deposits placed on non-refillable beverage containers to fund both the deposit-refund system and municipal curbside collection programs, Manitoba dispenses with the deposit-refund mechanism entirely and charges a 2-cent point-of-purchase levy on non-refillable beverage containers. Beer containers are exempt from the levy since they're managed by the industry's deposit-refund system. Milk products are also exempt, ostensibly for reasons of social welfare.

Manitoba Product Stewardship Corporation Income Statement March 31, 1997 - April 1, 1998		
Revenue		
Beverage levy revenue	\$6,143,386	
Levy rebates	\$(55,538)	
Other levy revenue	\$43,500	Levies from phone books (\$30/tonne is charged to Manitoba Telecom Services on residential generated material).
PST rebate	\$354,495	
Interest	\$225,985	
Total Revenue	\$6,711,828	
Expenses		
Municipal program subsidy	\$4,470,607	Recycling support payments to municipalities: \$4,376,273 and technical assistance: \$94,334.
Steward programs	\$80,455	Levy redistribution: \$34,240 and compliance of WRAP Act: \$46,215.
School education	\$347,282	Covers school education and program costs.
Program promotion	\$558,779	Covers conference expenses: \$27,052, program advertising: \$442,315 and anti-litter campaign: 89,412.
MPSC administration	\$480,435	
Total program expenses	\$5,937,558	
Profit	\$774,270	Profit is banked by MPSC as reserve funds.

Established in 1995, the Manitoba Product Stewardship Corporation (MPSC) administers the collection and distribution of packaging levies to municipalities. It's a not-for-profit corporation independent of the government and is comprised of a ten-seat multi-stakeholder board. Board distribution is as follows:

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three municipal representatives, four reps from brand owner and distributor chains, and three seats designated by the Minister of Environment (currently there is one from the recycling industry, one from a public interest group, and one from the provincial government).

Municipalities are eligible for "municipal support payments" if they recycle five designated residential materials. In 1997-98, these materials included container glass, steel, old newspaper, aluminum and PET. Other materials are optional, such as HDPE, gable tops, magazines, OCC, box-board, newspapers, phone directories and flyers.

The \$6-million raised from beverage container levies in fiscal 1998 was used to off-set municipal collection and processing costs and to cross-subsidize other non-beverage packaging such as newspapers, box-board, steel cans, and HDPE containers. By weight, these non-beverage materials account for the bulk of recyclable materials collected in Manitoba.

In the program's original conception, municipal support payments were to be

pro-rated on municipal efficiency, with a maximum of 80 per cent of the total system cost provided to efficient recycling programs. However, efficiency criteria have not yet been developed so all municipalities are currently eligible for funds.

In 1997-98, MPSC found that the net collection and processing costs for rural and remote municipalities ranged from \$177 to \$286 per tonne with a median cost of \$196 per tonne. Rural municipalities were subsidized 80 per cent of the median cost or \$152 per tonne. The City of Winnipeg's net recycling cost is lower than that of rural municipalities—\$153 per tonne of which \$128 is subsidized by the MPSC. In its most recent report, the MPSC found that low recovery rates are a driver of high per tonne collection and recycling costs in many programs.

In 1997-98, the net cost to collect, process, and market residential recyclable material in the province was \$192 per tonne. This cost is calculated by adding the costs of promotion, municipal support payments, the municipality's contribution, and MPSC's administration and then dividing this net cost by the total tonnage collected. (See chart on page 34.)

A "per container" cost calculation for beverage container management for Manitoba is less than straightforward. While data on the number of containers sold in the province is available, the number of beverage containers collected, processed, and marketed is difficult to determine because the containers are commingled with other packaging materials. Furthermore, recovery of the containers from the IC&I sector is not monitored.

Using residential waste composition studies, the MPSC estimates that 42 per cent of designated materials are recovered.

Net Program Cost in Manitoba

Cost per tonne for MPSP program	\$165	All program expenses (municipal support payments, program advertising and administration) are divided by the total tonnage recovered: $\$5,393,357/32,610 = \$165/\text{tonne}$. This covers 80% of the cost of recovering materials.
Municipal contribution per tonne	\$27	Assumes municipalities contribute 20% of the total program costs.
Total cost per tonne for residential recycling	\$192	

Using the same methodology, it's estimated that 31 per cent of aluminum cans and 41 per cent of PET containers are recovered from the municipal waste stream.

However, according to MPSC data, residential beverage containers only represent 53 per cent of the total can market and 69 per cent of the total PET container market; IC&I accounts for the remaining 47 and 31 per cent respectively.

Though they have a significant share of the beverage market, IC&I generators are not required to recycle. Given that landfill tip fees range between \$10 to \$40 per tonne, it's unlikely that many IC&I genera-

tors recycle voluntarily. Assuming an IC&I diversion rate of 20 per cent for aluminum cans and PET bottles, overall provincial diversion rates are estimated to be 26 per cent for aluminum cans and 34 per cent for PET.

Refillable beer bottles and recyclable beer cans carry a 10-cent deposit and can be redeemed at beer outlets and government-owned liquor stores. They enjoy a 95 per cent recovery rate.

Manitoba's overall beverage-container recovery rate is about half that of the other provinces reviewed in this series to date. (Alberta is at 80 per cent, New Brunswick

77 per cent, Nova Scotia 76 per cent, and Saskatchewan 94 per cent). Even though both Nova Scotia and Manitoba use tax revenues from non-refillable containers to fund the municipal collection of a broad range of other non-beverage related materials, Nova Scotia's system recovers 40 per cent more.

As it stands, Manitoba's program is significantly different from what was originally envisioned and endorsed in 1989. Without meaningful targets and active industry involvement, Manitobans can expect to continue to exchange a 2-cent flat tax for flat performance. 

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This article is the latest in a series on beverage container recovery programs across Canada. The next issue will feature Quebec's program.