Board of Directors Meeting Highlights
Held on February 18, 2018 at 9:00 AM
at the MRF Board Room

Bluewater Recycling Association

Amended Blue Box Program Plan on Life Support

Stewardship Ontario has released a letter recently, which explains that they have not submitted a revised amended Blue Box Program Plan to the Resource Productivity and Recovery Authority (RPRA), nor are they intending to ahead of the February 15th deadline to submit to the Minister of Environment and Climate Change. Instead, the letter indicates Stewardship Ontario will be moving forward with a new and more meaningful approach to engaging stakeholders, including municipal governments, to address concerns that were raised during the consultation process.

RPRA also provided the following update after their Board meeting:

"RPRA did not receive a proposal for an amended Blue Box Program Plan from Stewardship Ontario SO for assessment of compliance with the Waste Diversion Transition Act, 2016 and consistent with the Minister's direction. The RPRA Board has authorized the Chair to forward correspondence to the Minister describing the activities undertaken since August 14th and those that may occur as a result of ongoing discussions, and advise that the Authority has not approved a proposal for an amended Blue Box Program Plan."

The Municipal 3Rs Collaborative is in conversation with Stewardship Ontario and RPRA, and will endeavour to keep you updated as we continue to work on amending the Blue Box Program Plan.

Nova Scotia Lifts Plastic Film Landfill Ban

Decision will temporarily allow plastic film from the Halifax region to be shipped to landfill. The Nova Scotia Department of Environment has granted a temporary exemption to the Halifax Regional Municipality (HRM) to allow it to ship plastic film to a landfill.

The exemption is limited to HRM and only film plastics such as plastic shopping bags, the wrap around toilet paper and paper towels, and the wrapping around water bottles, beverage or juice cans. The exemption will last for six months and is limited to Green for Life's landfill in West Hants, Nova Scotia, Canada. Other recyclables are still banned from the province's landfills.

The decision follows China's announcement, made last year, that it would no longer allow imports of used plastic films for recycling purposes.

Plastic film makes up about five percent of materials currently being recycled in Nova Scotia. Most materials, such as paper, beverage containers and margarine tubs can still be recycled as usual.

"This is only a temporary measure," says Environment Minister Iain Rankin. "Nova Scotia is a leader in recycling and waste diversion, and we will continue to be. We all want to see these materials recycled, not put into the landfill."

"Putting film plastic in the landfill is a last resort," says Matt Keliher, HRM's manager of solid waste. "We have been actively looking for new markets and will continue to do that in the months to come."

"I encourage all Nova Scotians to use reusable bags, and reduce their use of these materials wherever possible," says Rankin. "The province will work with industry, municipalities and others on this issue."

Canadian Newsprint Producers Latest To Be Nailed With U.S. Tariffs

The U.S. Department of Commerce slapped an overall tariff of 6.53 per cent on about 25 Canadian plants, mostly in Quebec and Ontario, following an investigation that began in August 2017

Newsprint is the latest Canadian product to be hit with preliminary countervailing duties from the United States.

The U.S. Department of Commerce slapped an overall tariff of 6.53 per cent on about 25 Canadian plants, mostly in Quebec and Ontario, following an investigation that began in August 2017.

Canada is the largest exporter of newsprint in the world, with a market dominated by Resolute Forest Products, Kruger and Catalyst Paper Corp. of British Columbia.

Resolute faces a preliminary duty of 4.42 per cent while the Catalyst Paper duty is 6.09 per cent. The duty against Kruger is 9.93 per cent and the preliminary penalty against White Birch is 0.65 per cent.

The U.S. Department of Commerce will make another decision on anti-dumping duties in March and the U.S. International Trade Commission will be asked to rule on the two measures in August.

The U.S. government began investigating Canada's newsprint industry after Washington-based North Pacific Paper Co., complained Canada was dumping newsprint into the American market and unfairly subsidizing its industry at home.

It is the same argument made regarding Canada's softwood industry, which led to the imposition of both countervailing and anti-dumping duties on most Canadian softwood exports to the United States.

In a joint statement, Foreign Affairs Minister Chrystia Freeland and Natural Resources Minister Jim Carr called the duty rates "unjustified."

"Any duties will have a direct and negative impact on U.S. newspapers, especially those in small cities and towns, and result in job losses in the American printing sector," the ministers said in a statement.

"We will continue to work with our forest industry, provinces and territories, and communities across Canada to defend this vital sector against unfair and unwarranted U.S. trade measures and practices."

Newfoundland and Labrador Premier Dwight Ball said in a statement that he is disappointed with the decision to place a countervailing duty on newsprint from Corner Brook Pulp and Paper, a division of Kruger Inc.

Ball said the provincial government will "explore every opportunity" to advocate on behalf of the company and the forestry industry.

"As a government, we have worked vigorously to advocate for local businesses and workers, including Corner Brook Pulp and Paper, against the increased protectionist environment that exists in the United States," he said.

Resolute Forest Products spokesman Karl Blackburn called the duties "completely unfair and unjustified" and Denis Lebel, the president and CEO of the Quebec Forest Industry Council, labelled them "absolutely unfounded."

The U.S. Department of Commerce says Canada exported about $1.6 billion worth of newsprint to the U.S. in 2016.

The new duties comes as Canada and the U.S. continue to try to negotiate a trade settlement on softwood to replace the deal which expired in 2015. Canada is also seeking relief from the softwood duties in appeals through the North American Free Trade Agreement and the World Trade Organization.

Waste Exports

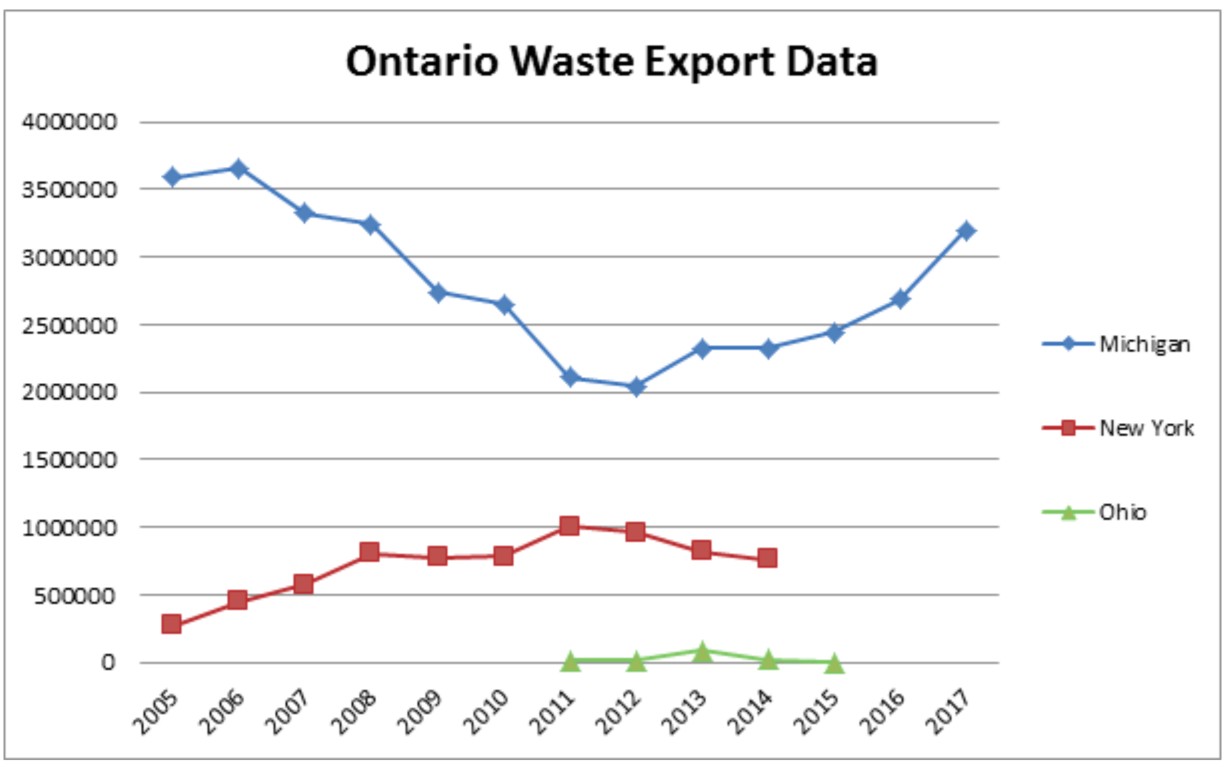
The State of Michigan has released its 2017 Landfill Report. The report metrics show a dramatic increase in the volume of waste exported from Ontario to Michigan in 2017 and a steady growth in the volume of waste exported to Michigan from 2012 to present.

The report found that waste imports into Michigan from Ontario in 2017 increased by 19% over 2016. Since 2012, waste imported into the state from Ontario has risen by 66% to over 3.2 million tonnes. This year over year increase reflects increased export of commercial, construction and demolition waste but a decrease in industrial waste.

The findings of the Michigan Landfill Report reinforce why it's crucial for Ontario policymakers to carefully consider the movement of waste between jurisdictions before pursuing new policies and regulations related to waste disposal and Ontario landfills that could have an unintended outcome. The waste disposal marketplace on both sides of the border is competitive and 2017 Michigan data may reflect the impacts of both increased cost to Ontario landfills and insufficient domestic landfill capacity in Ontario.

The new data may increase the resolve of Michigan legislators to move forward with increasing the state surcharge on landfilling waste -- from $.36 to $4.75 per ton (approximately $5 CDN per tonne increase) and to revisit other opportunities to reduce the import of foreign waste from Ontario. (see news article here).

OWMA is continuing to monitoring the situation closely. New Ontario waste import data for New York and Ohio have not yet been released, but the table below shows the general trends of all waste shipments into the United States from Ontario.



A Shortage of Trucks Is Forcing Companies to Cut Shipments or Pay Up

Loads far outnumber vehicles as freight volumes near records; ‘like trying to get a cab at LaGuardia’

Several factors, from near-record freight volumes to new safety rules, have made trucks harder to come

A nationwide truck shortage is forcing thousands of shippers into a tough choice: postpone all but the most important deliveries, or pay dearly to jump to the front of the line.

Michelin North America Inc. cut its daily shipments of synthetic rubber from one plant by a fifth earlier this month and is at times paying double its usual price for temperature-controlled trucks, said Eric Stuch, a logistics manager at the tire manufacturer. Meal-kit service HelloFresh SE recently enlisted one of its produce suppliers to help move shipments to the airport in a snowstorm.

Several factors have converged to overwhelm the trucking market. Freight volumes in December hit near-record levels for that time of year, on the back of a strengthening economy. Retailers are replenishing stocks after one of the strongest holiday sales seasons in recent years. Manufacturers are also shipping more cargo; in December, industrial production had the largest year-over-year gain since 2010, according to the Federal Reserve.

What’s more, bad weather and a new federal safety rule that took effect in December have crimped the supply of available trucks. Diesel prices are near a three-year high, adding to transportation costs.

In the spot market, where shippers hire trucks on short notice, there were about 10 loads waiting to be moved for every available truck in the week ending Jan. 20, compared with three in the same week last year, according to online freight marketplace DAT Solutions LLC.

Spot-market prices for dry vans, the most commonly used big rig, are up more than 20% year-over-year. Analysts expect long-term contract rates that shippers negotiate with carriers to rise by between 5% and 8% this year.

Beer distributor Constellation Brands Inc. and food companies Campbell Soup Co. and the J.M. Smucker Co. have all cited rising freight costs in recent earnings calls.

“Literally every possible thing that could be going against a shipper is happening right now,” said Michael Redisch, a principal at Chicago-based freight broker Atomic Transport LLC.

Trucking fleets are adding capacity, but it can take months or even years to catch up with demand. Meanwhile, they are getting pickier about which manufacturers and retailers they work with. Companies sometimes find it hard to convince truckers to pick up cargo at warehouses known for long loading times or traffic jams at the gate.

Mr. Stuch, the Michelin logistics manager, said the company “hit a wall in December,” when some regular carriers didn’t want to haul its cargo because of wait times at a few plants.

Michelin pushed employees to speed up receiving and is prioritizing shipments needed to keep production running over less-essential freight. Orders are spread out to avoid overloading carriers at the end of the week.

The company can only do so much, particularly when it needs a temperature-controlled truck to keep the synthetic rubber from freezing in transit. For those trucks, loads outstrip available big rigs by a ratio of about 15 to one, according to DAT. In Louisville, Ky., Michelin is paying $2,600 on the spot market for some of those trucks, roughly twice its long-term contract rates. Some nonrefrigerated loads are being shifted over to rail.

A new federal safety rule in December requiring drivers to track their hours behind the wheel with electronic logging devices, or ELDs, has exacerbated the problem. Prices shot up for some routes that now might take two days instead of one because of stricter timekeeping.

January is typically a quiet month for freight. But in the first three weeks of January, national average spot truckload rates were higher than during the peak season in 2017, according to DAT.

Extreme weather has made trucks even harder to come by.

During the “bomb cyclone” that closed roads and ports along the Atlantic seaboard this month, trucks were in such short supply that meal-kit company HelloFresh ended up asking one of its produce suppliers to help truck shipments from its Newark, N.J., warehouse to FedEx Corp.’s nearby regional air hub.

“We were unable to find trucks,” said Brett Banchek, the company’s vice president of supply chain for the U.S. “It was like trying to get a cab at LaGuardia.”

Lynch Logistics Inc., a Bangor, Me., trucking and logistics firm that hauls cargo for retailers and companies that make paper goods, is “turning down freight on a daily basis,” said Dana Burleigh, vice president of operations.

Former customers are calling back looking for capacity, and some Canadian companies are offering to pay round-trip prices instead of the usual one-way rates if Lynch sends trucks their way, Mr. Burleigh said. The company has raised driver pay and is stepping up recruitment, costs it will eventually pass on to shippers.

Analysts expect capacity to become scarcer in April, when produce shipments pick up and full enforcement of the ELD rule kicks in. Vehicles without the devices may be removed from the road.

As the container shipping industry continues to boom, companies are adopting new technologies to move cargo faster and shifting to crewless ships. But it’s not all been smooth sailing and the future will see fewer players stay above water.

Meanwhile, shippers are scouring the freight market in search of available trucks.

“It’s been tough,” said Candace Holowicki, who manages transportation and logistics for dental-supply firm Metrex Research, a division of science, health-care and technology conglomerate Danaher Corp. “So far in January I’ve had 22 loads that I either had to switch brokers, find a different carrier or pay more money, anywhere from $300 extra to $1,200 extra.”

Driver Shortage Returns as Trucking Industry's Top Concern

ATRI's annual Top Industry Issues survey is a key indicator of current trends and future issues for the trucking industry. The annual survey is launched every August and asks trucking industry stakeholders - motor carriers and professional drivers - to select their top issues of concern and identify key strategies for addressing each issue.

The 2017 Top Industry Issues Survey results released in October provide an important roadmap for what the industry can expect in 2018.

For the first time since 2006, the Driver Shortage topped the list of industry concerns. Improving economic growth in the U.S. has many concerned that the demand for truck drivers will further outpace the supply of qualified drivers. The latest estimate from the American Trucking Associations has the driver shortage climbing above 174,000 drivers by 2026 if current trends continue.

Where will those new drivers come from? An ATRI analysis of 2016 data from the U.S. Census Bureau shows that nearly 57 percent of our workforce is 45 and older, while just 4.4 percent is aged 20-24. And that percentage is down from our 2013 data analysis which showed 4.9 percent of our workforce in that youngest age bracket.

Survey respondents believe the top strategy for addressing the driver shortage is to work with state and federal authorities to develop a graduated CDL program to attract safe younger drivers to the industry. This is a top research priority for ATRI as well and work is underway at ATRI to develop and test a younger driver assessment tool - one that would reliably identify young individuals possessing the same personality traits as safe, older drivers (see article on Younger Driver Assessment Tool below).

Number two on the list of top concerns is the Electronic Device Mandate. After a number of legal challenges, FMCSA's long-awaited ELD mandate went into place on December 18th. However, given that the ELD Mandate ranked as the second-biggest issue facing the industry in 2017, it is clear that many in the industry remain concerned about the costs associated with deploying ELDs, what deployment will mean for industry productivity, and how the data collected will be used beyond HOS compliance.

Many of the concerns surrounding the ELD mandate derive from the lack of flexibility in the Hours-of-Service rules. While 2017 saw a final determination and permanent removal of the more restrictive 34-hour restart provisions in FMCSA's HOS rules, the lack of flexibility in the rules kept HOS as the number three industry issue in the 2017 survey.

2017 Top Trucking Industry Issues
1. Driver Shortage
2. ELD Mandate
3. Hours-of-Service
4. Truck Parking
5. Driver Retention
6. CSA
7. Cumulative Economic Impact of Trucking Regulations
8. Driver Distraction
9. Transportation Infrastructure/ Congestion/ Funding
10. Driver Health and Wellness

China and Recycled Commodities: The Perfect Storm?

In July 2017, the Chinese government filed a notification with the World Trade Organization indicating the government's proposal to ban the import of 24 solid waste materials. What does this currently mean now and in the months to come?

Back in 2000, a movie starring George Clooney, "The Perfect Storm", told the story of an October 1991 tempest off of New England that may happen only once in a century. It was a nor'easter created by so rare a combination of factors that it could not possibly have been worse. Creating waves 10 stories high and winds of 120 miles an hour, the storm whipped the sea to inconceivable levels few people on Earth have ever witnessed.

When we view the recent Chinese government actions this past year with regard to recycled commodities and contamination of imported bales, we see unprecedented factors in play as "The Perfect Storm"—the banning of solid waste materials and imposing an almost unreachable contamination standard on bales entering China. In essence—a ban.

The World Trade Organization

In July 2017, the Chinese government filed a notification with the World Trade Organization (WTO) indicating the government's proposal to ban the import of 24 solid waste materials, namely certain types of mixed papers and plastics. Further, the government said in November that it would impose a 0.3 percent contamination standard on bales. Both actions were planned for the implementation on March 15, 2018. Additional comments are due to the WTO on December 15. It is expected that stakeholders will ask for a lower contamination rate and a longer lead time.

Currently, the Chinese recyclables market represents about 25 percent of U.S. recycled paper exports and anywhere from 20 to 33 percent of recycled plastics, depending the type of plastic. ISRI estimates that this is a $5.6 billion export market for the U.S.

The objective of this import ban and contamination limit was to minimize "foreign garbage" entering the country and to promote new environmental standards. Pursuant to this "ban" import licenses from China have not been renewed. The result has been a drop in commodity prices worldwide, especially in the U.S. because the flow of commodities into China, one of the largest importers of recyclables, has been disrupted.

Solid Waste Industry Association Actions

As soon as news events unfolded about the import ban and the contamination standard, various solid waste industry groups (Institute of Scrap and Recycling Industries [ISRI], National Waste and Recycling Association [NWRA], and the Solid Waste Association of North America [SWANA]) issued industry blogs, press releases, presentations at national/international conferences and letters to state solid waste agencies.

For example, SWANA met with stakeholders and the U.S. Department of Commerce. The Department raised recycling market issues with their Chinese counterparts in Beijing in September and in bilateral trade meetings in September and October. Further, SWANA met with the U.S. Environmental Protection Agency (EPA) in October as the import ban was beginning to ripple throughout municipal solid waste programs. A letter was sent on October 11 to all 50 state environmental agencies providing an information update and potential description on potential impacts of these Chinese actions on municipal recycling programs.

West Coast Impacts

States and municipalities on the West Coast (e.g., Portland, Seattle) have enacted significant zero waste/diversion goals as part of their environmental and cultural ethic. These communities have implemented single-stream collection systems. Unfortunately, many of these programs have exhibited high contamination rates in the range of 20 to 25 percent. Given the proximity of the west coast to Asian markets like China, the amount of recycled commodities has spiraled in recent years. Some have estimated that recyclables represent nearly a quarter of all exports to China—the largest single export (see Figure 1). This is hard for even me to believe.

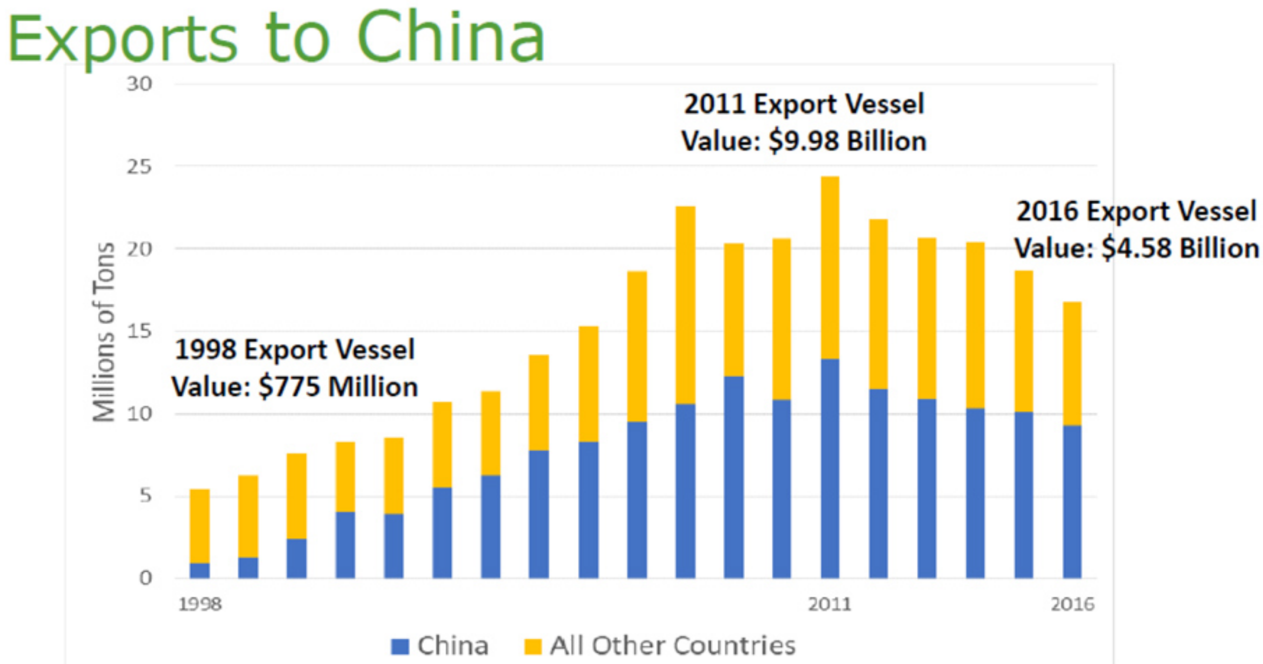


Figure 1

So the reliance of the West Coast on exporting recyclables to China during these "Perfect Storm" conditions has resulted in commodities being stockpiled at some ports. To minimize this economic dilemma, some municipalities, namely the City of Portland, have petitioned the Oregon Department of Environmental Quality for waivers to landfill these stockpiled recycled commodities at nearby landfills.

Midwest Impacts

Impacts, as of December 2017, to Midwest solid waste programs appear somewhat muted as compared to the West Coast. However, some of the major national hauling firms with market power have been able to diversify their export markets and ship increasing quantities to India and Southeast Asia. Some increased labor at their MRFs to ship higher quality bales. Nonetheless, the prices for mixed paper have taken a haircut.

United Kingdom Impacts

Much of the attention in the U.S. press has been on the impact of the Chinese impost ban on local recyclables markets. However, truth be told, the ban has had worldwide impacts. In Europe, where recent efforts have moved towards zero waste and reduction in landfilling, recycling has been impacted mightily. For example, the United Kingdom exports about two thirds of its recyclables to China, roughly 2.7 million tons to Hong Kong since 2012. The impact will be significant by most observers in the European Union. "Now that China has decided they've had enough of our waste, it's obvious that the UK's recycling system simply can't cope with the mountain of plastic waste we generate," says Elena Polisano, oceans campaigner for Greenpeace UK.

The Future

To date, most trade organizations suggest that the impacts to local recycling programs from the Chinese actions depends on three basic site-specific issues:

Depends on whether you export—and where

Depends on your contract (force majeure?)

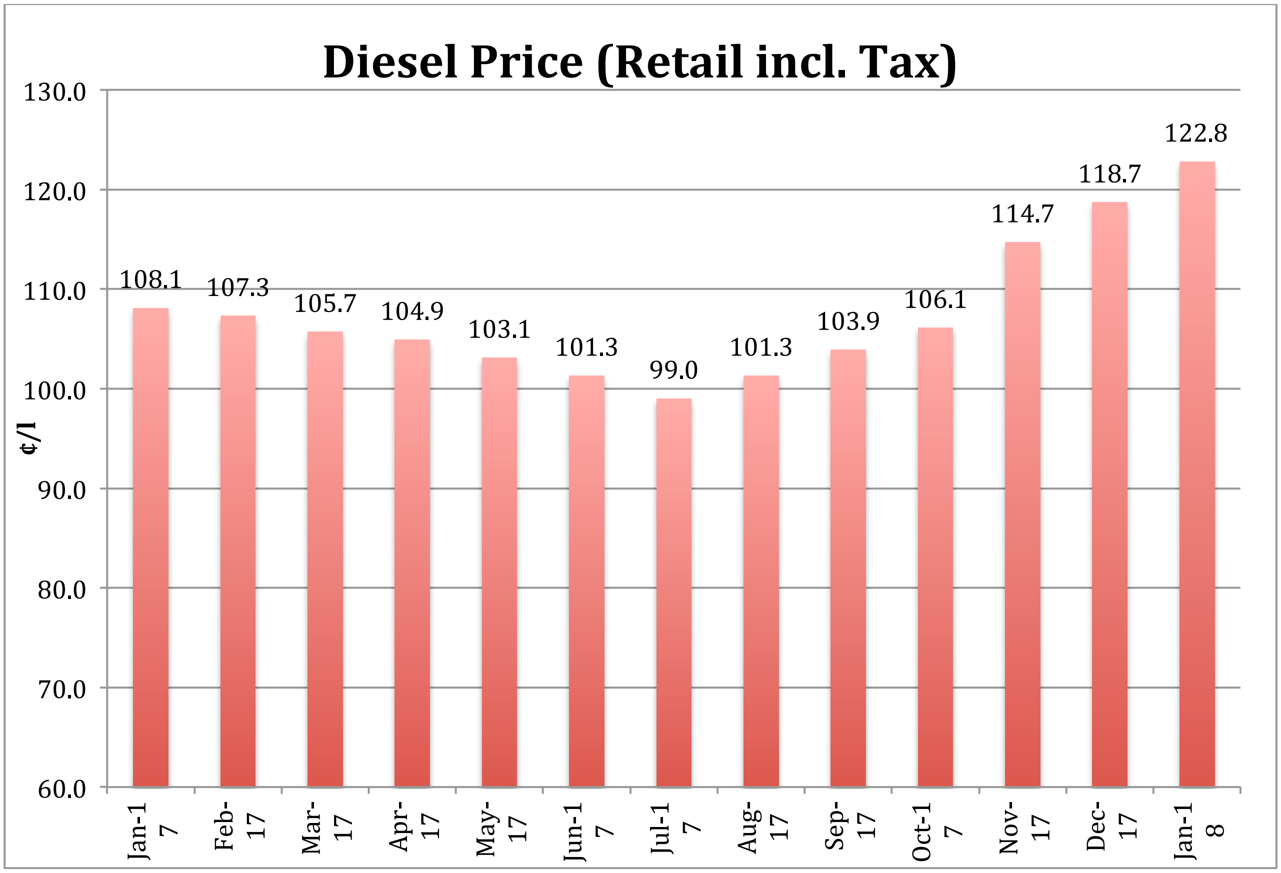
Depends on your contamination level

Some have argued that reducing contamination is the answer through efforts of education of customers to reduce contamination curbside, adding more workers and robotics at materials recovery facilities (MRFs) to clean up the bales leaving the these facilities, and to find other Asian markets such as India and Vietnam to sell recyclables. While education is clearly a reasonable answer, and one that municipalities should be doing as a matter of course, investment in facilities that would use these recycled materials is the only long-term answer. But this will take time.

In our opinion, we, as well as our European allies, have looked to Asian markets to dump our "unwanted materials". While we talk about entering the closed loop of materials management, we have done little, if anything to facilitate the development of this new paradigm. Our tax codes continue to encourage the use of virgin materials rather than recyclable products. Even the new tax code changes eliminate the use of private activity bonds for investment in recycling facilities.

Another answer is changing the way many municipalities fund their solid waste programs. Typically, many fund them out of landfill tipping fees that oftentimes do not take into account the cyclical changes in recycling markets. Funding appropriate operational fund reserves or rainy day funds is a way to insulate solid waste programs from the ups and downs in recycling. Also looking at a lifecycle cost of solid waste programs.

The Chinese import ban and contamination requirements will impact recycling programs both in the U.S. and Europe. In the short term, many programs may consider elimination of mixed paper and plastics from their curbside programs. There may be calls to landfill these materials in other programs. In our opinion, the long-term solution is to develop viable local and regional recyclables markets. This will take time.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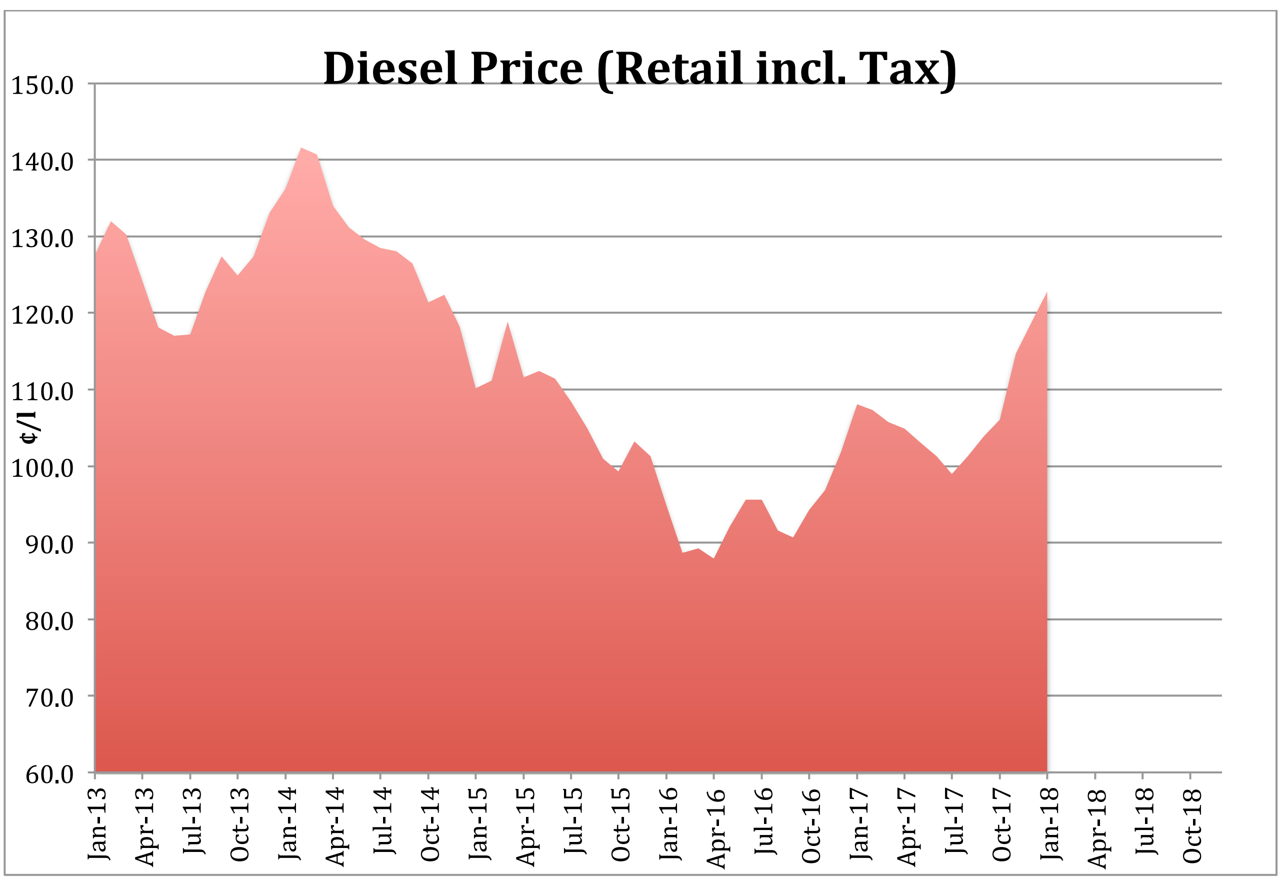
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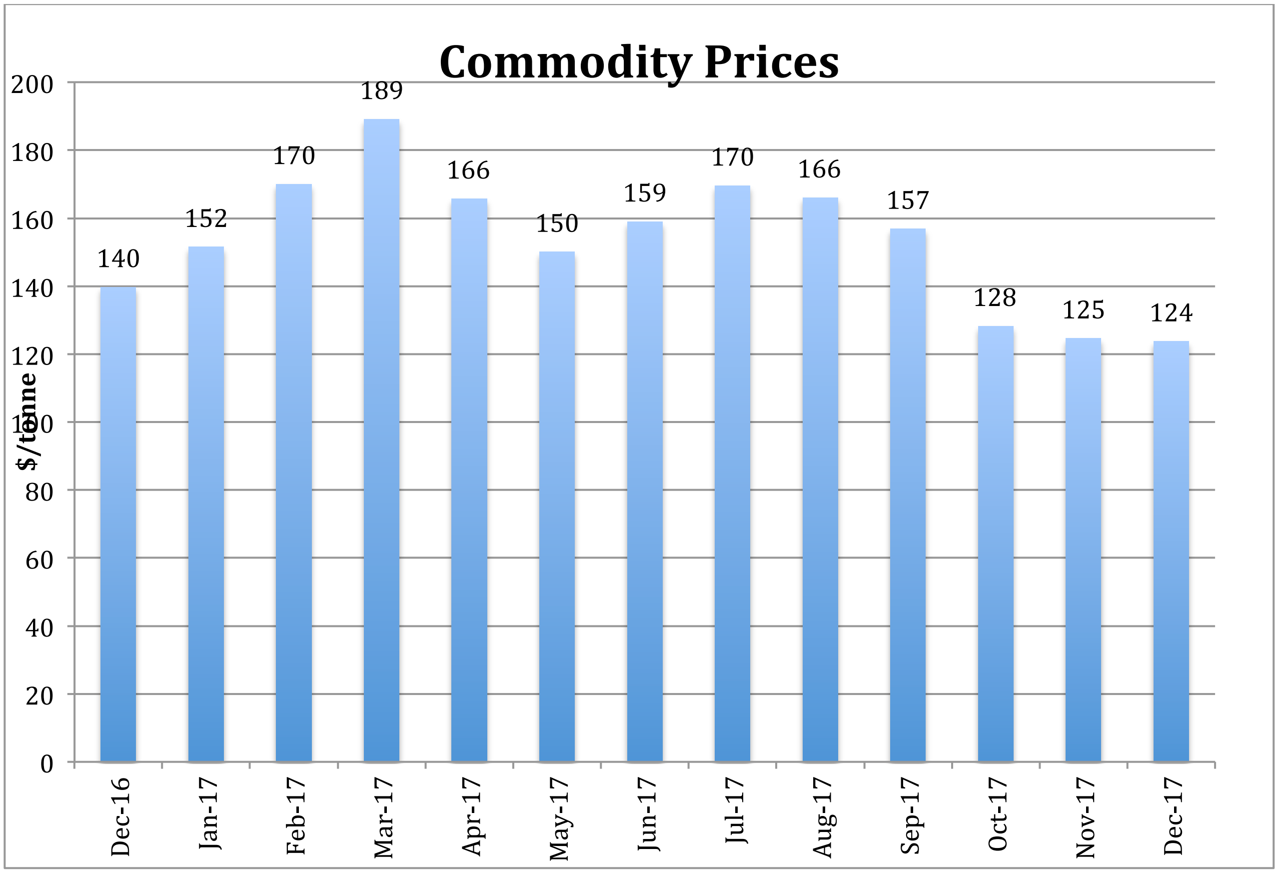
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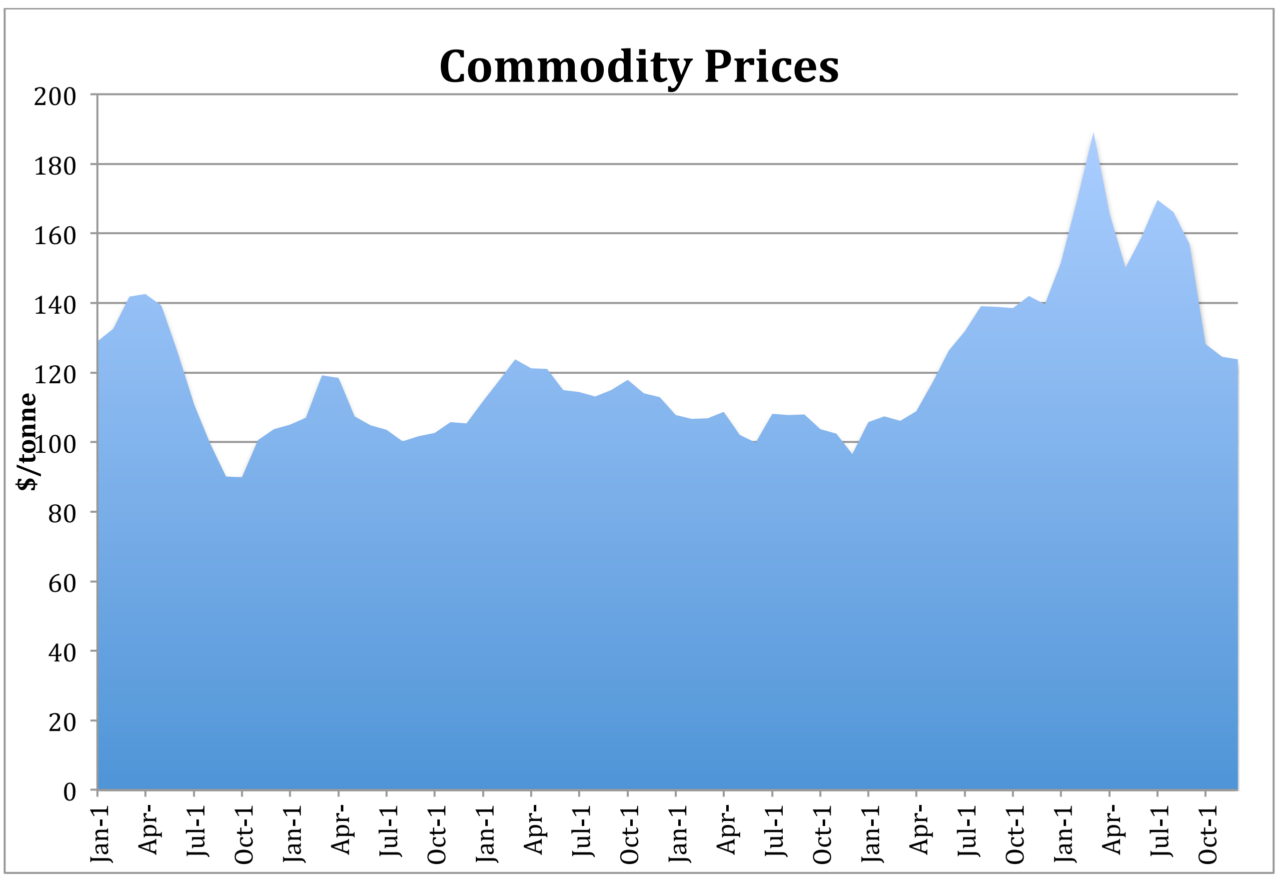
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