
DATE: December 3, 2010

REPORT TITLE: **MIXED BROKEN GLASS PROCESSING AGREEMENT
DOCUMENT 2010-475N**

FROM: Dan Labrecque, Commissioner of Public Works

RECOMMENDATION

That the Region of Peel enter into negotiations with NexCycle Industries Limited for the Processing of Mixed Broken Glass (Document 2010-475N) for a period of two years, in the estimated amount of \$276,000 (subject to the volume and quality of the actual tonnage delivered and excluding applicable taxes) in accordance with Purchasing By-law 63-2008;

And further, that authority be given to increase the value of the purchase order where volume or material quality results in higher processing fees, in accordance with the terms of the agreement;

And further, that upon successful negotiations with NexCycle Industries Limited, the Director of Purchasing be authorized to approve the award;

And further, that the required documents be executed by the duly authorized signing officers of the Regional Corporation.

REPORT HIGHLIGHTS

- Competitively priced Mixed Broken Glass (MBG) processing capacity is limited.
- NexCycle Industries Limited in Guelph, Ontario is the only local processor that can provide immediate capacity for all the Region of Peel's material at competitive pricing.
- Staff recommend that the Region of Peel enter into a two year agreement with NexCycle Industries Limited for the provision of MBG processing.

DISCUSSION

1. Background

At its May 20, 2010 meeting, Waste Management Committee (WMC) received a presentation titled "Update of the Recycled Paper, Glass and Polystyrene Markets" (Resolution 2010-567) that highlighted the April 9, 2010 closure of the Region of Peel's (Region) MBG processor and end market, Unical Inc. (Unical) in Brampton, Ontario.

December 3, 2010

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Further information was provided in a June 2010 Council Update, which informed Regional Council that NexCycle Industries Limited (NexCycle), had purchased the assets of Unical's Brampton facility through a liquidation auction. The Unical facility has subsequently been closed and the equipment has been moved to various NexCycle facilities throughout North America.

The Region markets approximately 9,200 tonnes of MBG annually. This represents 10 per cent of the Region's total Blue Box tonnage, and is a significant driver in the Region's overall costs attributed to processing recyclables.

Since the closure of Unical's Brampton facility, the Region has processed MBG through short term alternative markets. Due to limited competitively priced glass processing capacity, the Region has used four different processing facilities since Unical ceased operations. The majority of this material has been shipped to the United States.

In the nine month period since the closure of Unical's Brampton facility, the Region has incurred an estimated cost of \$91,823 for the processing of the Region's MBG and an estimated cost of \$188,472 for MBG haulage, for a total estimated expenditure of \$280,296. Under the terms of the Unical agreement, the estimated cost for the same period would have been \$71,299 for processing and \$34,508 for haulage, for a total expenditure of \$105,807.

2. Findings

The closure of Unical's Brampton facility created a significant processing capacity shortage and resulted in uncertainty and price volatility in the processing market. MBG processors are unwilling to commit to capacity expansions or confirmed pricing without a secured long-term supply of municipal material.

In an effort to secure a longer term stable MBG market, staff surveyed MBG processors in Ontario, Quebec and the United States. Staff identified seven vendors which were capable of processing municipal MBG. Of these seven, four vendors did not have sufficient capacity to handle the Region's volume. The processing facilities for the three remaining vendors were located in Quebec, New York and Guelph, Ontario. The cost of freight to transport MBG to Quebec or New York, is significantly greater than the cost to transport the material to Guelph.

The NexCycle facility in Guelph has been continuously operating for over 15 years where they have built a strong customer service reputation with Ontario municipalities. In mid 2010, NexCycle opened a new facility in Brampton and is now processing all of Ontario's LCBO deposit return glass. NexCycle is part of the Strategic Materials Group (Strategic), which is owned by a private equity firm that has \$3 billion in capital under management. With over 40 facilities, Strategic processes 1.8 million tonnes of glass annually, making them the largest glass recycler in North America.

NexCycle's facility in Guelph, Ontario is the only facility in close proximity that is able to provide immediate capacity for all of the Region's material. Their network of alternative facilities provides the Region with access to a stable source of processing capacity and end markets. The proposed agreement offers the Region a reasonable processing fee over the next two year period and reduced haulage costs.

January 11, 2011

**MIXED BROKEN GLASS PROCESSING AGREEMENT
DOCUMENT 2010-475N**

3. Proposed Direction

Staff recommends that the Region enter into a two year agreement with NexCycle for the provision of MBG processing, pursuant to the terms of the agreement.

The proposed agreement with NexCycle includes a pricing grid based on the predetermined quality scale identified in the agreement. The value of this award is based on the supply of material that is consistent with the market specifications for mixed container glass under the terms of Peel's MRF operating contract.

This agreement secures stable, local processing capacity and access to end markets for the Region's MBG.

FINANCIAL IMPLICATIONS

The recommended award will result in processing costs of approximately \$138,000 per 12 month period and haulage costs of approximately \$90,750 per 12 month period, for a total estimated annual expenditure of \$228,750, subject to the volume and quality of the actual tonnage delivered.

Sufficient funding is available under Operating cost centre WW70210. Subsequent year's costs will be accounted for in future Waste Management Operating Budget submissions under Cost Centre WW70210.



Dan Labrecque
Commissioner of Public Works


Approved for Submission:



D. Szwarc, Chief Administrative Officer

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