

THE EDMONTON RECYCLING SOCIETY

Cutting edge business with a social mission

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Environmental businesses represent an important and growing sector of the economy. The Edmonton Recycling Society (ERS) is demonstrating that environmental businesses which build and strengthen the community can also earn a competitive rate of return.

The Edmonton Recycling Society collects, processes, and markets recyclable materials from the solid waste stream of half the private residences in Edmonton. It is a community-based non-profit organization committed to hiring employees who are either physically or mentally disadvantaged or have poor work records. Its unique relationship with the city requires that 50% of its operating surpluses be returned to the city each year.

Currently in its sixth year of operation, the ERS has provided training in life skills and employment to more than 500 persons and steady, full-time employment to a workforce of more than 70 persons. The program has exceeded its employment goals, its expected level of sustained public participation, and its financial targets. The ERS has emerged as a unique success story mixing business acumen with a social mission.

GLOBAL MARKETING GIVES RISE TO NEW INDUSTRIES AT HOME

The pressure to become and remain competitive in a fiercely competitive industry has had its advantages. ERS has become an efficient recycler with a knack for either finding or creating new markets for the wide variety of materials collected at curbside. The chair of one of North America's leading waste reduction service organizations recently stated in the *Financial Post* that "the ERS is a model for recyclers across

Canada in terms of its aggressive marketing of recycled material."

The ERS has gone far afield to find customers when the need arose, shipping material to Europe, Taiwan, India, Korea, Japan, and the U.S. In 1989, 85% of its recyclables were marketed to the Pacific Rim and Europe. Today the same 85% is sold in western Canada and nothing is sold off-shore.

Closer to home, the ERS has worked directly with the manufacturing industry in western Canada to encourage and assist the development of new processes and products, ranging from plastic lumber to de-inking of newsprint and magazines. The well-known "blue boxes" were manufactured in Edmonton, and the collection vehicles designed and built in Alberta by local manufacturers.

The society has processed 70,000 tons of refuse which has been used in the manufacture of new products, thereby conserving resources and providing sus-

A highly competitive environment has required that the ERS demonstrate unusual business acumen. It has had to develop effective human resources policies & programs & aggressively pursue global & local markets. It has had to establish linkages with the City, & with business, industry, & community groups in order to accomplish its social & economic goals.

Originally published in *Making Waves*, Vol. 6, No. 1 (Spring 1995).

tainable employment in both the user industries and at ERS.

It is estimated that the sales value of the materials manufactured from the recycled refuse is 7-10 times that of the sales revenues for recyclables obtained and sold by the society. This being the case, the economic impact of the ERS operation on western Canada was approximately \$7 million in 1994, over and above its own operations. More than a dozen industries based in Edmonton and the region are currently manufacturing products using recycled commodities as raw materials.

MARKETS DEMAND HIGH-QUALITY PRODUCTS

Four categories of recyclable refuse - paper, plastics, metals, and glass - are picked up from 67,000 households and taken by truck to the plant. There the material is sorted by hand and processed by customized machinery to prepare the commodities for market. Contaminants are removed. Paper products are baled and plastics are either chipped or baled. Steel cans are shredded (due to the possible presence of aerosols) and then shipped in bulk containers with aluminum and other metals.

Seventeen commodities are finally sold: cardboard, newsprint and magazines, milk cartons, mixed paper, telephone directories, five types of plastics, five varieties of metal (including aerosol cans), glass, and refundable beverage containers of all kinds.

Most of the paper fibre is sold through a broker. Other commodities are sold directly, first to local markets and then to outside markets that offer the best returns.

Only the cleanest, highest quality material is marketable, locally and abroad. Hence the plant operates efficiently and produces clean, high-quality recycled materials, which bring some of the highest prices on the continent. For instance,

while most Ontario firms were getting \$30 a ton for newsprint, the ERS had a contract to sell for \$70 a ton.

Industry observers have noted that ERS employees are highly motivated and encouraged constantly to come up with new ideas to improve sorting and processing efficiencies. This results in frequent changes to the equipment and processes in the plant.

ERS is showing that economic activities that build & strengthen the community by preserving or enhancing the natural resource base, by providing meaningful employment for individuals, & by earning a competitive rate of return, can result in sustainable development & sustainable employment.

ACCOUNTABILITY

ERS is committed to being accountable to its founding organizations, to its employees, to its community, and to the city.

Its board of directors consists of seven employees (five management and two non-management) and four citizens at large, including a representative of the Mennonite Central Committee. This model has been carefully crafted with the guidance of professionals who have extensive experience with employee-owned or -governed businesses. Only employees who have worked for a year or more may become members of the society. No employee, however, is required to

become a member. Citizens at large also become members in full standing when they are elected to the board.

WORKING WITH EMPLOYEES

During its first year of operation, ERS engaged the services of a major management consulting firm to secure guidance and assistance in the preparation of a comprehensive set of personnel policies. In the period October 1988 - December 1991, additional policies were added and existing ones revised. In 1991, the board approved the first edition of the *Employees' Handbook*. The Handbook has seven parts: safety; personnel policies and procedures (working conditions); drivers' manual; supervisors' policies; job classifications, wage rates, and salaries; health and insurance benefits; and by-laws.

Training courses provide employees with the opportunity to improve their performance. Employees are encouraged to advance themselves into such professional areas as accounting, human relations management, and technology.

Counselling is provided to anyone in need of such services. The ERS employs an in-house professional counsellor part-time. It also has an arrangement with a clinical psychologist at the University of Alberta who deals with exceptionally complex problems. Although these services have enhanced the personnel management function, they have not caused a financial burden.

Incentives and rewards for productivity and quality workmanship are not based on competitive criteria, since many of the employees have experienced a great deal of failure in competitive circumstances. Instead, the society provides a monthly in-house barbecue and other tangible rewards such as restaurant gift certificates, NHL game tickets, and other events of interest to the staff. Names are drawn at the monthly barbecues for the tickets. Other rewards fre-

quently follow a period of unusually heavy tonnages (e.g., after holidays). This approach to incentives, along with training and firm, but compassionate expectations seems to have resulted in generally high morale, higher than expected productivity, and a strong commitment to quality and improvement.

COMMUNITY PARTICIPATION

The ERS is committed to providing the best service possible to local residents. Its collection area is divided into 60 neighborhoods, or "beats." Each load of recyclables coming into the plant is weighed by commodity, and the identity of the truck, driver, and beat noted on the weigh scale ticket. This enables the ERS to monitor each neighbourhood as to the amount of material being generated, and to any significant changes in participation.

All complaints and enquiries are noted by time of day, neighbourhood, and driver providing the collection service. Each complaint receives a personal response within 24 hours. Drivers and supervisory personnel are trained and instructed in handling the public. Their field work is observed by municipal inspectors who visit the plant several times a day and closely monitor the activities and whereabouts of all the drivers.

On three occasions since 1988, the ERS has engaged a professional firm to conduct surveys to measure the level of participation and public support. The results have indicated sustained participation levels above 90% and strong public support for the program in general. This has been confirmed, as well, by feedback received by the city.

The ERS provides an on-going educational program to the schools, presenting programs to 10-15,000 students each year. As well, the local cable company regularly airs a series of educational programs produced by ERS on the topic of recycling. ERS personnel are also frequently invited to speak to service clubs,

schools, and church and community groups.

Since its inception, the ERS has conducted a vigorous media relations program. Frequent contact with media personnel has resulted in positive, informative, and accurate media coverage of the ERS program. Advertising is done selectively, and usually attempts to portray ERS as participating in community building.

The ERS has utilized local community resources in all aspects of its operation.

Can or should a business like the Edmonton Recycling Society be replicated? The answer is as complex as the cultural & socio-economic factors of any community. The unique partnership between the City of Edmonton & the ERS carries risks which other municipalities may find unacceptable.

Everything from the manufacture of the blue boxes to the design and manufacture of trucks and processing equipment has been done locally whenever possible. The development of personnel policies, the provision of training and special support services for its employees, and the necessary financial backing to ensure viability have utilized local resources. Prices have usually been competitive, and the community has received the benefits.

Many communities in the region are finding it difficult to market their material on a small scale. ERS is currently

accepting and processing paper, plastic, and metal products from a number of the surrounding municipalities.

LONG-TERM RETURN FOR INITIAL SUPPORT

There was some initial reluctance by Edmonton City Council because the ERS required start-up capital and its bid to handle house-to-house pick up was higher than that of its competitor. The Mennonite Central Committee provided necessary loan guarantees (and a sizable operating line of credit). In lieu of the performance bond required by the City, a Mennonite insurance company put up a letter of credit.

In the end, the society's not-for-profit status and its commitment to hiring the disadvantaged garnered political favour. But ERS is no charity case, propped up by taxpayers' dollars. It has returned more than \$500,000 to the City from operating surpluses in the years 1989-93 (nearly half that amount in 1993 alone). In the past two years, as well, it has voluntarily reduced its contract fee by 12%. Its recycling plant is housed in an old, 4,278 square-metre street car barn at the north-east edge of downtown, for which it pays the City \$120,000 rent annually.

In 1994, the ERS had \$3.3 million in revenue (unaudited) and an estimated operating surplus of \$600,000. This will bring the total cash remitted by the ERS to the city since 1988 - from operating surpluses, rent, and fees for services (utilities not included) - to more than \$1.5 million. Able to stand on its own feet financially, the society last June released the Mennonite Central Committee from its financial guarantees.

REMAINING ACCOUNTABLE TO THE CITY

As a profit-sharing contractor to the City of Edmonton, the ERS is under exceedingly close scrutiny. The management reports submitted to the City each month

describe operations in detail, including:

- complaints received.
- lost blue boxes.
- new residence listings.
- number of pick-ups and tonnages recovered, by week by neighbourhood.
- weights of materials sold, buyers, prices paid, and total receipts.
- 13-month summaries of commodities collected.
- total sales and yearly comparisons.

Each month the chief executive officer prepares a comprehensive overview of the day-to-day activities of the ERS, including monthly financials. Although these reports are intended for the ERS board, they are submitted to the City as well. Changes in management and board personnel are reported to the City if and when they occur.

A full external financial audit is required each year, after which the City does its own review, including an audit of operations and contract compliance. At least twice a year the ERS networks person-to-person with members of City Council to ascertain their concerns and to inform them of the activities of the society.

EDMONTON RECYCLING SOCIETY: ITS REPLICATION

Requests are received almost weekly, from local entrepreneurs, municipalities, and from countries such as China, the Czech Republic, Romania, Bhutan, India, Mexico, and from South America, for information and consultative services.

Can or should a business like the Edmonton Recycling Society be replicated? The answer is as complex as the cultural and socio-economic factors of any community. Certainly ERS employment policies have proven to be adaptable to a variety of situations, ranging from summer camping programs to far-reaching community development programs. Its public relations and quality control programs follow universally recognized principles and practices.

The unique partnership between the City of Edmonton and the ERS has yielded effective cost control and economic benefits to the community, and provided sustained employment for otherwise unemployed persons. However, it carries risks which other municipalities may find unacceptable. To reduce these risks, would-be imitators should take a long, hard look at the accounting and management reporting systems developed to frame the special relationship in Edmonton.

THE FUTURE

The highly competitive environment has required the ERS to demonstrate unusual business acumen in order to survive. It has had to develop effective human resources policies and programs and aggressively pursue global and local markets. It has had to establish linkages with the City, and with business, industry, and community groups in order to accomplish its social and economic goals. All this not-

withstanding, ERS fully recognizes its continued vulnerability in a fiercely competitive industry. Although it continues to demonstrate its ability to compete with the private sector, it must recognize that its survival during the next decade will be determined to a large extent by political and economic realities.

Value-added processing, a focus on new and expanding niche markets, longer-term investment horizons, a broader definition of corporate and worker responsibility, and a deep commitment to the development of self-sustaining communities in a global milieu - this is the way of the future. ERS is showing that economic activities that build and strengthen the community by preserving or enhancing the natural resource base, by providing meaningful employment for individuals, and by earning a competitive rate of return, can result in sustainable development and sustainable employment. ♪

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