

NO: R060

COUNCIL DATE: May 1, 2023

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **April 25, 2023**

FROM: **General Manager, Corporate Services**

FILE: **3900-01**

SUBJECT: **Proposed Bylaw Amendments to Address Catalytic Converter Thefts Update**

RECOMMENDATION

The Corporate Services Department recommends that Council:

1. Receive this report for information;
2. Authorize the City Clerk to bring forward the amendments to the *Scrap Metal Dealer Regulation By-law, 2008, No. 16655* (“Scrap Metal By-law”) for final adoption; and
3. Authorize the City Clerk to bring forward the amendments to the *Business License By-law, 1999, No. 13680* (“Business License By-law”) for final adoption.

INTENT

The purpose of this report is to provide Council with written representations provided by the public with respect to proposed amendments to the Scrap Metal By-law and Business License By-law and to seek Council authorization to bring forward the proposed amendments for final adoption.

BACKGROUND

At the April 3, 2023 Council Meeting, Council approved the recommendations in Corporate Report No. CR043; 2023 Proposed Bylaw Amendments to Address Catalytic Converter Thefts, which is attached to this report as Appendix “I”.

The *Community Charter* requires that, before adopting bylaws regulating business matters, such as the proposed amendments to the Scrap Metal By-law and the Business License By-law, Council must give notice of its intention and provide an opportunity for persons who consider they are affected by the bylaws to make representations to Council.

Corporate Report No. CR043; 2023 also proposed amendments to other bylaws, including the *Surrey Municipal Ticket Information Utilization By-law, 1994, No. 12508* and *Surrey Bylaw Notice Enforcement Bylaw, 2016, No. 18691*. The *Community Charter* does not require public notice regarding amendments to these bylaws.

Pursuant to Council direction and the requirements of the *Community Charter*, notice was provided:

- At the City’s Public Notice Posting Place, including the City’s website and bulletin board;
- In the Surrey Now Leader, Peace Arch News, and Cloverdale Reporter on Thursday, April 6, 2023 and Thursday, April 13, 2023;
- By letter to the following businesses licensed in the City:
 - Scrap metal dealers, automotive repair businesses, automobile wreckers, salvage yards, automobile dealers/rebuilders, towing with storage businesses and towing without storage businesses.

The notices and letters advised members of the public of the opportunity to provide submissions to Council in writing to the City Clerk by April 21, 2023.

DISCUSSION

Staff received two letters from the public in response to the proposed amendments to the Scrap Metal By-law, which are attached to this report as Appendix “II”. Staff’s discussion of the correspondence is attached to this report as Appendix “III”.

Legal Services Review

This report has been reviewed by Legal Services.

CONCLUSION

Based on the above information, it is recommended that Council authorize the City Clerk to bring forward the proposed amendments to the Scrap Metal By-law and the Business License By-law for final adoption.

Rob Costanzo
General Manager, Corporate Services

Appendix “I”: Corporate Report No. CR043; 2023 Proposed Bylaw Amendments to Address Catalytic Converter Thefts

Appendix “II”: Correspondence from the Public

Appendix “III”: Discussion of Correspondence from the Public

NO: R043

COUNCIL DATE: April 3, 2023

REGULAR COUNCIL

TO: Mayor & Council

DATE: March 30, 2023

FROM: General Manager, Corporate Services

FILE: 3900-01

SUBJECT: Proposed Bylaw Amendments to Address Catalytic Converter Thefts

RECOMMENDATION

The Corporate Services Department recommends that Council:

1. Receive this report for information;
2. Approve the proposed amendments to the *Scrap Metal Dealer Regulation By-law, 2008, No. 16655* ("Scrap Metal By-law"), as summarized and reflected in Appendix "I" of this report;
3. Approve the proposed amendments to the *Business License By-law, 1999, No. 13680* ("Business License Bylaw"), as summarized and reflected in Appendix "II" of this report;
4. Approve the proposed amendments to the *Surrey Municipal Ticket Information Utilization By-law, 1994, No. 12508* ("MTI By-law"), as summarized and reflected in Appendix "III" of this report;
5. Approve the proposed amendments to the *Surrey Bylaw Notice Enforcement Bylaw, 2016, No. 18691* ("BEN Bylaw"), as summarized and reflected in Appendix "IV" of this report;
6. Direct the City Clerk to give public notice in accordance with Section 94 of the *Community Charter*, of the proposed amendments to the Business License By-law and Scrap Metal By-law, as documented in Appendices "I" and "II", and to provide an opportunity to persons who consider they are affected by the Business License By-law and Scrap Metal By-law amendments to make written representations to Council;
7. Direct the Acting Manager Bylaw Services or their designate to contact scrap metal dealers, automotive repair businesses, automobile wreckers, salvage yards, automobile dealers/rebuilders, towing with storage businesses and towing without storage businesses licensed in Surrey to advise them of the Business License By-law and Scrap Metal By-law amendments and refer them to www.surrey.ca for more information;
8. Direct staff to report back to Council on any written representations received prior to Council considering the final adoption of the Business License By-law and Scrap Metal By-law amendments; and
9. Authorize the City Clerk to bring forward the proposed amendments to the Scrap Metal By-law, Business License By-law, MTI By-law, and BEN Bylaw for the required readings.

INTENT

The purpose of this report is to obtain Council's approval to adopt the proposed amendments to the Scrap Metal By-law, Business License Bylaw, MTI By-law, and BEN Bylaw (collectively referred to as the "Proposed Amendments") to address catalytic converter thefts.

BACKGROUND

Thefts of catalytic converters has occurred on an increasing trajectory over the past 4 years in the City and across the region resulting in considerable costs to individuals, businesses and insurers. Stolen catalytic converters are usually sold to Scrap Metal dealers. Following collaborative efforts between staff and the Surrey RCMP, it was concluded that the most effective approach to curtailing this crime will be by limiting the manner to which a Scrap Metal dealer can purchase a catalytic converter, while ensuring that the legitimate sale/resale of catalytic converters is not impacted. Further background is provided in Appendix "V".

DISCUSSION

The Proposed Amendments were developed with input from the Surrey RCMP. The Proposed Amendments limit the circumstances under which catalytic converters may be resold; they create ticketable offences should businesses purchase catalytic converters contrary to City bylaws; they include a significant increase to the maximum fine under the Scrap Metal By-law from \$10,000 to \$50,000; and they modernize how information about transactions regulated by the Scrap Metal By-law must be transmitted to the police.

In an effort to significantly curb the theft of catalytic converters, it is recommended that the Proposed Amendments be adopted. A more detailed discussion on the Proposed Amendments and public notice requirements is summarized in Appendix "V".

CONCLUSION

Based on the above information, it is recommended that Council approve the Proposed Amendments and to direct staff to give public notice.



Rob Costanzo
General Manager, Corporate Services

Note: Appendices available upon request.

Appendix "I": Summary and Proposed Amendments to *Scrap Metal Dealer Regulation By-law, 2008, No. 16655*

Appendix "II": Summary and Proposed Amendments to *Business License By-law, 1999, No. 13680*

Appendix "III": Summary and Proposed Amendments to *Surrey Municipal Ticket Information Utilization By-law, 1994, No. 12508*

Appendix "IV": Summary and Proposed Amendments to *Surrey Bylaw Notice Enforcement Bylaw, 2016, No. 18691*

Appendix "V": Further Background and Discussion on Proposed Amendments



April 15, 2023

**Mayor Brenda Locke and City Councillors
City of Surrey
13450 – 104 Avenue
Surrey, BC, Canada
V3T 1V8**

RE: Schnitzer Steel Industries, Inc. Letter of Support if Amended “Scrap Metal Dealer Regulation Bylaw, 2008, No. 16655 Amendment Bylaw, 2033 No. 20913”

Surrey City Mayor Locke and Surrey City Councillors,

On behalf of Schnitzer Steel Industries, we thank you for the opportunity to comment on the proposed amendments (NO.20913) to the city’s Scrap Metal Dealer Regulation Bylaw.

Schnitzer is a leading metals recycler in North America with over 3500 employees and one hundred locations across Western Canada, the United States and Puerto Rico. Regional recycling markets are supported by our operating platform, which comprises (i) fifty-four (54) recycling facilities, including shredding operations that process and recycle end-of-life vehicles, appliances, and industrial materials, and (ii) fifty (50) Pick-n-Pull stores that sell serviceable used auto parts from salvaged vehicles and receive over 4.1 million annual retail visits. Our steel manufacturing operations located in McMinnville, Oregon, produce finished net-zero carbon steel products, including rebar, wire rod and other specialty products. Annually, Schnitzer recycles approximately 4.5 million metric tons of ferrous and non-ferrous metals supporting low carbon products manufacturing and recycling non-ferrous metals, including aluminum and copper.

Since 2011, Schnitzer has operated a recycling facility in Surrey, with a workforce of sixty team members, and where the Company annually processes 20,000 end-of-life vehicles and recovers 200,000 tons of metal. Our Surrey operation is a proud certified recycling partner with several government-regulated product stewardship organizations, including the Major Appliance Recycling Roundtable (MARR), Scrap-IT BC, and Call-2-Recycle.

Every day we strive to operate responsibly and support our communities as an ethical corporate partner. These values extend to Schnitzer’s purchasing and processing programs for end-of-life catalytic converters. Our process allows for the recovery of valuable metals (platinum, palladium, and rhodium), while both reducing our reliance on mining these critical materials and avoiding associated externalities. We are also able to reduce the number of materials that are sent to landfills, through our recycling operations.

As legislative bodies in North America have worked to address the sharp rise in catalytic converter thefts, Schnitzer has been a strong proponent of common-sense regulations that deter the theft and illegal sales of critical emission control devices. Our Company supports the

proposed regulatory amendments that will require proof of ownership, proper documentation, and markings for individual transactions from the general public.

However, we do believe the proposed regulations governing “commercial transactions” should be amended to ensure that catalytic converter recycling can continue in a responsible and efficient manner. Specifically, Schnitzer believes the “Scrap Metal Dealer Regulation Bylaw, 2008, No. 16655 Amendment Bylaw, 2033 No. 20913” (the Bylaw)” Section 6 (c.1.iii) should be expanded, beyond licensed automotive repair businesses, to include other licensed entities that generate detached catalytic converters in the ordinary course of business. Such operations may include, but not limited to the following:

- A licensed used motor vehicle dealer or used motor vehicle parts dealer
- A licensed new motor vehicle dealer
- A manufacturer or distributor of catalytic converters
- A licensed scrap metal dealer and metal recycler
- A licensed towing business
- A licensed automobile wrecker

In addition, Schnitzer respectfully urges the council to require all commercial transactions shall only be conducted with a licensed scrap metal dealer or metal recycler who shall maintain a written agreement between the transacting parties. Additionally, we believe this added requirement would eliminate the need for the current proposed requirement that in each commercial transaction, the purchased catalytic converter be etched with an associated VIN of the vehicle from which it was removed. Licensed metal dealers and metal recyclers are currently required to retain detailed records for transactions that are either available upon inspections or are reported to local agencies. Schnitzer believes that this change to the proposed regulation is necessary as we are concerned that the current draft policy will over burden the legitimate end-of-life catalytic converter marketplace and impair the essential recycling of critical materials.

Lastly, Schnitzer strongly encourages the Surrey City Council to collaborate with regional and provincial governmental organizations to ensure that a consistent policy governing catalytic converter transactions is achieved. Absent a uniform policy approach here, we are concerned that illicit catalytic transactions will continue to occur in neighboring jurisdictions and the deterrence of catalytic converter theft will not be realized.

Schnitzer appreciates the opportunity to provide comments and we will continue to work with the Council on the proposed amendments, so the final policy deters the theft of catalytic converters while also ensuring they are responsibly recycled.

Please do not hesitate to contact us with any questions or if we, at Schnitzer, can provide additional assistance.

Sincerely,



Jack Sheppard
Executive Director Commercial Operations
Schnitzer Steel Industries, Inc.



April 17, 2023

**Mayor Brenda Locke and City Councilors
City of Surrey
13450 – 104 Avenue
Surrey, BC, Canada
V3T 1V8**

**RE: Letter of Support if Amended “Scrap Metal Dealer Regulation Bylaw, 2008, No. 16655
Amendment Bylaw, 2033 No. 20913”**

Surrey City Mayor Locke and Surrey City Councilors,

On behalf of the Institute of Scrap Metal Recycling Industries (ISRI) and the Canadian Association of Recycling Industries (CARI), we thank you for the opportunity to comment jointly on the proposed amendments (NO.20913) to the city’s proposed Scrap Metal Dealer Regulation Bylaw.

In North America, The Institute of Scrap Recycling Industries, Inc. (ISRI) and the Canadian Association for Recycling Industries (CARI) represent more than 1,500 processors, brokers, and consumers of scrap materials, including ferrous and nonferrous metals, paper, plastic, tire and rubber, glass, textiles, and electronics. The scrap recycling industry’s total economic impact is nearly US\$117 billion in the United States and more than C\$5 billion in Canada, and our industry directly and indirectly supports more than 530,000 jobs in the United States and approximately 90,000 jobs in Canada. Globally, in 2016, our industry processed more than 130 million metric tons of recyclable commodities valued at more than US\$14 billion. As such, the North American scrap recycling industry is an environmental steward and an economic driver vital to the health of the manufacturing sector across the continent, and Surrey’s metal dealers and recyclers play an essential role in this sector.

As legislative bodies in North America have worked to address the sharp rise in catalytic converter thefts, ISRI and CARI have been committed advocates for common-sense regulations that deter the theft and illegal sales of critical emission control devices.

ISRI and CARI support the proposed regulatory amendments that will require proof of ownership, proper documentation, and markings for individual transactions from the general public.

However, we believe the proposed regulations governing “commercial transactions” should be amended to ensure that catalytic converter recycling can continue in a responsible and efficient manner. Commercial transactions are conducted between commercial entities registered under Part IX (Goods and Services Tax) of the *Excise Tax Act* (Canada), which requires businesses to collect and maintain records of the name, address, and GST number of the “seller,” as well as a description of the materials purchased or received. As such, we believe the “Scrap Metal Dealer Regulation Bylaw, 2008, No. 16655 Amendment Bylaw, 2033 No. 20913 (the Bylaw)” Section 6 (c.1.iii) should be expanded beyond licensed automotive repair businesses to include other licensed entities that generate detached catalytic converters in the ordinary course of business. Such operations may include, but not limited to the following:

- A licensed used motor vehicle dealer or used motor vehicle parts dealer
- A licensed new motor vehicle dealer
- A manufacturer or distributor of catalytic converters
- A licensed scrap metal dealer and metal recycler
- A licensed towing business
- A licensed automobile wrecker

Furthermore, under B.C.’s recently amended *Metal Dealers and Recyclers Regulations* (B.C. Reg. 61/2022), licensed metal dealers and metal recyclers are required to retain detailed records and report transactions of restricted materials—including catalytic converters—to local police authorities. Unfortunately, unlicensed dealers and online marketplaces do not adhere to these regulations. ISRI and CARI therefore respectfully urge the council to require all commercial transactions only be conducted by a licensed scrap metal dealer or metal recycler who shall maintain a written agreement between the transacting parties. Adding this requirement would eliminate the need for the current proposal that in each commercial transaction, the purchased catalytic converter be etched with an associated VIN of the vehicle

from which it was removed. ISRI and CARI believe this change to the proposed regulation is necessary, as we are concerned that the current draft policy will overburden the legitimate end-of-life catalytic converter marketplace and impair the essential recycling of critical materials.

Lastly, ISRI and CARI strongly encourage the Surrey City Council to collaborate with regional and provincial governmental organizations to harmonize policies governing catalytic converter transactions. Absent a uniform policy approach here, we are concerned that illicit catalytic transactions will continue to occur in neighbouring jurisdictions, and catalytic converter theft will continue unabated.

Again, ISRI and CARI appreciate the opportunity to comment on this critical issue, and we will continue to work with the Council on the proposed amendments, so the final Bylaw deters the theft of catalytic converters while also ensuring they are responsibly recycled.

Please do not hesitate to contact us with any questions or for additional assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'J Lotzkar', with a stylized flourish at the end.

Jacqueline Lotzkar
ISRI Pacific Northwest Chapter President

A handwritten signature in black ink, appearing to read 'Tracy Shaw', with a stylized flourish at the end.

Tracy Shaw
President & CEO, CARI

Discussion of Correspondence from the Public

A. Correspondence From Schnitzer Steel Industries Inc. ("Schnitzer") Dated April 15, 2023

Schnitzer states that it supports the proposed amendments requiring proof of ownership, proper documentation, and markings for individual transactions from the general public.

However, Schnitzer makes several suggestions. Below is a summary of Schnitzer's main suggestions followed by staff's comments:

1. Expansion of exemptions in Section 6.1(c.1)(iii) of the Scrap Metal By-law

Schnitzer proposes that Section 6.1(c.1)(iii) of the Scrap Metal By-law be expanded beyond licensed automotive repair businesses, to include other licensed entities that generate detached catalytic converters in the ordinary course of business. Such operations may include, but not limited to the following:

- A licensed used motor vehicle dealer or used motor vehicle parts dealer
- A licensed new motor vehicle dealer
- A manufacturer or distributor of catalytic converters
- A licensed scrap metal dealer and metal recycler
- A licensed towing business
- A licensed automobile wrecker

Staff Comments

Unless another exemption applies, the proposed Section 6.1(c.1)(iii) of the Scrap Metal By-law, as it is currently drafted, prohibits scrap metal dealers from receiving a catalytic converter unless it is etched with the VIN of the vehicle from which it was removed and the seller is licensed as an automotive repair business.

Staff recommend that Council not expand the list of exemptions on the basis that:

- It is not apparent why some of the businesses Schnitzer has listed would require an exemption based on the nature of the businesses. For example, it is not clear why a new motor vehicle dealer would need to sell a catalytic converter to a scrap metal dealer. To the extent that a motor vehicle dealer performs repair work on vehicles and needs to dispose of a catalytic converter, they would be required to be licensed as an automotive repair business and would fall under the existing exemption under Section 6.1(c.1)(iii) of the Scrap Metal By-law;
- The list of exemptions is purposely limited to prevent unscrupulous businesses from purchasing stolen catalytic converters. Expanding this list may defeat the purpose of the proposed amendments to the Scrap Metal By-law by not fully addressing the issue; and

- Apart from the recycling industry, the City has not received any requests from other businesses, such as automobile wreckers, towing businesses, motor vehicle dealers, etc., to be exempt from the proposed amendments to the Scrap Metal By-law.

If the Proposed Amendments are adopted, staff will continue to look at ways to improve their implementation and will consider any need to make further amendments. However, there does not appear to be any need to adopt Schnitzer's suggested exemptions at this time.

2. Written Agreement

Schnitzer suggests that the City require all "commercial transactions" be conducted with a licensed scrap metal dealer or metal recycler, which must maintain a written agreement between the transacting parties. Schnitzer believes that this added requirement would eliminate the need for the current proposed requirement that in each commercial transaction, the purchased catalytic converter be etched with an associated VIN of the vehicle from which it was removed.

Staff Comments

Staff recommend that Council not adopt this suggestion as it would not provide sufficient safeguard against transactions involving stolen catalytic converters. A catalytic converter etched with a VIN allows law enforcement agencies to trace the origins of the item to determine whether it has been stolen. If scrap metal dealers are permitted to receive some catalytic converters without VINs etched on them, then the proposed amendments to the Scrap Metal By-law may be ineffective in deterring catalytic converter thefts since law enforcement agencies may not be able to determine whether a catalytic converter is stolen.

3. Collaboration with Regional and Provincial Governments.

Schnitzer also suggests that the City collaborate with regional and provincial governmental organizations to ensure that a consistent policy governing catalytic converter transactions is achieved.

Staff Comments

Staff recognize that catalytic converter theft is not unique to the City. Through the proposed amendments, the City hopes to lead regulatory changes throughout the region.

B. Correspondence From the Institute of Scrap Recycling Industries Inc. ("ISRI") and the Canadian Association of Recycling Industries ("CARI")

The correspondence received from ISRI and CARI essentially expresses similar comments to those of Schnitzer. Staff's comments are the same as those expressed above.