



Annual Report 2004

April 1, 2005



Stewardship ONTARIO

April 1, 2005

Ms. Gemma Zecchini
Chair, Board of Directors
Waste Diversion Ontario
45 Sheppard Ave., East
Suite 920
North York, ON
M2N 5W9

Dear Gemma,

In accordance with Section 33 of the *Ontario Waste Diversion Act (2002)*, requiring that Stewardship Ontario submit an annual report to Waste Diversion Ontario on April 1 each year, we are pleased to provide the Stewardship Ontario Annual Report 2004.

Stewardship Ontario is also complying with the requirements of the Act by making the report public. It is being posted on our website today along with a notation on the home page providing a link to its location. In addition, we have notified stewards and stakeholders through our e-newsletter, *Need-to-Know*, that the report is available beginning today.

Sincerely,



Dennis Darby
Chair
Board of Directors
Stewardship Ontario

Stewardship Ontario Board of Directors - 2004

Food & Consumer Products Manufacturers of Canada

Procter & Gamble, Dennis Darby, Chair
Parmalat Canada, Bill Hunt *

Canadian Council of Grocery Distributors

Sobeys Ontario, Duncan Reith
CCGD, Justin Sherwood *

Retail Council of Canada

RCC, Diane Brisebois Treasurer
RCC, Doug DeRabbie *

Refreshments Canada

Coca Cola Bottling Company, Sandra Banks
Pepsi-Cola Canada Ltd, Colleen Newell *

Canadian Newspaper Association

CNA, Anne Kothawala
* Alternate (vacant)

Liquor Control Board of Ontario

LCBO, Gerry Ker
LCBO, Lyle Clarke *

Canadian Paint & Coatings Association & Canadian Consumer Specialty Products Association

CCSPA, Shannon Coombs
CPCA, Susan Peterson *

Stewardship Ontario

Chief Executive Officer, Damian Bassett

* = alternates

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- i. Copy of Notification Letter for 2003 and 2004
- ii. Copy of Ministry of the Environment Letter
- iii. Report Calculators
- iv. Draft Audited Financial Statements

Summary of 2004 Key Highlights

The Blue Box Program Plan (BBPP) was approved by the Minister of the Environment on December 22, 2003 and Stewardship Ontario was designated as the Industry Funding Organization responsible for implementing the plan. A full copy of the plan can be found at www.stewardshipontario.ca

In approving the BBPP, the Minister requested that the Stewardship Ontario fee structure be revised no later than June 30, 2004. This request resulted in the establishment of two program years – for 2003 (from February 1 to June 30, 2004) and 2004 (from July 1 to December 31, 2004). As a consequence, Stewardship Ontario had to complete all of the work that would normally be required for the two separate “BBPP program years” within calendar 2004.

In 2004, Stewardship Ontario successfully discharged all of its obligations under the BBPP. Key Stewardship Ontario accomplishments and milestones reached in 2004 include:

- Designated program commencement, February 1, 2004.
- Identifying and notifying potential stewards throughout Ontario of their new obligations under the *Waste Diversion Act, 2002* (WDA) and the approved BBPP.
- Registering some 3,285 companies through a purpose built, secure web based data management and reporting system.
- Identifying and notifying an additional 1,800 potential stewards throughout 2004.
- Receiving, reviewing and approving reports from 1,228 companies designated as obligated stewards under the BBPP (with the remainder of the registered companies exempted under the de minimis provisions of the plan).
- Identifying fees owing to Stewardship Ontario of \$40.92 million for the 2004 calendar year.
- Distributing \$29.55 million owing to municipalities for the 2004 calendar year (with \$9.14 million of this total to be distributed by March 31, 2005);
- Completing two fee setting cycles for the June 1, 2004 to December 31, 2004 program year and for calendar year 2005.
- Completing the preparatory work required for revising the Stewardship Ontario governance structure.
- Launching a \$2.5 million glass market development program.
- Launching a \$3.3 million Effectiveness & Efficiency (E&E) Fund program, including the receipt of 44 applications to the fund (valued at \$6.8 million), and approval of 13 separate projects with combined E&E funding of \$1.14 million).
- Launching a province-wide waste audit program to monitor the comprehensiveness of stewards’ data reporting and the recovery rates achieved for Blue Box Waste.

- Working in partnership with Ontario municipalities, their program operators, and the WDO diverting an estimated 53 percent of designated Blue Box Waste from disposal.
- Informing and consulting with affected stakeholders throughout implementation of the BBPP in 2004.
- Reporting on progress being made to the WDO and the Ministry of the Environment.

1.0 Introduction

This report has been prepared and submitted to Waste Diversion Ontario (WDO) in compliance with Section 33 of the *Waste Diversion Act, 2002* (WDA). A copy of this report has also been posted on the Stewardship Ontario website at www.stewardshipontario.ca and all interested stakeholders known to Stewardship Ontario have been notified of the availability of this report through distribution of our “*Need to Know*” electronic newsletter.

This is the second annual report prepared by Stewardship Ontario. It encompasses the activities of the corporation over the 2004 calendar year in regard to the *Blue Box Program Plan (February 2003)* approved by the WDO and the Minister of the Environment.

In approving the Blue Box Program Plan (BBPP), the Minister directed the WDO to make a number of key changes to the plan. As a result, the calendar year 2004 in effect encompasses two separate Stewardship Ontario “program years:”

- February 1, 2004 to June 30, 2004;
- July 1, 2004 to December 31, 2004.

Stewards were required to file one Steward’s Reports during this time, and this one data submission was the basis for payments for both program years.

While many of the key program activities of the corporation described in this report were delivered throughout the 2004 calendar year, key financial information for Stewardship Ontario is identified separately in this report for each of these program years.

In approving the BBPP, the Minister also directed the WDO to make a number of additional changes to the program plan as set out in her approval letter. A summary of these changes and their current status is summarized below.

On December 22, 2003 the Minister directed the WDO and Stewardship Ontario regarding changes to the BBPP (2003) as follows:

- 1) New measures or enhancements to existing measures that will allow the Blue Box system to divert at least 60 percent of Blue Box Wastes by 2006. **Report submitted to the Minister on April 30, 2004.**
- 2) 2004 schedule of stewards’ fees to apply as soon as possible but no later than June 2004. **Revised fee schedule submitted to the Minister on March 25, 2004.**
- 3) 2004 schedule of fees to include:

- a) Cost containment strategy that will ensure municipal Blue Box program costs are properly managed. **Report subsequently submitted to the Minister on July 12, 2004.**
 - b) Further analysis on the financial and operational impacts of the BBPP on the small business community and include incentives for small businesses to improve diversion of their Blue Box Wastes in order to reduce their cost. **Report subsequently submitted to the Minister on July 12, 2004.**
- 4) Detailed program requirements:
- a) Policies and practices to lead to at least 60 percent diversion of all Blue Box Wastes by 2008 through reduction, reuse or recycling. **Report submitted to the Minister on April 30, 2004.**
 - b) Target percentages for each Blue Box material that will be diverted annually in the program. Policies and practices to ensure that the proposed material diversion targets are met. **Report submitted to the Minister on April 30, 2004.**
 - c) Benchmark targets for municipal diversion rates. **Report submitted to the Minister on April 30, 2004.**
 - d) Specific cost containment principles for municipalities and stewards to follow. Policies and practices that will ensure compliance with cost containment principles. **Report submitted to the Minister on July 12, 2004.**
 - e) Policies and practices to encourage effectiveness and efficiency for municipal Blue Box systems. **Report submitted to the Minister on July 12, 2004.**
 - f) Policies and practices to ensure that the administrative costs incurred by Waste Diversion Ontario and Stewardship Ontario are no more than five (5) percent of the total program costs. **Report submitted to the Minister on July 12, 2004.**
 - g) Projected schedule of stewards' fees. **Submitted to and approved by the WDO on March 25, 2004 and approved by the Minister of the Environment on June 30, 2004.**

Further details on each of these requirements can be found on the WDO and Stewardship Ontario websites.

Stewardship Ontario acknowledges receiving additional direction from the Minister on December 30, 2004 for implementation in 2005 including these excerpts:

- Approval of the cost containment plan submitted by WDO on July 12, 2004 with an accelerated timeframe.
- Implement the cost-containment plan that WDO approved and submitted to me on July 12, 2004, but on an accelerated timetable. I would like to see the 'reasonable cost' bands implemented in 2006 rather than 2008 as proposed. Please resubmit the final revised cost-containment plan to me by January 31, 2005.

- Please prepare a plain language report on the Blue Box program, in consultation with the MOE, which includes:
 - a) *Information on the performance of the Blue Box program.*
 - b) *The calculation and verification of Blue Box costs.*
 - c) *The calculation and verification of stewards' fees.*
 - d) *The actions being taken to contain costs incurred by WDO and Stewardship Ontario.*
 - e) *Actions being taken to contain costs incurred by municipalities to operate their Blue Box systems.*
 - f) *Actions being taken to promote efficiencies.*
 - g) *Actions being taken by stewards and municipalities to improve markets and revenues, and to improve the recyclability of packaging and printed paper destined for the Blue Box.*
- The report is to be an annual report and sent to every obligated industry steward and municipality. Please prepare the first report for the 2004 calendar year and send it to stewards and municipalities no later than February 15, 2005. In future years, please ensure that the report accompanies the notice to the stewards of WDO's approval of the fees for the following years."

The plain language report can be viewed at:

[http://webservices.siriusweblabs.com/dotconnector/files/domain4116/Guide to the BBP Feb 15 05 Final\(1\).pdf](http://webservices.siriusweblabs.com/dotconnector/files/domain4116/Guide%20to%20the%20BBP%20Feb%2015%2005%20Final(1).pdf)

To view the Minister's letter:

<http://www.ene.gov.on.ca/envision/land/wda/bluebox/dec30letter.htm>

2.0 Implementing the Blue Box Program Plan (BBPP)

2.1 Obligated Materials

Regulation 2002.0351.e under the *Waste Diversion Act, 2002* (WDA) defines Blue Box Waste in the following manner:

Waste that consists of any of the following materials, or any combination of them, is prescribed as Blue Box Waste for the purpose of the *Act*:

- glass;
- metal;
- paper;
- plastic; and
- textile.

This definition is broad in scope and encompasses packaging and printed materials and a wide range of consumer products. However, given that municipal Blue Box programs collect primarily packaging and printed materials and do not generally collect consumer products, the BBPP addresses only consumer packaging material and printed papers commonly found in the residential waste stream.

2.1.1 Definitions of Packaging Materials and Printed Papers

As approved under the BBPP, each year Stewardship Ontario is required to review the definitions of packaging and printed papers for the purposes of defining obligated materials. These definitions were reviewed by Stewardship Ontario prior to setting fees for the 2004 and 2005 program years and no substantive changes were made. For a review of the definition of packaging, refer to the BBPP, Section 9.6.2 – Table 9.2: <http://stewardshipontario.ca/rules/rules.htm>.

2.2. Stewardship Ontario Governance

2.2.1 Founding Board of Directors

The founding Board of Directors of Stewardship Ontario was drawn from the seven industry sectors represented on the WDO Board of Directors whose members were expected to be the designated stewards for the significant majority of obligated Blue Box Wastes under the BBPP, plus the CEO of the Corporation:

- one member appointed by the Food & Consumer Products Manufacturers of Canada;
- one member appointed by Canadian Council of Grocery Distributors;
- one member appointed by Retail Council of Canada;
- one member appointed by Refreshments Canada;
- one member appointed by Canadian Newspaper Association;
- one member appointed by Liquor Control Board of Ontario;
- one member appointed jointly by Canadian Paint & Coatings Association & Canadian Consumer Specialty Products Association;
- the CEO of Stewardship Ontario in an Ex-Officio capacity.

Based upon registrations and reports submitted to Stewardship Ontario for the 2003 and 2004 program years, stewards represented by these sectors represent the significant majority of obligated Blue Box Waste.

2.2.2 Revised Governance Model

The Stewardship Ontario Board of Directors established a Future Structure Committee charged with further development of the board once the steward registration process was completed and the actual composition of the membership was known.

Following completion of the registration process for the 2003 program year, Stewardship Ontario engaged in an open consultation process to solicit views from interested stakeholders on governance issues (see Section 8.1). As a result of this consultation process, the Stewardship Ontario Board established the following guiding principles for the purposes of re-structuring Stewardship Ontario:

- structure must fairly represent members who pay fees;
- basis for setting fees must be transparent;
- information used to set fees must be accessible;
- board must be accountable to membership.

The Stewardship Ontario Board then approved broad recommendations from the Future Structure Committee as follows:

- representation on the board should be restricted to stewards only;
- size of the board should be 10 to 20 members with representation by industry sector through delegate steward or trade association;
- this sector representation should be in proportion to fees paid in by each agreed sector;

- other key stakeholders to be represented through two new committees of the board:
 - policy advisory committee
 - technical advisory committee;
- elections for a revised board should be held in conjunction with the Annual General Meeting (AGM) of Stewardship Ontario in the spring of 2005.

The board also agreed to allow more time for comments to be received from stakeholders in response to these recommendations and to continue to identify and register all potentially obligated stewards.

The Future Structure Committee subsequently met twice in 2004 to review:

- updated profiles of registered stewards; and
- key issues related to board size, composition, term, election procedures, development of bylaws and procedures for the AGM.

A revised Stewardship Ontario governance structure and draft bylaws were subsequently developed for submission to the WDO with the following key recommendations:

- 1) Make provisions in the revised bylaws for a board of no less than 10 and no more than 20 members.
- 2) Have the Executive Committee develop a recommended slate of 12 to 15 members for election at the next annual general meeting, to hold office until the members' meeting in 2006.
- 3) Maintain the principle of having sector representation reflect the fees contributed by the identified sectors but incorporate into the bylaws a mechanism to ensure that diversity of interests are reflected. It is recommended that a two-thirds majority is required on votes concerning the BBPP, Rules or fees.
- 4) Make provision, based upon 2004 contributions, for one (1) seat for CNA/OCNA representation reflecting the in-kind advertising contribution to municipalities and payment of a share of Stewardship Ontario administration and program delivery costs.
- 5) Review the size of the board and the sector allocations on an annual basis and adjust if fee contributions change \pm 10 percent in a given year.
- 6) Any existing board members re-elected at the next AGM would serve for a term of one year and new members elected for a period of two years to ensure both board continuity and wider steward representation.
- 7) Provision to be made within the bylaws to allow for alternates for elected board members.
- 8) Committees of the board would include:
 - a) Executive Committee (to include responsibilities for board nominations)

- b) Audit and finance (to include responsibilities for secretariat performance and compensation review)
 - c) Policy advisory
 - d) Technical advisory.
- 9) The Policy Advisory Committee would be open to representatives from affected industry sectors not directly represented on the Stewardship Ontario Board of Directors and be co-chaired by a Stewardship Ontario Board member and an elected committee member.
- 10) The Technical Advisory Committee would be open to representatives from packaging and material suppliers, recyclers, service providers, municipalities and NGOs, and be co-chaired by a Stewardship Ontario Board member and an elected committee member.

The recommendations on restructuring of Stewardship Ontario subsequently submitted to the WDO can be found at www.stewardshipontario.ca/ppt/gov_proc_steps.pps

3.0 Steward Registration and Reporting

3.1 Identifying and Notifying Stewards

Under Section 30 (1), Stewardship Ontario has the authority to make Rules which:

- designate stewards;
- set fees to be paid;
- prescribe timing for fees payable;
- allow for interest and penalties for non-payment;
- require stewards to provide reports.

The Rules are reviewed and revised with each fee setting process and are publicly available on the Stewardship Ontario website at www.stewardshipontario.ca/rules/rules.htm.

Stewardship Ontario is responsible for identifying and notifying through written notice all companies and organizations that may be obligated under the WDA and BBPP. In order to manage this notification requirement effectively, Stewardship Ontario undertook the development of an electronic database and data management system that was designed specifically for the BBPP to serve two separate functions:

- to build a contact database of potentially obligated companies;
- to serve as a web-based registration and reporting system to allow notified companies to quickly and efficiently:
 - a) register with Stewardship Ontario;
 - b) provide primary contact and email information ;
 - c) declare if they are responsible for obligated Blue Box Waste;
 - d) declare if they are below or above the gross Ontario sales threshold;
 - e) issue to them a defined steward number and log-in ID and password;
 - f) file a Steward's Report on the kilograms of obligated packaging and printed paper;
 - g) calculate fees owing.

On January 19, 2004, Stewardship Ontario mailed official notification letters to more than 18,000 potentially obligated companies. Copies of the notification letters for the 2003 and 2004 *program years* have been included as Appendix i.

The identification and notification of potential stewards is an ongoing process. As companies continually start-up or come into and go out of the Ontario consumer

marketplace, there is an ongoing requirement for Stewardship Ontario to identify and notify companies of their potential obligations. Ongoing steward identification is conducted by:

- identifying new or unregistered products advertised or presented for sale in the Ontario market;
- ongoing review of business directories and lists of companies known to be selling products into the Ontario market.

If a company identified through one of these methods is determined to be potentially obligated (i.e. generates designated Blue Box Waste) and it had previously not been notified by Stewardship Ontario, then it is added to our data management system and sent an official notification letter. Under the Rules, the newly identified steward is allowed 90 days in which to file a Steward's Report; however, its financial obligation extends back to the February 1, 2004 BBPP start date.

By the end of 2004, some 3,284 notified companies had responded by registering with Stewardship Ontario. This list includes companies that:

- do not produce Blue Box Waste or are not resident in Ontario and therefore are not obligated;
- produce Blue Box Waste but are exempt as they are under the \$2 million sales threshold;
- produce Blue Box Waste, have sales over \$2 million and are therefore obligated to file a Steward's Report.

As described in Section 2.3, potential stewards who were sent official notification letters were required to register through a secure web-based system. This online registration and data management system allows potentially obligated companies to confirm full contact information, declare if they are obligated under the BBPP and if obligated, file their Steward's Report electronically.

3.2 Calculating and Reporting Obligations

This section provides an overview of what stewards who are obligated under the BBPP are required to do and the tools and support available from Stewardship Ontario to assist stewards with their new data collection and reporting requirements. The section also outlines how Stewardship Ontario reviews Stewards' Reports and the compliance and enforcement procedures that are in place.

Under the BBPP, stewards are required to measure and report to Stewardship Ontario the total quantity (in kilograms) of Blue Box Wastes entering the Ontario residential waste system on an annual basis. The reported quantities of packaging and printed

paper are then multiplied by the material-specific fee approved in the Rules to determine a steward's total fees payable to Stewardship Ontario.

3.2.1 How a Steward Calculates Obligations

Under the BBPP, Stewards of Blue Box Wastes in Ontario are required to measure, collect and report on the generation of printed paper and packaging on an annual basis. For most stewards this a new area of responsibility and as such the first reporting period has been challenging.

Stewards must ensure that the data they submit are as accurate as possible. Total quantities reported must reflect every product and package for which the steward has an obligation. It is anticipated that in order to fulfill their packaging stewardship obligations, each steward will need to create and maintain a database of packaging data at the component level, using data from suppliers and packaging specifications. Quantities of each levy category will be reported in kilograms. Stewards are required to describe the methodology and data sources used in their reports.

Stewardship Ontario recognizes the challenges companies face with this new reporting requirement, especially for the first reporting period. Therefore, staff members have been actively working with stewards throughout 2004 to guide them through developing best practices on how to prepare and submit a reasonable first year report within the required 90 days, while also encouraging them to plan for the longer term.

Stewards were advised through the Stewardship Ontario Guidebooks (published to help stewards comply with their obligations under the WDA) and through the customer service group to establish accurate reporting systems and databases within their organizations, or as part of supplier and purchasing arrangements. The data requirements of Stewardship Ontario are typically traceable within organizations through the following sources:

- supplier of packaging materials (composition of packaging, unit weights, etc);
- suppliers of imported products (composition of packaging, unit weights, etc);
- in-house packaging design and procurement expertise;
- in-house purchasing records;
- bills of materials and other packaging specification documents;
- third party sources, including consultants who can conduct packaging audits and establish appropriate reporting protocols; and
- third party databases of unit weight information that a company with similar products could access.

Stewards generally had three options for reporting the generation of Blue Box Waste through the on-line reporting system:

Option 1

Report actual or measured quantities of Blue Box Waste sold or distributed into Ontario in 2002. Measured quantities could include a sample of the steward's total product range or products with similar packaging types. This would then be extrapolated for the remainder of products the steward sold or distributed in Ontario.

Option 2

Report actual or measured quantities of Blue Box Waste sold or distributed throughout Canada in 2002, then apply the appropriate sales or population factor with supporting evidence.

Option 3

Use an approved calculator or the sectoral calculator that has been prepared by Stewardship Ontario to provide a reasonable estimate of Blue Box Waste generation based on a steward's Ontario wholesales figures for 2002. The calculator provided by Stewardship Ontario is described further in Section 3.2.1.

When reporting to Stewardship Ontario, stewards were to take into consideration and abide by the following direction.

- 1) Stewards will determine and declare to Stewardship Ontario that portion of total Blue Box Waste sold directly to consumers or through retail channels as the basis for calculating fees due to Stewardship Ontario. Designated Blue Box Waste that does not enter the residential waste management system and is handled exclusively within a commercial establishment's on-premise waste management program can be excluded from a stewards' submission of obligated material.
- 2) In reporting to Stewardship Ontario, stewards are required to:
 - a) identify the quantities of Blue Box Waste, by material type, that were deducted in the calculation because they are managed within a commercial establishment's waste management system;
 - b) identify the method by which this deduction was derived (e.g., customer sales records, market research, waste audits, etc.);
 - c) identify the brands or publication titles that their report covers;
 - d) keep records for a period of at least five years and make these records available to Stewardship Ontario upon request.

For stewards who do not currently collect data on the type and weight of components of packaging, Stewardship Ontario recognized that it would be difficult to meet the reporting requirements for the first few reporting cycles. The following section outlines other options available to stewards for meeting their first reporting obligation.

3.2.2 Approved Calculator Methodologies

There are three approved calculator methodologies that stewards were allowed to use in the first reporting period.

The Sectoral Calculator was developed for the 2003/2004 program years to provide a reasonable estimate of packaging to enable stewards to meet their reporting and financial obligations in a timely fashion.

The Unit Based Calculator was developed to assist grocery distributors to report and calculate their private label packaging obligations. Following its completion, Canadian Council of Grocery Distributors (CCGD) and Stewardship Ontario agreed that the UBC could be beneficial to other food and beverage manufacturers and food importers and distributors that are obligated under BBPP.

The Retail Council of Canada developed a Composite Based Calculator which covers five separate calculators – for furniture, hardware, kitchenware, linen and small appliances. These were developed to replace categories that had been covered in the original Sectoral Calculator. They provide more detail that is applicable to the retailers and that help estimate their obligations for private label products and others for which they are the first importer.

In 2004, a total of three additional calculators were approved for use by Stewardship Ontario. These include calculators for the Association of Municipalities of Ontario, Associations of Universities of Ontario and Canadian Vehicle Manufacturers' Association and the Association of International Automobile Manufacturers of Canada. For additional information on calculators, see Appendix ii.

3.3 Supporting the Reporting Process

In addition to developing these calculation tools, Stewardship Ontario provided stewards with a great deal of support in preparing their reports, as summarized below.

During 2004, Stewardship Ontario staff members made presentations to, participated in conference calls and/or provided additional information to affected industry associations including:

- Retail Council of Canada;
- Canadian Council of Grocery Distributors;
- Electro-Federation of Canada;
- Non-Prescription Drug Manufacturers' Association of Canada;
- Canadian Snack Food Association;
- Alliance of Ontario Food Processors;

- Enviro-Pharm;
- Coalition for Environmentally Responsible Blue Box (CERBB);
- Canadian Cosmetic, Toiletry and Fragrance Association;
- Canadian Office Products Association;
- Canadian Hardware and Houseware Manufacturers Association;
- Canadian Manufacturers and Exporters;
- Canadian Council of Toiletry and Cosmetics Association;
- Electronic Product Stewardship Canada;
- Periodical Marketers Association of Canada.

3.3.1 Customer Service

Stewardship Ontario has a customer service group that is responsible for responding to stewards' and potential stewards' inquiries, notifying companies of the legal obligation and clarifying Rules as required. The group employs the following communication tools with this approximate number of contacts through 2004:

Toll-free number (888) 288-3360	Managed between 600 and a peak of 3,000 calls per month
Email addresses: <ul style="list-style-type: none"> • customerservice@stewardshipontario.ca • info@stewardshipontario.ca • questions@stewardshipontario.ca • registration@stewardshipontario.ca 	Responded to approximately 400 emails from stewards per month
Mail	Responded to approximately 60 letters per month
Stewardship Ontario Website www.stewardshipontario.ca	Total visits to the website in 2004 numbered just under 54,000 with slightly less than 300,000 hits

At least two customer service staff members are available to handle calls at any time during business hours. Emails are typically responded to within 24 hours and telephone calls returned by the next business day.

3.3.2 Stewardship Ontario Guidebooks

Stewardship Ontario created four guidebooks in 2004 to help stewards with the complete reporting process, beginning with determining if they were obligated, registering, filing a Steward's Report and the terms of membership in Stewardship Ontario. These

guidebooks were made available on the Stewardship Ontario website at no direct charge to users.

3.4 Voluntary Stewards

Under the BBPP, stewards are defined as *brand owners resident in Ontario or first importers of materials that become Blue Box Waste*. The Rules also allow companies that are brand owners that are not resident of Ontario and franchisors to elect to become stewards respecting designated Blue Box Waste that would otherwise be the responsibility of another steward.

The purpose of the Voluntary Steward Rule in the BBPP is to allow a company to accept reporting responsibilities and make payments on behalf of another company that would otherwise be the steward in order to reduce the administrative burden on the other steward.

In a [May 31, 2004 letter](#), the Minister of the Environment requested that Stewardship Ontario suspend the acceptance of further categories of voluntary steward with the exception of the following:

- 1) out of province brand owner companies; and
- 2) franchisors who may want to volunteer for their franchisees.

Following consultation with stakeholders through WDO, Stewardship Ontario suspended all categories of Voluntary Steward with the exception of these two effective for the July 1, 2004 to December 31, 2004 program period. This new policy is also reflected in the revised Rules the 2005 fee period.

Information about becoming a voluntary steward can be found at:
<http://www.stewardshipontario.ca/stewards/voluntary.htm>

A list of accepted voluntary stewards is posted on the Stewardship Ontario website at www.stewardshipontario.ca/xls/website_list.xls and is updated as required.

3.5 Reviewing Stewards' Reports

Once a steward completes and electronically submits its Steward's Report, Stewardship Ontario reviews and, if appropriate, approves it. The purpose of this review is to ensure the reports are accurate, comprehensive and conform to the requirements of the Rules.

The complexity of the report typically dictates the time required for review and approval. Some reports have been approved on the same day they were received while others have required months to resolve outstanding issues.

In 2004, an estimated 50 percent to 60 percent of first year reports required follow-up with the steward for clarification or additional information prior to being approved.

By the end of December 2004, a total of 1,228 reports had been submitted by stewards. This number is expected to increase substantially in 2005 as Stewardship Ontario enforcement efforts take effect and as new stewards are identified.

Recognizing the potential for errors in the initial reporting period, Stewardship Ontario implemented procedures to allow stewards to re-file or adjust their report up to December 1, 2004. By that date, several significant stewards modified and re-filed their reports causing adjustments that resulted in a total reduction of approximately \$1.4 million. The largest percentage of this reduction was due to double reporting (two companies reporting for the same packaging).

3.6 Enforcement Procedures

Stewardship Ontario maintains a registry of members and the products for which these members are the designated stewards. The registry is maintained in the Stewardship Ontario information management database and includes for each steward and potential steward:

- mailing and contact information;
- date that notification was sent;
- the number of days overdue (if applicable);
- summary of correspondence and enforcement activities undertaken to date.

3.6.1 Stewardship Ontario's Legal Authority

Stewardship Ontario has a legal responsibility to notify companies that are potentially obligated under the BBPP and to follow-up with these companies to ensure they file a Steward's Report if they are required to do so. Stewardship Ontario also has legal authority to assess late payment charges and interest on outstanding balances.

The procedures that Stewardship Ontario implemented in 2004 included:

- 1) A notification letter was sent by first class mail to all known companies that were potentially obligated under the BBPP. The vast majority of these letters were sent on January 16, 2004. If obligated, companies were required to register and report within 93 days. Notification letters were subsequently sent to another 1,800 additional potentially obligated companies identified after the original mailing.
- 2) Follow-up calls were made to each company either by Stewardship Ontario staff or a third party call centre. The purpose of the call was to determine if the company had received the notification letter and to determine whether they were obligated to register and report to Stewardship Ontario.

- 3) A selection of companies that had not reported and that Stewardship Ontario was confident were obligated were subsequently sent registered letters requesting that they register within 10 days or face possible Ministry of the Environment (MOE) enforcement (see section 3.4.3).
- 4) After removing the names of companies that were not obligated under the WDA, Stewardship Ontario identified 1,900 companies that were:
 - a) originally notified on January 16, 2004;
 - b) contacted by the call centre;
 - c) likely to produce Blue Box Waste;
 - d) unresponsive to the request to register or contact Stewardship Ontario.
- 5) The companies identified in this manner were sent a letter in September 2004 that included a letter from the Ministry of the Environment (Appendix iii) indicating they potentially were not in compliance with the WDA and requesting that they register or contact Stewardship Ontario.

Stewardship Ontario is continuing to follow-up with companies that have been notified, believed to generate Blue Box Waste but have not registered. Companies failing to comply with the requirements of the Act will be subject to enforcement by the Ministry of the Environment's Enforcement Branch.

3.6.2 Auditing Stewards

Stewardship Ontario has the authority to conduct audits of steward's data, data collection and reporting procedures. Stewards are required to maintain records for a period of at least five years in support of all data submitted to Stewardship Ontario. The percentage of reports that will be audited in any given program year will be determined by the Board of Directors on an annual basis but will encompass no less than 10 percent (by weight of Blue Box Waste) of members' reports¹.

Audits are conducted to:

- 1) review stewards' data gathering and reporting procedures to ensure accuracy and comprehensiveness of the information reported;
- 2) protect the integrity of the BBPP funding;
- 3) provide assurances to the board and the membership that all stewards are fully complying with the program Rules.

In 2004, the Stewardship Ontario Board formed an Advisory Committee to assist staff in developing procedures for implementation of the audit program in 2005. The Advisory Committee recommended that:

¹ Section 9.9.1 of Blue Box Program Plan, page 99

- staff evaluate Stewards' Reports with the objective of assigning a scoring or rating system for each steward on the basis of staff's confidence in the methodology used and the accuracy of the report;
- for the 2004 and 2005 program years, 70 percent to 80 percent of the stewards to be audited be selected based on staff's assessment of the quality of Steward's Report and that 20 percent to 30 percent of the stewards to be audited be selected randomly;
- audits would be conducted over the first few years by a dedicated Stewardship Ontario staff person with start-up support from BDO Dunwoody;
- that a standing Steward Audit Committee of the Board of Directors be established. The intention is that the committee will provide oversight on the process without being involved or receiving information about specific audits that are undertaken.

Audits will be conducted in a confidential manner. Steward names and results of audits will not be shared with committee members or the board. Any information that will be presented to the board will be aggregated. It is expected that auditing of Stewards' Reports will begin in the second quarter of 2005.

3.6.3 Ministry of the Environment

The WDA and Rules require that a company is obligated to file a report if they meet the following requirements:

- their products' packaging and printed material are managed through the Ontario residential waste system;
- they are resident in Ontario; and
- they have gross Ontario sales greater than \$2 million.

If a company fails to comply, it is within the enforcement powers of the MOE to compel a company to file a Steward's Report. Once the report is filed, Stewardship Ontario is responsible for ensuring the data are accurate and payment is received on time.

It is the MOE's responsibility to:

- 1) investigate companies that Stewardship Ontario has submitted to them for enforcement action to determine if the company is obligated;
- 2) decide whether the company is to be charged under the *Waste Diversion Act, 2002*; and
- 3) provide evidence in court.

During 2004, Stewardship Ontario released the names of non-complying companies to the MOE for enforcement actions. These actions are currently in process.

3.7 Privacy Policy

Stewardship Ontario complies with all the requirements of the Personal Information Protection and Electronic Documents Act (PIPEDA). In addition, Stewardship Ontario established specific privacy guidelines in 2004 to protect steward/stakeholder information other than that which, through the consultation process, is transparent.

The policy is:

Stewardship Ontario treats the privacy of all persons and companies dealing with our company seriously. As such, we wish to declare our policies for collecting, using, securing and sharing non-public, and personal information. These privacy principles apply to information respecting individuals and information respecting member corporations.

BASIC PRIVACY PRINCIPLES

We do not sell members' information.

We do not provide members' information to persons or organizations outside our group of companies for their marketing purposes.

We require, by contract, that any person or organization providing products or services to any of our members or employees on our behalf will protect the confidentiality of such information.

We limit the information that we collect to that necessary for our business.

Any financial information that we receive is kept confidential. Our employees who have access to financial information of members are made aware that it is confidential. Each employee must certify annually that he or she has maintained the confidentiality of the information entrusted to him or her.

We do not communicate the private financial or statistical data of our members with other members.

Stewardship Ontario takes every precaution to protect your information and uses technological safeguards such as 128-bit Secure Socket Layer (SSL) encryption technologies. While no safeguards can be considered 100 percent secure, Stewardship Ontario has adopted stringent restrictions to safeguard your information and have adopted the highest level of industry security standards.

4.0 Stewardship Ontario Key Program Activities

In addition to identifying and registering stewards, Stewardship Ontario implemented other key programs as outlined in the BBPP in 2004.

4.1 *Calculating the Financial Obligation to Municipalities*

4.1.1 Allowable Program Costs

The BBPP specifies expenses to be included by municipalities in calculating gross Blue Box system costs:

- Direct Service Delivery Costs including collection and processing costs for residential Blue Box Wastes, whether the service is contracted to the private sector, delivered by the public sector, or a combination thereof.
- Amortized Capital Costs including the amortized capital cost of municipally-owned collection vehicles, Material Recovery Facilities (MRFs), fixed and mobile equipment within the material collection facility, collection containers and Blue Boxes², where the capital costs do not form part of the contract service price from a private sector contractor.
- Public Awareness and Public Education Costs including graphic design, production costs, printing, postage, linage rates, air time, etc.;
- Indirect administrative costs including financial, human resources, information technology and legal costs directly related to direct service delivery issues such as review of tender documents or contract disputes.

The 2003 Municipal Datacall did not require municipal programs to provide interest on debt to acquire buildings, equipment or vehicles and direct or indirect administration costs.

Stewardship Ontario and the Association of Municipalities of Ontario (AMO) agreed, for the 2003 Blue Box Program cost calculation, to exclude interest on capital debt and to utilize a factor for administration costs of 1% for programs that contract for Blue Box services and 3% for programs that provide Blue Box services directly.

Inclusion of interest on municipal capital and administration costs in the future is covered in Section 4.4 on cost containment initiatives.

The BBPP outlines the following revenues to be included in the calculation of the gross Blue Box system revenues:

- revenue from the sale of Blue Box Wastes, excluding revenue retained by private sector contractors under revenue sharing agreements with municipalities, on the basis that this risk sharing arrangement reduces direct service delivery costs;

² The WDO Board has approved an amortization policy for Blue Boxes to apply only to boxes purchased for distribution to the majority of a municipality's households. Boxes purchased for annual replacement are expensed.²

- processing fees, including processing fees charged at municipal MRFs for processing residential Blue Box Wastes from other municipalities;
- revenue from the sale of curbside containers, where the purchase cost of containers is included in the gross cost calculation;
- revenue from grants or other funding, including funds intended to offset direct service delivery or public awareness and education costs.

4.1.2 Annual WDO Municipal Survey

WDO is responsible for collecting program data from municipalities. The Municipal Tonnage Datacall³ requests program data and previous year's tonnage data for Blue Box materials. The program and tonnage data are used to populate the Municipal Funding Allocation Model which is used to allocate funding to municipal programs.

The Municipal Blue Box Financial Datacall was initiated in 2003 to request detailed municipal costs and revenues for Blue Box programs in 2002. The 2003 Blue Box Financial Datacall was the first comprehensive survey of all municipal Blue Box programs in Ontario and provides a baseline for year-over-year comparison of future costs. The Blue Box Financial Datacall is used to determine the net Blue Box system cost and to calculate stewards' 50 percent contribution.

The Blue Box Tonnage and Financial Datacall results by municipality are available on the WDO website at www.wdo.ca.

A detailed definition of residential Blue Box materials used to support the Blue Box Tonnage and Financial Datacall is available from the WDO.

4.1.3 Verifying Municipal Costs

WDO undertakes a comprehensive verification process of both the Tonnage and Blue Box Financial Datacall submissions to confirm that the data are accurate and attributable to the Blue Box program.

Verification of Blue Box Tonnage Datacall submissions involves a year-over-year comparison of Blue Box tonnes marketed in relation to households served; materials marketed in relation to materials available in the residential waste system; and household recovery rates by material.

Verification of Blue Box Financial Datacall submissions involves year-over-year comparison of Blue Box costs in relation to households served; year-over-year variance calculation for each cost category for each program; and analysis of gross costs, revenues and net costs by groupings of similar municipalities.

³ Annual tonnage survey completed by municipalities since 1995. The Datacall process is now under the responsibility of the WDO.

If necessary, as a final step in the process to confirm financial data, a financial audit based on the financial Datacall information survey may be conducted on the municipality's recycling program costs. A series of financial audits were undertaken in 2004 relating to the 2002 Datacall, resulting in adjustments to several program Datacall submissions. A series of financial audits are about to be completed relating to the 2003 Datacall, and audits are also budgeted for 2005 relating to the 2004 Datacall currently underway.

4.1.4 Program Reviews

Where a municipal program reports an unexplainably high cost per tonne, the Municipal-Industry Program Committee may recommend a program review be conducted. Several reviews were conducted in 2004 relating to the 2002 Datacall with a focus on the allocation of costs to residential Blue Box recycling within programs with multi-use facilities and co-collection (collection of more than one 'stream' of waste material in the same truck, e.g. recyclables and garbage). These reviews resulted in adjustments to the costs reported in the program submissions.

4.2 Market Development

4.2.1 Policies and Procedures

Stewardship Ontario implements a program of market development activities to:

- 1) ensure there are sufficient markets for recovered Blue Box materials to meet overall and materials specific recovery targets to be established over time; and
- 2) enhance the revenue received for materials to lower the overall net Blue Box system cost.

These activities are managed by Stewardship Ontario in a manner to ensure that:

- there is no cross-subsidization of material specific market development. This means, for example, that glass stewards are responsible for funding market development activities *for glass* that are approved by the Stewardship Ontario Board;
- the market development investments are linked to material specific targets as they are established over time; and
- market development funds are allocated on a request for proposal/competitive bid basis. Once the market development priority areas are identified, interested parties are invited to submit proposals to meet Stewardship Ontario's requirements at the best value.

All market development investment decisions are vetted through Stewardship Ontario's Projects Committee. The final decision regarding market development investments are made by Stewardship Ontario's Board of Directors.

4.2.2 Glass Market Development

In 2004, Stewardship Ontario's market development program focused on green and mixed glass—which represent a large portion of the weight in the packaging waste stream—because municipalities typically incur a cost when they market these materials. This year, Stewardship Ontario managed the development and implementation of two glass market development investment funds:

- a \$2 Million Glass Processing Investment Fund to help develop processing systems for mixed broken glass in and around the Greater Toronto Area (GTA); and
- a \$500,000 Glass Diversion Fund for smaller/regional projects.

Regarding the \$2 Million Glass Processing Investment Fund, there were two primary areas of activity for this fund in 2004. The first focus was the development of a 'Request for Expressions of Interest' (REOI) to invite private sector glass processing facility operator(s) to invest in a project to process 60,000+ tonnes of mixed residential glass. The REOI was issued in the spring of 2004 and several meetings were held with private operators to review their responses to the process.

Stewardship Ontario's second focus area under the Glass Processing Investment Fund was to encourage GTA municipalities to market their mixed broken glass jointly (i.e. to assemble a sufficient quantity to attract new facility investments). This process culminated in the issuing (early in 2005) of a joint Request for Proposals (RFP) from six GTA municipalities: Toronto, Hamilton, and Guelph, as well as the Regions of Durham, York and Peel.

With regard to the \$500,000 Glass Diversion Fund, the Stewardship Ontario Board approved funding for four projects in 2004:

Niagara Recycling – up to **\$100,000** for technology not currently used in Ontario to wash and bag processed glass for higher value end uses, e.g. blast and filter media (total project value exceeds \$1 million).

Rancor – up to **\$75,000** to stimulate market demand for mixed broken glass use in aggregate applications.

Siscor - **\$10,000** to support business and facility planning/approval issues for a \$25 million facility that is planned to manufacture glass bead building materials.

Nexcycle – up to **\$100,000** to address 'single stream' processing challenges (meaning recyclables and residue waste are collected at the curb in the same truck) and to expand new end market development opportunities (e.g. fiberglass).

This represents a total investment of \$285,000 for the Glass Diversion Fund for 2004, leaving \$215,000 to be added on to the funding carried over for 2005.

The total of \$2.5 million dollars for glass market development funding was entirely derived from fees paid by stewards who use glass packaging. The Liquor Control Board of Ontario (LCBO) submits fees to Stewardship Ontario for beverage alcohol containers, including containers sold through LCBO stores and for wine stores owned and operated by Ontario wineries. The LCBO's \$5 million annual contribution to Stewardship Ontario in 2004 exceeded its municipal payment obligation under the BBPP, based on the cost of managing the material for which it is the steward. This excess contribution, totaling \$2.32 million in 2004, makes up the bulk of the Glass Diversion Fund. The remaining \$140,000 was contributed by other stewards that use glass packaging.

4.2.3 Plastics Market Development

Anticipating higher recovery targets for plastics in the future, \$100,000 was incorporated into the 2005 fees for stewards that package in plastics. The funds will be used for preliminary market development feasibility and planning in 2005. There was no work undertaken in this area in 2004.

4.2.4 Green Procurement

In 2004, Stewardship Ontario undertook a preliminary evaluation of the potential contribution to market development from the promotion of green procurement practices. As defined in the Green Procurement Plan Outline, "green procurement" refers to "activities that help develop and promote markets for materials collected through the Ontario Blue Box system." This work included:

- a technical exchange of staff between Stewardship Ontario and London ReMaDe, an organization based in London, England that is a leader in market development and procurement activities. The purpose of the exchange was for Stewardship Ontario to understand some of the lessons learned in green procurement in the UK/Europe;
- sponsoring a half day open workshop to exchange information among public and private sector stakeholders who have experience in Canada on green procurement initiatives.

For 2005, Stewardship Ontario expects to explore green procurement potential activities as one element of the plastics market development program. In addition, as part of the cost containment strategy developed jointly with the Association of Municipalities of Ontario (AMO) through WDO, Stewardship Ontario committed to a process to establishing green procurement protocols (through consultation with stewards and interested stakeholders). Stewards of Blue Box Waste are also committed to supporting enhanced materials market through procurement (and other market development initiatives to maximize revenues).

4.3 Effectiveness and Efficiency (E&E) Fund

4.3.1 Policies and Procedures

Ten percent of the Stewardship Ontario payments to municipalities are committed to municipal cost-sharing projects designed to encourage greater effectiveness and efficiency of the municipal Blue Box system. The Effectiveness and Efficiency Fund (E&E Fund) began in July 2004 with up to \$3.3 million available for E&E projects before the end of the 2004 calendar year. Another \$5.7 million (i.e. 10 percent of the total municipal payments) will be allocated in 2005.

The objectives of the fund are to reduce the net cost of municipal recycling and to increase the diversion of Blue Box Waste. Given continued increases in diversion and significant increases in costs to stewards over the first two years of the program, a primary focus of the fund for 2004 was to reduce system costs and minimize future increases in these costs while recovering more materials (i.e. to promote new material recovery at the lowest possible cost).

Details regarding E&E Fund policies, procedures and funding are posted on Stewardship Ontario's website at www.stewardshipontario.ca/funding/e&e/thefund.htm.

In summary:

- funds must be expended through/in cooperation with Ontario municipal recycling programs;
- municipalities may apply to Stewardship Ontario for 50 percent (or more) project funding in two broad areas:
 - in response to priority investment areas identified by Stewardship Ontario ("priority" projects – see below) and
 - projects identified by the municipality that deal with Blue Box Waste ("open" projects);
- funds not expended within six months of the program year end revert to the common municipal allocation funding pool;
- applicants must provide a pro forma evaluation of how requested funds will lead to cost savings;
- capital funding can be provided from the E&E Fund on a case by case basis where justified by projected cost savings;
- funding is flexible to respond to emerging opportunities identified by WDO's Municipal-Industry Programs Committee (MIPC) through the application review process;
- the early years of the program are expected to require more "directed investment" to fund needs identified through MIPC;

- applicants are encouraged to modify their proposals to address specific needs identified through MIPC and encouraged to develop joint strategies.

4.3.2 Funding Priorities

Six priority project areas were established for the E&E Fund for 2004 (i.e. projects for which greater than 50 percent funding to municipalities is available):

1. Multi-family recycling – the single largest potential source of new Blue Box tonnes.
2. Material Recycling Facility (MRF) optimization and rationalization – optimizing the more than 60 MRFs in the province to achieve greater efficiencies and reduce costs.
3. Support for innovative financing/program compliance – e.g. bag limits and user pay systems, etc.
4. Waste audits/benchmarking studies – e.g. a comprehensive province-wide program of representative and seasonal audits to support benchmarking of best practices.
5. Communications and education initiatives – to address specific contamination issues, targeted material recovery, etc.
6. Cost containment - e.g. a WDO Blue Box Assistance Team that provides proactive, on-site peer support and advice; development of model contracts, and assistance to municipal programs with costs above the cost bands.

A new priority area for the E&E Fund as the program moves into 2005 (and subsequent years) will be those municipal programs with costs higher than the reasonable cost bands to be established by MIPC.

E&E Fund applications are assessed by peer reviewers, WDO's MIPC Committee, Stewardship Ontario staff and finally by the Stewardship Ontario Board of Directors against five main criteria:

1. increase in tonnes recycled;
2. diverting tonnes in a cost effective manner;
3. replicability of results to other municipalities;
4. proponents' project management demonstrated capabilities and partnerships; and
5. ability to implement and realize project results given contractual arrangements and the time remaining on applicable contracts.

4.3.3 Progress to Date

As of December 31, 2004, Stewardship Ontario had received 44 applications valued at \$6.8 million (see Table 4.1). As of December 31, 2004, 13 E&E Fund projects totaling approximately \$1.1 million had been approved by Stewardship Ontario's Board of Directors. Summary information about each of these projects is presented in Table 4.2.

Table 4.1 - E&E Projects "in the System" as of December 31, 2004

	Number	Funding Requested
Intents to apply received:	44	\$6,816,315
Projects approved:	13	\$1,144,050
Intents to apply rejected:	4	\$605,000
Intents to apply deferred:	9	\$746,391
Applications withdrawn:	5	\$217,500
Applications being reviewed / developed:	13	\$410,3374

Table 4.2 - E&E Projects Approved as of December 31, 2004

Ref No.	Project Title	Description	Proponents	Funding Approved
18	Development and Review of Baseline Information of Multi-Residential Recycling Programs in Ontario	Surveys to identify best practices, key barriers, etc. for multi-residential recycling programs in more than 20 communities. Prepare a next steps report.	Essex Windsor Solid Waste Authority (EWSWA), Association of Municipal Recycling Coordinators (AMRC), Quinte Waste Solutions, the Region of Peel and the Cities of Hamilton, London and Waterloo	\$28,550
19	Building on 'Smart Contracts, Smart Marketing'- an AMRC 2004 Workshop	Ensure that municipal staff have access to AMRC's 'Smart Contracts, Smart Marketing' workshop	Quinte Waste Solutions	\$7,250

Ref No.	Project Title	Description	Proponents	Funding Approved
36	Multi-residential Recycling: Optimizing Recycling Performance by Using a Focused Delivery	Develop a multi-family recycling performance classification tool. Identify barriers to improved performance. Develop solutions to increase recycling rates.	City of London	\$10,000
44	RECYCLE AWAY	Best practices research on open space recycling. Test identified best practices at arenas and parks.	Quinte Waste Solutions	\$15,000
45	Quinte Depot Review	Determine best practices for rural depots. Review Quinte's cart-based depot program. Field test best practices.	Quinte Waste Solutions	\$31,650
60	Carts Versus Bags for Household Recycling	Cost/benefit study comparing the cart based systems to bag based systems for collecting 'single stream' recyclables	City of Toronto	\$235,000
63	Identifying and Applying Best Practices in Recycling in Ontario	MRF optimization work in Toronto. MRF regionalization work in and around London and Alexandria. Transfer best practices from MRFs in EWSWA, Ottawa and Waterloo to Kingston and other areas.	London, AMRC, Township of North Glengarry, Kingston, Waterloo, EWSWA	\$225,000

Ref No.	Project Title	Description	Proponents	Funding Approved
68	Identifying Best Practices in Municipal Blue Box Promotion and Education (P&E)	Baseline assessment of P&E practices in various representative municipalities across the province.	County of Oxford with AMRC, Waterloo, Essex-Windsor and Commexus Inc.	\$142,100
81	Recycling Program Optimization Study	Costs/benefits of a dry stream system versus recyclables only.	County of Northumberland	\$23,000
95	Recycling Collection Contracts	Stewardship Ontario is working with York municipalities to find efficiencies in tendering Blue Box collection contracts.	York Region municipalities	\$45,000
96	Stewardship Ontario Blue Box Waste Audit Program	Seasonal waste audits in seven municipalities.	Ottawa, Toronto, Durham, EWSWA North Glengarry, London, Sudbury	\$283,900
97	Model Recycling Contracts and Tender Documents	Develop model collection and processing recycling contracts and tender documents.	Kingston with REIC and AMRC	\$72,600
94	A-Team and Peer Review Support	Proactive work to identify opportunities to reduce costs/increase tonnes. Short term, one-time interventions on specific needs. Support E&E peer review process.	Stewardship Ontario, AMO and WDO	\$25,000
Total E&E Funding Approved as of Dec. 31, 2004 =				\$1,144,050

4.3.4 Summary of E&E Fund Accomplishments in 2004

- The program became operational July, 2004; it is a 5 Year Fund (potentially ~\$25 million) to be used to improve the overall Blue Box recycling system.
- A fully electronic application system was developed and is operational for submitting an intent to apply, for detailed applications and for application reviews.
- Twelve public sector and private sector peer reviewers were nominated, selected and trained as part of the fund's launch. Peer reviewers, in teams of two, evaluate each application and present a consensus evaluation to MIPC.
- A set of Operating Procedures was established that detail policies and procedures to be used by MIPC in overseeing the E&E Fund and in making funding recommendations to Stewardship Ontario's Board of Directors. For 2004, MIPC has agreed that the immediate priority for the E&E Fund is to create opportunities to reduce program and system costs. Consequently, cost containment (containing the cost of the Blue Box system) was added as a priority activity for 2004 and into 2005.
- A Projects Committee of the Stewardship Ontario's Board was established to review the funding recommendations made by MIPC and to make recommendations (including any funding conditions that may be identified) to the board.
- From its inception, the fund has been focused on implementation rather than pure research projects. Stewardship Ontario manages the fund in a proactive manner, seeking out opportunities to reduce net system costs and to add new tonnes at the lowest possible cost.

4.4 Cost Containment Initiatives

When the Minister of the Environment approved the BBPP, she requested that WDO establish principles, policies and practices to contain the cost of the Blue Box Program. Similarly, when Environment Minister Leona Dombrowsky approved the 2005 stewards' fees in December 2004, she also approved WDO's report entitled "Cost Containment Principles, Policies and Practices," and requested an accelerated timetable for implementation.

WDO has approved a revised strategy⁴ to address the Minister's request involving activities that include defining reasonable costs, defining best practices and providing assistance to 'higher cost' programs – all in an effort to reduce net system costs. WDO's cost containment report outlines initiatives to be implemented by municipalities, WDO, Stewardship Ontario and stewards that are expected to be in effect for setting 2006 fees.

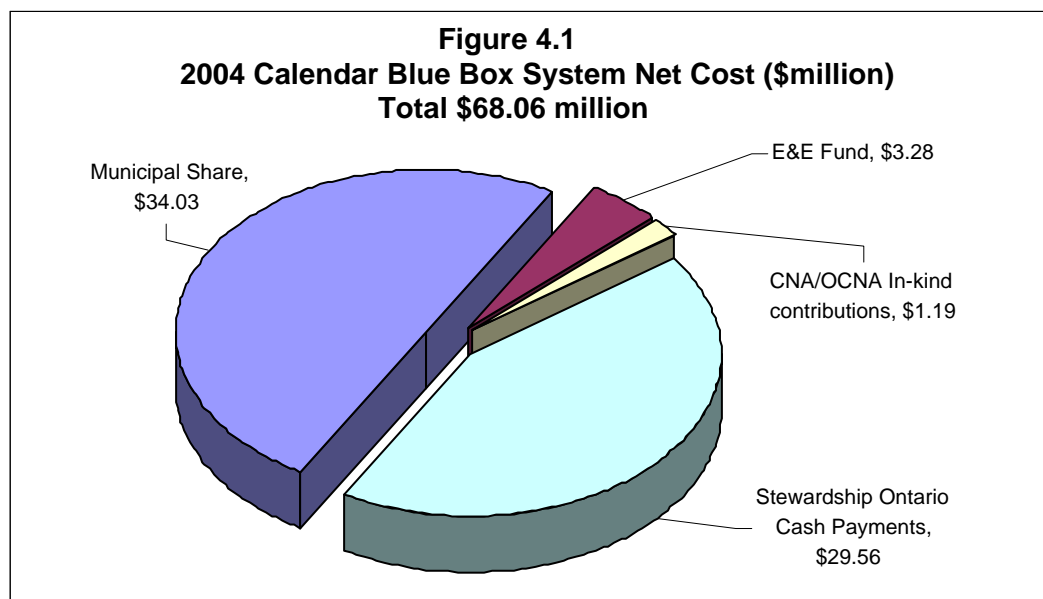
These initiatives will further strengthen the incentives for cost containment related to E&E fund, market development and the municipal funding allocation model (see below).

⁴ Refer to the revised cost containment plan submitted to the Environment Minister on January 31, 2005 at <http://www.wdo.ca/content/?path=page80+item45038>

4.5 Distributing Municipal Program Funding – Municipal Funding Allocation Model

Funding for municipal recycling programs is based on Stewardship Ontario's 50 percent share of the net Blue Box system cost, which is distributed in the form of quarterly cheques to municipal programs. The amount available for distribution for 2004 is equal to:

- fifty percent of the net Blue Box system costs:
- less an in-kind contribution from the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA) (see Section 4.7);
- less 10 percent, which is set aside for an Effectiveness and Efficiency (E&E) Fund (see Section 4.3).



Stewardship Ontario fees for the 2004 calendar year are based on a combination of 2003 and 2004 fees based on five months of 2003 fees and six months of 2004 fees, given the program start date of February 1, 2004.

The total funding available for distribution is then apportioned to each municipal program based on the tonnage of each material reported sold and a series of agreed municipal characteristics including size of program and population density. Payments to individual municipal programs therefore may be less than or greater than 50 percent of their actual net costs. This provides municipalities with an incentive for continuous improvement.

A municipality will be allocated:

- **relatively greater funding** if it has a low population density, is a relatively smaller program and collects a wide variety of materials (especially less dense plastics); and
- **relatively lower funding** if it has a high population density, is a large program and collects relatively few and easily recycled materials.

A program may increase the level of funding it receives, as a percentage of its actual cost, by increasing recovery cost-effectively and by reducing its program costs.

The implementation of the revised cost containment strategy to pay to reasonable costs in 2006 and best practices in 2008 likely will affect the method of allocating municipal funding. The approach to defining reasonable costs and subsequently distributing funding to municipalities currently is being developed by MIPC.

A web-based tool for municipalities to assess the level of funding they might have received if they had operated their program differently to achieve different recovery rates is being developed. It is intended that this will assist municipalities to understand the performance of their programs and to identify ways to cost-effectively enhance their programs.

4.5.1 Funds Distributed Directly to Municipalities

Given that 2004 was a start up year for the BBPP, allowance was made for adequate lag time between registering stewards and collecting fees and making payments to municipalities. For the 2004 calendar year, \$29.55 million will be distributed to municipalities according to the following schedule.

	2003 Program Fees	2004 Program Fees
June 1, 2004	\$6.7 million	
October 1, 2004	\$4.5 million	
December 31, 2004		\$9.15 million
March 31, 2005		\$9.15 million
Totals	\$11.2 million	\$18.3 million

The funds received by each individual municipality are reported on the WDO website.⁵ In addition, Stewardship Ontario distributed a news release to daily and weekly newspapers, as well as electronic media in Ontario on the occasion of each of the quarterly cheque payments. The releases were posted on the website at www.stewardshipontario.ca/media/archive.htm.

⁵ <http://www.wdo.ca/content/?path=page80+item35760>

4.6 Participation on WDO Committees

The BBPP established two WDO committees through which Stewardship Ontario staff worked with other key stakeholders to develop recommendations to the Boards of Directors of the WDO and Stewardship Ontario:

The Public Affairs Committee (PAC) is chaired (non-voting) by the Executive Director of the WDO and includes representation from municipalities, non-governmental organizations, affected stewards, as well as Stewardship Ontario's communications specialist and WDO staff. PAC has primary responsibility for education and awareness activities related to the BBPP directed at the public at large and delivered under the auspices of WDO. A primary focus of the PAC's work in 2004 was the management and delivery of the in-kind newspaper advertising program contributed by the members of CNA and OCNA.

As part of the newspaper advertising program, Stewardship Ontario took the lead on behalf of PAC to develop a generic advertisement promoting the recycling of all cans (aluminum and steel) in the Blue Box. Dofasco and Alcan co-shared the cost of developing the creative. The ad was placed in advertising space allocations unused by municipalities. The value of the space in newspapers throughout Ontario was approximately \$300,000.

In the drafting of the BBPP, it had also been anticipated that PAC would provide oversight and make recommendations to the Boards of Directors in regards to Stewardship Ontario consultation with stewards as required under Section 23(4) of the WDA. In practice, however, Stewardship Ontario adopted a policy of open public forums and open webcasts in all of its consultation programs, with all interested stakeholders and members of the public encouraged to participate.

The Municipal-Industry Programs Committee (MIPC) is chaired (non-voting) by the Executive Director of the WDO with five representatives nominated by municipalities and five by Stewardship Ontario. MIPC played a key role throughout 2004 in developing recommendations for the WDO and Stewardship Ontario Boards of Directors and in providing oversight for the:

- annual Municipal Tonnage and Financial Datacalls;
- verification work related to data submitted by municipalities;
- Effectiveness and Efficiency Fund;
- calculation of annual Stewardship Ontario financial obligation to municipalities;
- calculation and reporting on payments to individual municipalities;
- monitoring and reporting on diversion of Blue Box Waste; and
- establishment of policies and practices related to these key task areas.

In addition to these standing tasks, in 2004, MIPC undertook analyses and provided recommendations to the WDO and Stewardship Ontario Boards of Directors in response to program requests received from the Minister of the Environment.

Stewardship Ontario's Board of Directors and staff also supported the work of the Cost Containment Committee established by the WDO specifically to address specific issues related to the costs of the BBPP.

4.7 CNA/OCNA In-Kind Advertising Program

Section 6.5.3 of the BBPP specifies that the first \$1.3 million in financial obligations of the members of the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA) to Stewardship Ontario will be in the form of newspaper advertising. In addition, annual funds will be included for the purpose of implementing and monitoring the advertising program and any administrative expenses incurred by WDO in regards to this program. Members of CNA/OCNA are also required to pay a share of Stewardship Ontario's program delivery and administrative costs.

Management and administration of the in-kind advertising program was managed directly by WDO.

In 2004, the calculated net cost of recycling old newspapers in Ontario Blue Box programs was less than the \$1.3 million in-kind contribution made by the members of CNA/OCNA and no fee payments were required from their members to meet Stewardship Ontario's financial obligation to municipalities under the WDA.

On December 30, 2004 the Minister of the Environment approved the fee rates for Stewardship Ontario for 2005 by way of a letter to the WDO. Stewardship Ontario acknowledges receiving direction in this letter that the BBPP be amended such that the in-kind advertising contributed by CNA/OCNA in future years be increased in lieu of financial payments to municipalities. This work is in progress.

4.8 Province-wide Waste Audit Program

The BBPP included provision for a series of province wide residential waste audits every year as follows:

- audits be completed in large, medium and small municipalities;
- audits be conducted throughout the year to account for seasonal fluctuations in the amounts of Blue Box Waste generated (e.g. more beverage containers are generated in the summer months, more paper packaging is generated just after Christmas, and telephone books are distributed periodically);
- a minimum of 36 individual audits be completed annually;
- audits be conducted in single and multi-family dwellings inclusive of all demographic groups;
- Stewardship Ontario design and test a detailed waste audit methodology to help calculate key measurement indicators; and

- the costs for the audits be paid for using funds from the Effectiveness and Efficiency Fund.

Stewardship Ontario uses waste audits for three main purposes:

- 1) as a cross-check against Stewards' Reports and for the purpose of setting stewards' fees;
- 2) for determining the recovery performance of existing programs; and
- 3) for assessing opportunities and priorities for recovery improvement.

The main objectives of the audits are:

- 1) to estimate the weekly per household generation rate by waste stream (recyclables and residue garbage), material category and sampling area;
- 2) to estimate capture rates for accepted recyclables and compostable materials; and
- 3) to estimate the composition of the following waste streams: recycling, residual garbage and source separated organics.

In September 2004, MIPC approved a report prepared by Stewardship Ontario titled "Blue Box Waste Audit Program Plan." This plan provided background information on residential waste auditing in Ontario (including the results of waste audit surveys of the top 30 municipalities generating Blue Box Waste) and set out a strategy for the annual waste audit program. The plan discusses various sampling approaches and recommends a preferred approach for the audits. It recommends that \$300,000 be set aside from the E&E Fund for audits in 2005. This budget supports four audits per year (one in each season) in seven partner municipalities resulting in 28 single-family household audits and eight multi-family household audits per year for a total of 36 audits per year.

Selecting Partner Municipalities for the 2005 Waste Audit Program: A number of criteria were considered to select seven partner municipalities for waste audits including:

- location (GTA, southwestern, southeastern, northern);
- type and size (e.g. large urban, small urban, rural regional, etc.);
- density (multi-family versus single-family);
- history of having done audits;
- proportional representation (by tonnes marketed); and
- type of recycling program (curbside, depot, single or multi-stream recycling).

The seven municipalities identified in the table below met Stewardship Ontario's criteria for partner municipalities. MIPC approved them at their September 2004 meeting. The

partner municipalities all offer curbside waste and recycling collection services and have completed a number of comprehensive audits within the last five years.

Partner Municipalities for 2005 Waste Audit Program by Location and Size

Groupings Used For Cost Containment Work	Percent by Blue Box Tonnes Marketed 2003	Recommended Partner Municipalities	Type of Audit*	Location
Large Urban	24.0%	London Toronto Toronto	SF SF MF	South West GTA GTA
Urban Regional	48.9%	Ottawa Ottawa Durham Essex-Windsor	SF MF SF SF	South East South East GTA South West
Small Urban	6.0%		SF Spot Audit	
Rural Regional	13.1%	Greater Sudbury	SF	North
Rural Collection - South	4.3%	North Glengarry	SF	South East
Rural Depot - South	0.7%		SF Spot Audit	
Urban Collection - North	2.0%		SF Spot Audit	
Rural Collection - North	0.4%		SF Spot Audit	
Rural Depot - North	0.6%		SF Spot Audit	

* SF = single-family audits; MF = multi-family audits

Executing the Waste Audit Program Plan: Stewardship Ontario considered a number of options available for executing the waste audit plan:

- Option 1: Municipally Directed Audits;
- Option 2: Stewardship Ontario Directed - Multiple Contracts;
- Option 3: Stewardship Ontario Directed - Single Contract.

Option 2 was selected because it provides Stewardship Ontario with the most flexibility.

Single-Family Waste Audits: In November 2004, Stewardship Ontario prepared a Request for Quotations (RFQ) for 28 single-family audits with input from a number of the partner municipalities and the University of Toronto Statistics Consulting Services group. The RFQ was emailed to 18 companies and posted on Stewardship Ontario's website. Stewardship Ontario received bids from six companies. After careful review, Stewardship Ontario, with the support of MIPC, awarded the contracts as follows:

Contractor	Contract Awarded
REIC Perth	Sudbury (\$42,000), EWSWA (\$42,000), North Glengarry (\$36,000)
Jacques Whitford Limited	Durham (\$43,000)
2cg Inc.	London (\$41,100) ⁶
Integrated Environmental Waste Services	Ottawa (\$43,000)
Applied Environmental Solutions	Toronto (\$36,800)

The total cost for the 28, two-week long, single-family audits is \$283,900 or \$10,139 per audit.

Specifications for waste collection, sorting and reporting procedures are posted with the Request for Quotations for the Stewardship Ontario Blue Box Waste Audit Program 2004/2005 at <http://www.stewardshipontario.ca/funding/e&e/projects.htm>.

Multi-Family Audits: Work began in 2004 with the Cities of Toronto and Ottawa to finalize the sampling strategy for the multi-family waste audits taking place in 2005.

4.9 Material Specific Diversion Targets

4.9.1 Targets defined in the BBPP

The goal of the BBPP is to increase the diversion of municipal Blue Box materials in an economically sustainable manner. The Minister of the Environment's program request letter states that: "The program shall include targets for the overall quantity of Blue Box waste to be diverted under the program, and per material targets for Blue Box waste to be captured under the program."

Table 6.6 of the BBPP outlines material specific targets to support the 50 percent recovery target for Blue Box Waste. The plan stipulated that the first year would serve to

⁶ Due to unforeseen circumstances the budget for the Ottawa audits has been increased by \$1,900 bringing the total to \$43,000 and the budget for all the audits to \$285,800 or \$10,207 per audit.

establish a firmer baseline for future target commitments and set Stewardship Ontario's focus for 2003 on developing and implementing the proper methodologies in order to set meaningful targets for 2004 (and beyond), including:

Item	Status
Designing and testing a detailed waste audit methodology to help calculate the key measurement indicators established.	√ Completed
Randomly selecting a sample of municipalities/locations for conducting audits;	√ Completed and underway (refer to Section 4.8)
Setting material specific targets for 2004 and linking these targets to market development investment requirements.	√ Ongoing (refer to Section 4.2)

4.9.2 Proposed 60 Percent Target

On December 22, 2003, the Minister of the Environment requested that WDO consider a series of new measures and enhancements to the BBPP, including achieving a goal of 60 percent diversion of Blue Box materials by 2008.

A report entitled “60% Diversion of Blue Box Waste, Material Specific Targets, Municipal Benchmarks”⁷ prepared by the WDO and currently before the Minister, deals with material specific targets to support the achievement of 60 percent diversion of Blue Box Waste. A process for setting targets was recommended for Blue Box Waste materials.

A program of waste audits is underway and additional research will be conducted on the economic and environmental effects of achieving different recovery targets is underway as a basis for this assessment (Section 4.8).

⁷ 60% Diversion of Blue Box Waste, Material Specific Targets, Municipal Benchmarks”, WDO, April 30, 2004. <http://webservices.siriusweblabs.com/dotconnector/files/domain4116/targetsrecomm.pdf>
See Table 5.1 for recommended 2005 targets.

5.0 Stewardship Ontario Fee Setting

In 2004, Stewardship Ontario completed two rounds of fee setting:

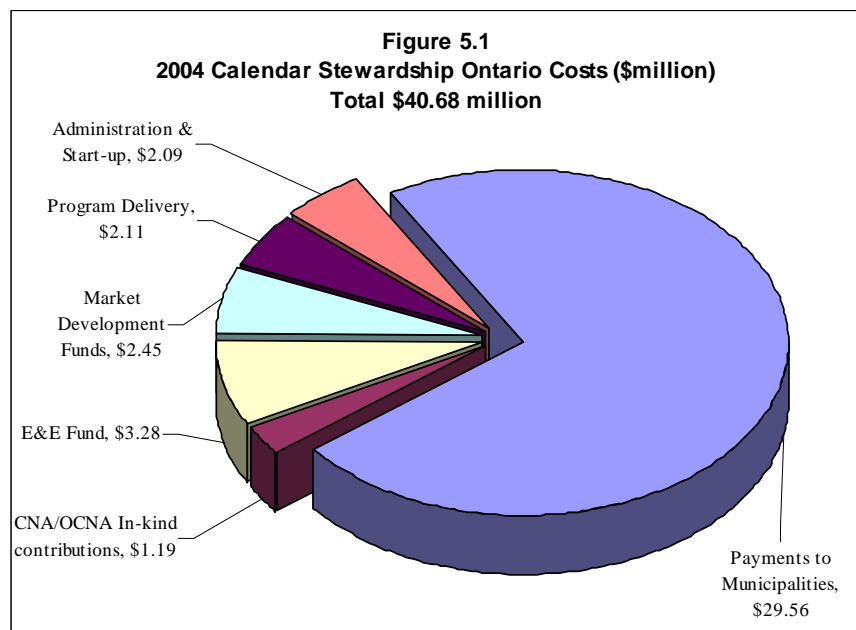
- for the 2004 "program year" July 1 to December 31, 2004;
- for the 2005 program (and calendar) year.

The basis for setting the fees for each was in accordance with the methodologies outlined in the approved BBPP. The key calculations are summarized below in aggregate form for the 2004 calendar year. Fees for the 2004 calendar year comprise fees set for the 2003 "program year," prorated for five months (February 1 through June 30) and fees set for the 2004 "program year," prorated for six months (July 1 through December 31). This two part fee schedule for 2004 results from the Minister's decision when she approved the Blue Box Program Plan, to extend the first year fees (2003) for the first five months of the program commencing in February 2004 and to establish another set of fees for the remaining six months from July 1, 2004.

5.1 Calculating Annual Blue Box Program Costs

Stewards' fees for the 2004 calendar year total about \$40.68 million and, as shown in Figure 5.1, comprise:

- 1) payments to municipalities;
- 2) direct program delivery costs;
- 3) market development costs;
- 4) WDO and Stewardship Ontario start-up and administration costs.



5.1.1 Direct Municipal Financial Payments

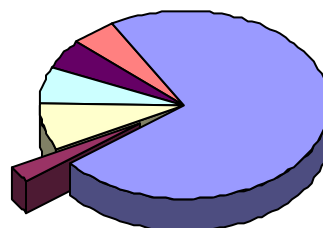
Direct payments to municipalities make up by far the largest portion of the stewards' fees, approximately 73 percent in the 2004 calendar year. Stewards' annual obligation to municipalities is calculated to be 50 percent of the approved net system cost, amounting to \$40.92 million for the 2004 calendar year (which includes cash payments, plus CNA/OCNA in-kind contribution, plus the E&E fund allocation).

CNA/OCNA In-kind Advertising

The CNA/OCNA newspaper share of the municipal financial payments is paid through an in-kind contribution of advertising space.

For the 2004 calendar year, the required CNA/OCNA in-kind contribution was \$1.19 million, representing three percent of the total fees, as shown in Figure 5.2.⁸

Figure 5.2
2004 Calendar CNA/OCNA In-Kind Contribution
\$1.19 million (3%)

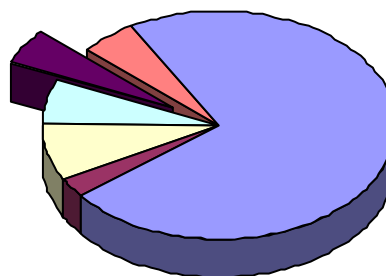


5.1.2 Program Delivery Costs

In addition to the payments to municipalities, stewards' fees include the cost of additional Stewardship Ontario and WDO program delivery activities required as part of the approved BBPP. These primarily relate to:

- 1) assessing the cost of the Blue Box system and setting fees for specific materials;
- 2) registering stewards, collecting fees and ensuring compliance;
- 3) distributing funding to municipalities;
- 4) Ministry of the Environment enforcement costs.

Figure 5.3
2004 Calendar Program Delivery
\$2.11 million (5%)



These costs, totaling about \$2.11 million are incorporated into the stewards' fees and make up approximately five percent of the 2004 calendar year fees as shown in Figure 5.3.

⁸ The CNA/OCNA actually contributed an additional \$75,163 in-kind above the required \$1,119,667 in order to match newspapers with municipal programs.

5.1.3 WDO and Stewardship Ontario Administration Costs

Stewards' fees also include the cost of Stewardship Ontario and WDO administration. When the Environment Minister approved the BBPP, she requested policies and practices be established to ensure that Stewardship Ontario and WDO administration costs do not exceed five percent of total program costs. For the 2004 calendar year, these costs total \$1.4 million, representing approximately 3.4 percent of the fees.

In accordance with the policies approved by the Minister⁹, administration costs for Stewardship Ontario and WDO include:

- legal and accounting fees;
- information technology support;
- Stewardship Ontario customer service centre;
- general administration costs, e.g. salaries, rent and supplies.

In addition to these administration costs, fees include repayment of the Blue Box Program start-up costs incurred by Stewardship Ontario and WDO before the BBPP commenced in February 2004. Repayment is scheduled over three years. These start-up costs represent just over one percent of the program cost.

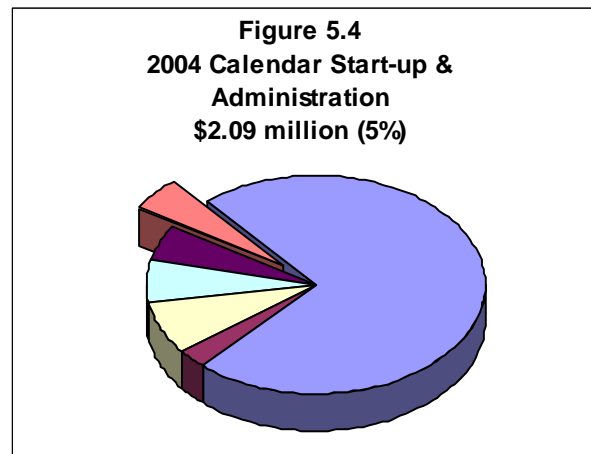
As shown in Figure 5.4, the combined program administration and start-up costs total \$2.09 million and represent approximately 5 percent of total fees.

5.1.4 Market Development Costs

Stewardship Ontario implements a program of market development activities to:

- 1) ensure there are sufficient markets for recovered Blue Box material – to meet overall and material-specific recovery targets to be established over time;
- 2) enhance the revenue received for materials sold – to lower the overall net Blue Box system cost.

Please refer to Section 4.2.



⁹ Refer to the approved policies and practices to ensure administration costs incurred by Stewardship Ontario and WDO are no more than 5% of total program costs at <http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm>.

Market development costs in 2004 (calendar year) were about \$2.45 million or just under six percent of total fees, as shown in Figure 5.5. These costs are applied directly to the materials affected.

Anticipating higher recovery rates for plastics in the future, \$100,000 has been incorporated into the 2005 fees for preliminary market development feasibility and planning in 2005.

5.1.5 Fees for the 2003, 2004 and 2005 Program Years

The *annualized* fees for the 2003 and 2004 programs years are shown separately below in Table 5.1. The 2004 calendar amounts are calculated based on five months of 2003 fees and six months of 2004 fees. Fees for 2005 were approved in December having been calculated on the same basis as those for 2004.

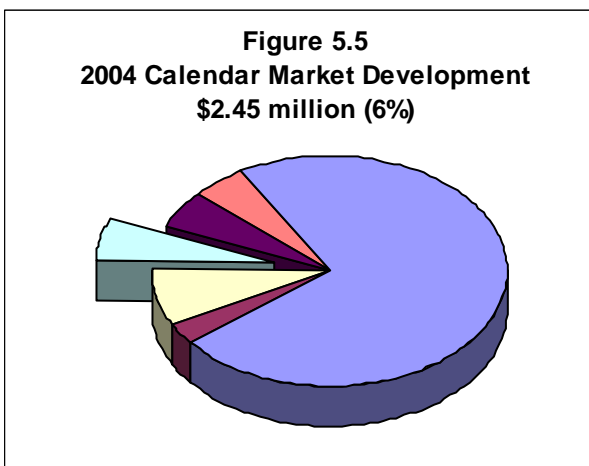


Table 5.1: Fees for 2003, 2004 and 2005 Program Years

	2003 Fees	2004 Fees	2004 Calendar	2005 Fees
Stewardship Ontario Program Costs	Millions of \$	Millions of \$	Millions of \$	Millions of \$
Payments to Municipalities	\$26.96	\$36.65	\$29.56	\$51.28
CNA/OCNA In-kind Contributions	\$1.30	\$1.30	\$1.19	\$1.79
E&E Fund	\$3.00	\$4.07	\$3.28	\$5.70
Market Development Funds	\$3.00	\$2.41	\$2.45	\$0.45
Program Delivery	\$1.16	\$3.25	\$2.11	\$2.53
Administration & Start-up	\$1.43	\$2.99	\$2.09	\$2.20
Total	\$36.84	\$50.67	\$40.68	\$63.95

5.2 Calculating Total Quantity of Obligated Materials

5.2.1 Estimating Obligated Materials in First Year

An assessment of the quantity of obligated materials generated by stewards is required to establish Stewardship Ontario material specific fee rates. In the absence of detailed data on generation from stewards when the BBPP was developed in 2002, the generation of obligated materials was estimated based on the best available waste composition and generation data from waste composition studies.¹⁰ The estimates were developed by extrapolating province-wide detailed waste composition studies conducted in recent years covering some 10,000 single and multi-family households in large urban, small urban and rural areas across Ontario. These were reviewed by representatives of packaging and material suppliers and modified to reflect specific comments provided. The resulting estimates, totaling 1,554,000 tonnes of Blue Box Waste generated in Ontario in 2001, were used as the basis for setting fee rates in the first year (2003), incorporating a 10 percent adjustment factor to account for both de minimis (material generated by small companies and therefore not obligated) and for non-compliance.

5.2.2 Obligated Materials in 2004

The Blue Box Waste generation estimates were adjusted slightly for the purpose of establishing fees for 2004 to account for population growth and for some additional waste composition data that had become available. The resulting estimate totaled 1,578,500 tonnes of Blue Box Waste generated in Ontario in 2002. Once again, these estimates were developed without the benefit of data from stewards because fees had to be set before the 2004 program year reporting deadline. The same 10 percent factor was used to account for both de minimis and non-compliance.

5.2.3 Obligated Materials in 2005

Given the fees cycle, work is done throughout the current year to set fees for the next year so they can be approved by the Minister of the Environment before yearend. Consequently, the work done to set 2005 fees was carried out in 2004.

Blue Box Waste generation estimates were revised again for the purpose of establishing 2005 fees, once again incorporating additional waste composition data but also considering 2002 data reported by stewards for the 2003 and 2004 program periods.

Figure 5.6 summarizes the generation estimates developed from the waste audit data and the data reported by stewards. In general, the data reported by stewards were considerably lower than the estimates developed from waste composition studies. There are four primary reasons for this difference:

¹⁰ The methodology is described in detail in Section 6.1.1 of the Blue Box Program Plan

- imprecision of the waste audit data, e.g. timing of studies, location of studies, inclusion of material identified in the audits but which is not covered by the regulation, etc.;
- misreporting by stewards, e.g. misclassification of materials, the use of sectoral calculators instead of real data;
- unidentified stewards, e.g. stewards who had not been identified and notified and therefore had not reported;
- non-compliance—stewards who have been notified but have not yet reported.

The estimates of generation developed from the waste audit data totaled 1,516,000 tonnes. However, these estimates were adjusted according to data reported by stewards in two additional cases in which the data represented a relatively small number of stewards and where use of the reported data addressed inconsistencies in the original data:

- glass generated by the LCBO; and
- newsprint generated by newspaper publishers.

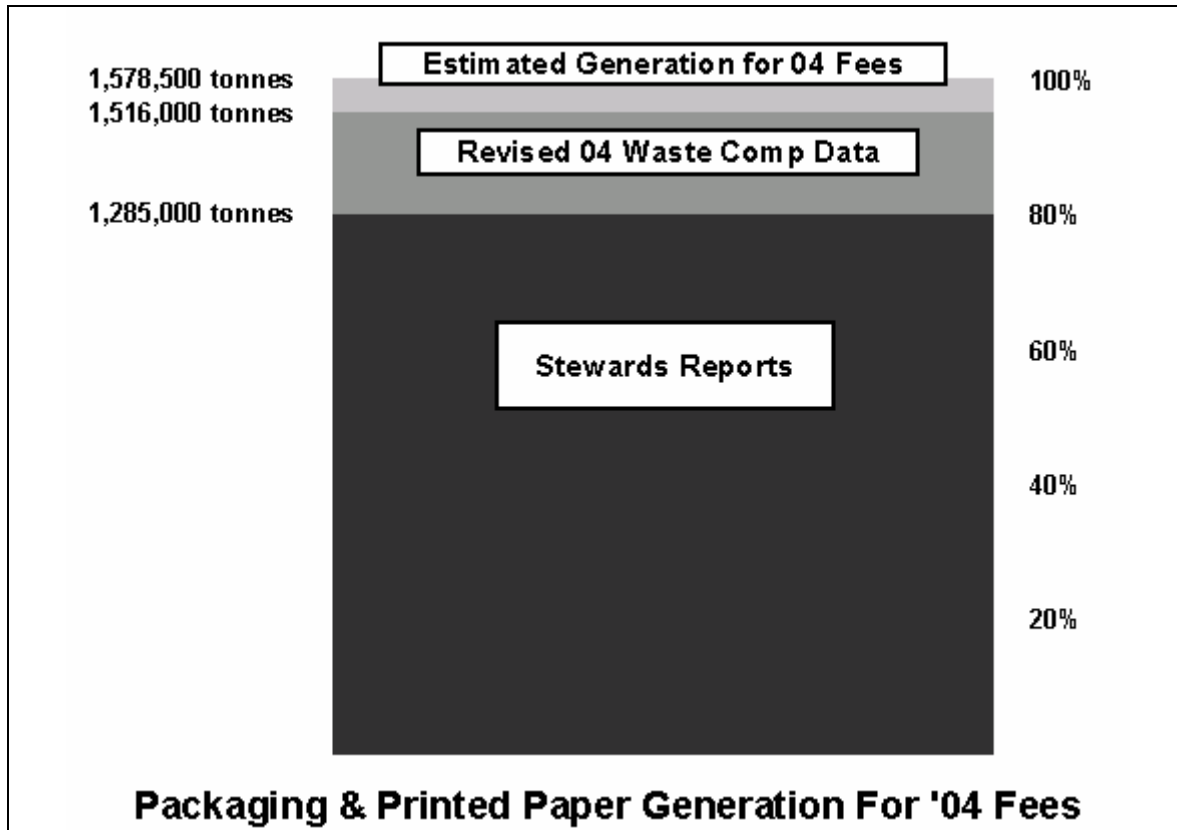
The resulting estimate of residential Blue Box Waste generation for 2003 for the purpose of setting 2005 fees is 1,474,308 tonnes. Blue Box material generation estimates will continue to be refined using data resulting from an extensive program of waste composition studies currently underway (see Section 4.8) and as the data from stewards are refined.

The consequence of the difference between the estimated generation of obligated materials and the data reported by stewards is that fee rates in 2003 and 2004 program years were lower than required, causing a shortfall in the fees collected to cover the budgeted program costs for that period. To avoid compounding this shortfall in future years, the fee rates (¢/kg) will be calculated based on the data reported by stewards in the corresponding year. However, the generation estimates used for the allocation of the municipal obligation and other program costs will continue to be based on the best available waste composition data.

5.2.4 Summary of Obligated Materials in 2003, 2004 and 2005

Table 5.2 shows the estimated generation of Blue Box materials used for setting 2003, 2004 and 2005 fees. These figures were further adjusted to account for de minimis and non-compliance as described above. It should be noted that the differences between each year largely reflect changes to the estimates to account for new information and do not represent the trend in material generation.

Figure 5.6
Estimated Generation of Blue Box Waste



Notes:

Light grey represents estimated generation used for 2004 fees.

Dark grey represents the estimated generation using current data from waste audits.

Black represents 2002 data reported by stewards.

Table 5.2
Estimated Generation by Year of Blue Box Materials (2003 – 2005*)

	Estimated Annual Generation (tonnes)		
	2001	2002	2003
Printed Paper			
Newspaper CNA/OCNA	489,400	521,800	264,800
Newsprint - non-CNA/OCNA	N/A	N/A	136,400
Magazines and Catalogues	89,600	61,000	95,100
Telephone Directories	14,600	14,800	15,000
Other Printed Paper	130,500	134,400	127,800
Printed Paper Total	724,100	732,000	639,100
Packaging			
Paper-based packaging	325,400	332,300	328,100
Plastic packaging	232,200	238,700	219,000
Steel packaging	67,900	69,100	66,900
Aluminum food and beverage cans	24,500	25,000	24,100
Aluminum foil and other aluminum packaging	3,600	2,000	2,408
Clear glass	99,500	100,800	121,800
Coloured glass	76,800	78,600	72,900
Packaging Total	829,900	846,500	835,208
Grand Total			
	1,554,000	1,578,500	1,474,308

*Note: The basis of the 2005 fees is the data submitted for 2003.

5.3 Calculating Material-specific Fees

To set material specific fees, the cost of the Blue Box Program is apportioned to specific materials according to rules approved by the Stewardship Ontario Board of Directors.

There are separate formulas for allocating each of:

- 1) Municipal financial payments.
- 2) Market development costs.
- 3) Program delivery and administration costs.

5.3.1 Fees Associated with Municipal Payments

Municipal payments are apportioned to Blue Box Waste according to three factors:

1. Net Cost – 40 Percent

The WDA stipulates that stewards' fees reflect the cost to manage each material in the Blue Box system. Therefore, 40 percent of municipal payments are allocated in direct proportion to the net cost to manage each material. The higher the net cost to manage a material, the higher the net cost payment assigned. The cost to manage each material is determined through detailed, activity-based, cost studies of representative recycling programs and taking into consideration the average price for recycled materials over the previous three years.

The net effect of the three-factor formula is to transfer a small portion of the costs that would have been incurred by those materials with the highest recycling rates, to those materials with the lowest recycling rates.

The formula is intended to offset the costs of increased diversion.

2. Recovery Rate – 40 Percent

The funding formula also is designed to provide an incentive to increase the recovery of Blue Box materials. Therefore, 40 percent of the municipal payments are allocated according to the relative percent recovery rate of each material. The higher the recovery rate of a material, relative to others, the lower the recovery rate payment assigned for each tonne of that material. Materials with the same recovery rate would assume the same recovery rate payment.

The recovery rate is determined through the annual Datacall, together with generation estimates obtained through an ongoing program of waste audits and Stewards' Reports.

3. Equalization – 20 Percent

This factor is designed to add an element of fairness to the formula, by considering the cost to achieve a common recovery rate for each material. Twenty percent of the municipal payments are allocated in direct proportion to the incremental cost to achieve a recovery rate of 75 percent for each material. Therefore, the lower the current recovery rate and the higher the cost to manage a material, the higher the equalization payment.

These weightings were reviewed and reconfirmed by the Board of Directors prior to setting fees for 2004 and 2005. The weightings will be reviewed prior to setting fees in each subsequent year of the program.

5.3.2 Market Development Fees

Market development costs are apportioned to specific materials that benefit from targeted market development activities for those materials.

5.3.3 Program Delivery and Administration Fees

Since Stewardship Ontario and WDO program delivery and administration costs are incurred to the benefit of all materials, these costs are allocated according to the relative number of stewards in each category of material (i.e. printed paper, paper packaging, plastic, steel, aluminum and glass). Costs are further allocated to sub-categories according to the relative amount of each material in the group.

5.3.4 Calculation of Fees

The fee rates (dollars per tonne or cents per kilogram) are calculated by dividing the total fee for each material type by the corresponding number of tonnes of each material generated.

Companies that fall below a de minimis threshold of \$2 million in sales in Ontario annually, or which generate less than 15 tonnes of Blue Box Waste in Ontario, are exempted from paying fees.

For the 2003 and 2004 program year fees, the estimated generation was discounted by a factor of 10 percent to account for de minimis and non-compliance. For 2005, the fees are spread over the quantity of material reported to be generated by stewards for 2002. In future years, the fees will be set using the quantities of materials generated reported by stewards in that year. This will avoid shortfalls in the fees collected.

5.3.5 Schedule of Stewards' Fees - 2003 to 2005

Table 5.3
Schedule of Stewards' Fees - 2003 to 2005

Category	2003 Fee Rate (cents/kg)	2004 Fee Rate (cents/kg)	2005 Fee Rate (cents/kg)
PRINTED PAPER			
Newsprint	0.028 ¢/kg	0.026 ¢/kg	0.271 ¢/kg (1)
Newsprint - Non CNA/OCNA	0.028 ¢/kg	0.026 ¢/kg	0.786 ¢/kg
Magazines and catalogues	0.081 ¢/kg	0.310 ¢/kg	0.862 ¢/kg
Telephone books	0.081 ¢/kg	0.687 ¢/kg	1.302 ¢/kg
Other printed paper	0.251 ¢/kg	1.318 ¢/kg	9.029 ¢/kg
PACKAGING			
Paper based packaging	4.728 ¢/kg	5.987 ¢/kg	7.904 ¢/kg
Plastics packaging	6.692 ¢/kg	9.610 ¢/kg	13.907 ¢/kg
Steel packaging	3.633 ¢/kg	4.391 ¢/kg	4.745 ¢/kg
Aluminum cans	-5.465 ¢/kg	-3.193 ¢/kg	-1.093 ¢/kg
Foil & other aluminum pckg.	-5.465 ¢/kg	-3.193 ¢/kg	5.502 ¢/kg
Clear glass packaging	3.723 ¢/kg	3.682 ¢/kg	3.761 ¢/kg
Colour glass packaging	4.016 ¢/kg	3.916 ¢/kg	4.432 ¢/kg

Note (1) with the Minister's direction to expand the CNA/OCNA in-kind contribution to cover the entire newspaper share of their municipal obligation, this fee will be lower (0.076¢/kg).

6.0 Financial Summaries for 2003 and 2004 Program Years

The draft audited financial statements for the 2004 calendar year are attached as Appendix iv. Key financial performance indicators are summarized in Table 6.1 below:

**Table 6.1
Stewardship Ontario Statement of Revenue and
Expenses for 2003 and 2004 Program Years**

	Feb 1-Jun 30 '04 Program Year 2003	Jul 1-Dec 31 '04 Program Year 2004	Total
Revenues	\$ 18,683,646	\$ 22,358,337	\$ 41,041,983
Less: Deferred Revenues	<u>2,333,333</u>	<u>2,989,326</u>	<u>5,322,659</u>
	\$ <u>16,350,313</u>	\$ <u>19,369,011</u>	\$ <u>35,719,324</u>
Payments and Expenses:			
Municipal Payments	\$ 15,231,993	\$ 18,315,083	\$ 33,547,076
Program Delivery	1,402,570	1,404,966	2,807,536
Administration	<u>381,326</u>	<u>542,158</u>	<u>923,484</u>
	\$ <u>17,015,889</u>	\$ <u>20,262,207</u>	\$ <u>37,278,096</u>
Surplus (Deficit)	<u><u>(665,576)</u></u>	<u><u>(893,196)</u></u>	<u><u>(1,558,772)</u></u>

7.0 BBPP Key Performance Indicators

7.1 Blue Box Waste Recovery Rates

The quantity of residential Blue Box materials recovered¹¹ by Ontario municipal programs in 2002 as reported by the WDO was 727,007 tonnes. Recovery in 2003 was 779,844 tonnes, an increase of 7.3 percent over 2002.

The BBPP proposed that province-wide recycling rates be determined by comparing annual total recovery to an estimate of total generation. The measurement of generation will be primarily done through municipal waste audits and will be cross-checked each year against Stewards' Reports. This is the same method by which the waste generation estimates used for establishing stewards' fees are determined (see section 5.2).

A WDO report on municipal benchmarks¹² submitted to the Minister of the Environment in 2004 proposed that municipal recycling rate benchmarks be established based on waste audits and reflecting different categories of programs.

Based upon data used to set Stewardship Ontario fees, Table 7.1 shows generation estimates and reported recovery by primary material groups for 2003, indicating the overall diversion of Blue Box Waste to be about 53 percent. Note that given WDO reporting procedures there is a measure of the estimated recovery rate in 2003, not the 2004 calendar year.

**Table 7.1
Estimated Generation and Recovery of Blue Box Waste in 2003
Used for Establishing 2005 Fees**

Material	Quantity Generated* (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
Printed Paper			
Newspaper & Magazines	496,300	396,898	74.5%
Other Printed Paper	142,800	60,717	42.5%
Printed Paper Total	639,100	430,614	67.4%
Packaging			

¹¹ The quantity of materials recovered is calculated by subtracting the quantity of residue as a result of processing materials for sale from the quantity of materials collected.

¹² Report currently before Minister, "60% Diversion of Blue Box Waste, Material Specific Targets, Municipal Benchmarks," WDO April 30, 2004

<http://webservices.siriusweblabs.com/dotconnector/files/domain4116/targetsrecomm.pdf>

Material	Quantity Generated* (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
Paper Packaging	328,100	156,902	47.8%
Plastics	219,000	35,382	16.2%
Steel	66,900	32,583	48.7%
Aluminum	26,508	10,113	38.2%
Glass	194,700	114,249	58.7%
Packaging Total	835,208	349,230	41.8%
GRAND TOTAL	1,474,308	779,844	52.9%

Note: Blue Box materials are also recovered through recycling channels other than municipal Blue Box programs. Province-wide recovery rates for materials (e.g. aluminum) will be higher than reported here.

* For a further explanation of how these numbers were determined, see Section 5.2, Calculation of Quantity of Obligated Materials.

The quantity of Blue Box material recovered and recycled is projected to continue to increase through population growth, new programs, extended recycling services and higher capture rates. It is expected that recovery will increase again by five percent to seven percent in 2005, taking overall recovery to between 820,000 and 835,000 tonnes.

7.2 Steward Registration and Reporting

Table 7.2 summarizes registration, reports submitted and tonnages reported for 2003 and 2004 program years¹.

Table 7.2 - Summary Table

Program Year	Stewards Reported ²	Tonnes		Fees	
		Projected ³	Reports Received	Projected Fees ⁴	Fees Reported
2003	1,228	586,178	520,740	\$19,288,000	\$18,659,500
2004	1,228	714,565	622,750	\$24,957,000	\$22,264,363
Calendar 2004 Totals		1,300,743	1,143,490	\$44,245,000	\$40,923,863

Notes:

- 1 As of December 31, 2004.
- 2 Stewards filed reports once in 2004 and these data were used as the basis for paying fees for both the 2003 and 2004 program years. Stewards were notified on December 28, 2004 of their reporting obligations for 2005.
- 3 Projections are for the basis of setting fees.
- 4 Projected fees to be collected from stewards.

8.0 Reporting and Communication

Stewardship Ontario maintained a continuous flow of information to keep stewards and other stakeholders informed of the progress of the BBPP.

In compliance with the approved BBPP, Stewardship Ontario:

- √ fulfilled all requests from WDO and the MOE for information;
- √ prepared an annual report for 2004 submitting it to WDO and posting it to the Stewardship Ontario website (on April 1 2005) and advising stewards and stakeholders of its availability through the e-newsletter, “*Need to Know*”;
- √ conducted an annual general meeting on May 17, 2004;
- √ provided briefings for affected stakeholders (as outlined in Section 3.3) ;
- √ held 13 meetings of the Board of Directors of Stewardship Ontario.

8.1 Consultation

8.1.1 Consultation with Key Stakeholders

Throughout the course of the year, Stewardship Ontario undertook steward, stakeholder and on some occasions, public consultation on the following topics:

Timeframe	Topic
January 2004	Two consultation workshops and simultaneous webcasts on: <ul style="list-style-type: none"> • Understanding Your Company's New Ontario Blue Box Funding Obligation • New Measures and Enhancements to the Blue Box Program Plan www.stewardshipontario.ca/consultation/work_web_archive.htm
March 2004	Steward, stakeholder and public workshop consultations in Kingston, Toronto, Sudbury and London to consult on industry funding of municipal Blue Box recycling programs and new enhancements to the approved BBPP. The consultation was jointly sponsored by WDO, MOE and Stewardship Ontario. The workshop in London was simultaneously webcast. Discussion papers were prepared on: <ul style="list-style-type: none"> • Blue Box Targets & Municipal Benchmarks, with Appendices • Cost Containment Principles, Policies & Practices/Effectiveness & Efficiency Policies & Practices, with Appendices • Impacts of the Blue Box Program on Small Business & Incentives for Small Business to Improve Diversion of Blue Box Waste, with Appendices www.stewardshipontario.ca/consultation/work_web_archive.htm

Timeframe	Topic
March 2004	<p>Open consultation and simultaneous webcast for stewards and stakeholders on Setting Stewards' Fees for the Second Half of 2004 and 2005. For a summary of the comments received see:</p> <p>www.stewardshipontario.ca/pdf/consultation/comments_fees/prelim_2004_fees_comments.pdf</p>
June 2004	<p>Two open consultation meetings were held by WDO, in cooperation with Stewardship Ontario to develop policies and rules regarding Voluntary Stewards. See www.stewardshipontario.ca/pdf/voluntarysteward/Vol_Steward_Pro.pdf</p>
June 2004	<p>Workshop on a Green Procurement Program to develop and promote markets for Blue Box Materials. Workshop analyzed what is in place, what works and doesn't work and developed a business plan. To review a summary see www.stewardshipontario.ca/pdf/greenprocure/GP_workshop_report.pdf</p>
July 2004	<p>Phase I 'Round Table' consultation and simultaneous webcast on Governance and Market Development. Reports on governance and on the market development discussions were prepared and circulated to participants and stewards with an invitation to submit comments. The reports and comments were summarized into options papers which were circulated in advance of Phase II of the consultation held in late August. For a summary of comments see www.stewardshipontario.ca/consultation/work_web_archive.htm</p>
August 2004	<p>Phase II consultation and simultaneous webcast on Governance and Market Development where options were discussed. Final comments were invited on governance before recommendations on both subjects were presented to the Board of Directors in late September. For a summary of comments see www.stewardshipontario.ca/consultation/work_web_archive.htm</p>
August 2004	<p>Presentation and discussion of Stewards' Preliminary 2005 Fees (held at the Phase II consultation and webcast). For a summary of presentation information see www.stewardshipontario.ca/consultation/work_web_archive.htm</p>

8.1.2 Summary of Comments on Governance, Market Development and Preliminary Stewards' Fees for 2005

At the August 31 consultation on governance and market development, Stewardship Ontario invited comments on the contents of the presentations and discussion, including the preliminary stewards' fees for 2005. In all, seven submissions were received, four from stewards and three from stakeholder associations. The submissions contained comments concerning governance and market development, and offered suggestions on or questioned the preliminary 2005 stewards' fees.

In addition to the submissions, Stewardship Ontario received and dealt with questions of clarification on technical matters related to the preliminary stewards' 2005 fees.

Following is a summary of the comments received in the written submissions.

Governance

Comments and recommendations on governance centred on the key issues of:

- 1) allocating seats according to fees;
- 2) defining membership in the sectors;
- 3) number of seats per sector;
- 4) size of the board and observers;
- 5) advisory committee;
- 6) length of term;
- 7) formalizing procedures;
- 8) stakeholder/supply chain representation on the board.

Market Development

Comments and recommendations on market development centred on the key issues of:

- considering a supply chain management approach to increase use of recycled material (rather than focusing on end uses for materials);
- considering working with stakeholders to develop recycled material standards and standardized product labeling to assist consumers to make appropriate decisions; and
- continuing to promote the education of consumers concerning proper recycling procedures for all materials accepted in the system.

Preliminary 2005 Fees

Comments and recommendations on fees centred on the key issues of:

- 1) schedule for setting fees;
- 2) offsetting shortfall;
- 3) obligated companies in default;
- 4) increase in fees for “other printed paper;”
- 5) recognizing and applying principles in setting stewards’ fees;
- 6) maintaining a discount until cost containment issues can be resolved;
- 7) municipal accounting for Blue Box revenues;
- 8) formula for allocating administrative costs.

To view a report on the submissions on governance, market development and comments regarding the 2005 stewards’ fees, please see:

http://www.stewardshipontario.ca/pdf/consultation/workshop_31aug2004/comments_August31.pdf

To view a report on questions and clarification about technical matters, please see:

http://www.stewardshipontario.ca/pdf/consultation/workshop_31aug2004/comments_August31.pdf

8.2 Stewardship Ontario Website

Stewardship Ontario maintains a website as a means of providing information to stewards and stakeholders in a timely manner. Among the information posted there are the BBPP and the Rules pertaining to the plan. The website came under considerable pressure in 2004 as the contents of necessity grew by leaps and bounds within an architecture that had not anticipated such a volume of material. Work commenced in 2004 on completely reconstructing the site to accommodate the needs of the organization to make information accessible and allowing for expansion in the future. This work is scheduled to be completed in 2005.

The website can be viewed at www.stewardshipontario.ca

8.3 Publications

In March 2004, Stewardship Ontario launched its electronic newsletter, “*Need to Know*,” which has become a well-recognized, timely communication tool containing key information for stewards and stakeholders. During the year, 35 issues of “*Need to Know*” were distributed to close to 3,000 stakeholders. It continues as the premier means of communication with stewards on program updates.

Archived copies of “*Need to Know*” can be viewed at www.stewardshipontario.ca/new/needtoknow.htm

8.4 Public Announcements

As agreed with the WDO, Stewardship Ontario maintained the protocol for the preparation of news releases. These were provided to WDO and MOE for comment prior to release.

In all, four news releases were distributed to Ontario daily and community newspapers, as well as electronic media concerning payments to municipalities. A further five releases were distributed to local media concerning other announcements, including public consultation. News releases can be reviewed at: <http://www.stewardshipontario.ca/media/archive.htm>

8.5 Documentation and Audit

Stewardship Ontario maintains a complete file of documents and information pertaining to among other things funding, consultation activities, comments and responses. The electronic filing system is backed up daily to ensure the security of the information.

8.6 Complaints and Inquiries

Inquiries generally come into Stewardship Ontario by telephone or email. Stewardship Ontario’s customer service department manages these inquiries and complaints when they occur, with a turn-around objective of 24 to 36 hours.

Appendices

- i - Copy of Notification Letter for 2003 & 2004**
- ii - Report Calculators**
- iii- Copy of Ministry of the Environment Letter**
- iv – Draft Audited Financial Statements**

Appendix i – Notification Letter for 2003 & 2004

Salutation First Last
Title
Company
Address 1
Address 2
City, Province/State, Country, Code

Dear :

In 2002, the Government of Ontario passed the *Waste Diversion Act, 2002* (WDA) that requires that industry contribute payments towards the costs of recycling certain products and packages used by consumers, which end up in municipal waste streams in Ontario. The WDA established Waste Diversion Ontario (WDO) to develop, implement and operate diversion programs for wastes designated under the WDA.

The Minister of the Environment subsequently requested that an industry funding organization be established to administer a plan that requires industry to pay 50 percent of the net municipal costs of the collection and recycling of “Blue Box Waste.” Stewardship Ontario was incorporated to become the funding organization to administer the collection and remittance of funds for that plan.

On December 22, 2003 the Minister of the Environment approved the *Blue Box Program Plan* that had been developed by Stewardship Ontario and in cooperation with the WDO. The Plan contains a set of Rules, which stipulate in detail the requirement for Stewards to pay their portion of the costs of the Plan. The full text of these Rules and the Plan may be viewed at the following web site:

www.stewardshipontario.ca

A copy of the Plan and the Rules can also be obtained for an administrative fee by writing to Stewardship Ontario at the address on this letterhead.

These Rules designate Stewards as persons who are “brand owners,” “first importers” or “franchisors” of products which result in designated printed-paper and packaging being set out by consumers into municipal waste collection systems in Ontario. Stewards are required under the Rules to register and make payments based on the amount of Blue Box Waste that they produce for consumption in Ontario in accordance with the fee schedule.

The fee schedule for the period for February 1, 2004 to June 30, 2004 and for July 1, 2004 to December 31, 2004 are presented below:

Table of Approved Fees

Category	Material	February 1, 2004 to June 30, 2004 Rates	July 1, 2004 to December 31, 2004 Rates
<i>Printed Paper</i>	Newspaper	0.028 ¢/kg	0.026 ¢/kg
	Magazine and Catalogues	0.081 ¢/kg	0.310 ¢/kg
	Telephone Directories	0.081 ¢/kg	0.687 ¢/kg
	Other Printed Paper	0.251 ¢/kg	1.318 ¢/kg
<i>Packaging</i>			
Paper based packaging		4.728 ¢/kg	5.987 ¢/kg
Plastic packaging		6.692 ¢/kg	9.610 ¢/kg
Steel packaging		3.633 ¢/kg	4.391 ¢/kg
Aluminum packaging		-5.465 ¢/kg	-3.193 ¢/kg
Glass packaging	Flint/Clear	3.723 ¢/kg	3.682 ¢/kg
	Coloured	4.016 ¢/kg	3.916 ¢/kg

By request of the Minister of the Environment, and as approved by the Board of Directors of Stewardship Ontario, the Blue Box Program Plan commenced on February 1, 2004, which requires you as a potential Steward to do the following:

1. Register with Stewardship Ontario at **www.stewardshipontario.ca**
2. File a report on the online data management system setting out the amount of “Blue Box Waste” that you are responsible for under the Rules, and submit this information, together with the applicable fee based on such amounts. The on-line data management system can also be accessed at **www.stewardshipontario.ca**
3. **The deadline for submitting a report and payment of fees is INSERT DATE HERE (which is 93 days from the date of this letter).**

Enclosed is a brochure that provides additional summary information respecting this program. We invite you to consult the above web site for further details and precise provisions of the Rules described above.

Should you have any questions respecting this process, including whether the Rules designate you as a Steward, we invite you to access the Stewardship Ontario website or

contact us directly at the following telephone number: 647-777-3360, or toll free at 1-888-288-3360.

Yours truly,
Damian Bassett
Chief Executive Officer

Appendix ii - Calculators

Sectoral Calculator

Since all stewards were not be able to provide the detailed reporting data required for the start up of the program in 2004, Stewardship Ontario developed a simplified reporting tool called the Sectoral Calculator. It was developed for the 2003 and 2004 *program years* to provide a reasonable estimate of packaging to enable stewards to meet their reporting and financial obligations in a timely fashion. It converts gross sales of products, categorized by sector or retail department (e.g. electronics, toys) into reasonable estimates of packaging generation by material type.

The Sectoral Calculator converts gross sales of products, categorized by sector or retail department (e.g. electronics, toys) into reasonable estimates of packaging generation by material type. In developing this calculation tool, Stewardship Ontario reviewed other jurisdictions and determined that the Belgian national packaging waste management system, operated by FOST Plus, most closely resembles the definitions to be used in Ontario. FOST Plus provided Stewardship Ontario, in confidence, actual reported packaging data for 2001 from 200 industry individual sectors representing 22 consolidated sectors and more than 6,000 companies. Stewardship Ontario adjusted for the obvious differences including population, the removal of packaging data not included in the Stewardship Ontario program (e.g., beer packaging), and accounting for significant differences in consumption patterns.

Ontario financial sales data were then collected from a variety of Statistics Canada and industry sources. The estimates of the total tonnes of packaging were divided into the sales figures to derive an estimated tonnage of packaging generated per one million dollars in sales. This calculation was then completed for each sector and for each packaging material type.

Stewards who choose the Sectoral Calculator option were required to classify their operations and departments and collect Ontario wholesale sales figures for 2001. The formula generated packaging tonnage estimates by material type. These were multiplied by the final material levies to determine total financial obligation. It must be emphasized that use of the Sectoral Calculator provides a rough approximation only.

The calculator has many limitations and is not accurate for all stewards that have used it. However, it did meet the primary objective of providing reasonable estimates for approximately 10 percent of the stewards that filed reports in 2004. The Sectoral Calculator is now being phased out and is being replaced by a Retail Council of Canada (RCC) sponsored Composite Based Calculator.

Unit Based Calculator (UBC)

A working committee of the Canadian Council of Grocery Distributors (CCGD) and Stewardship Ontario jointly developed the Unit Based Calculator (UBC) to assist grocery distributors to report and calculate their private label packaging obligations under the BBPP. Following its completion, CCGD and Stewardship Ontario agreed that the UBC could be beneficial to other

food and beverage manufacturers and food importers and distributors that are obligated under BBPP. Stewardship Ontario maintains and updates the UBC which is available for use by stewards who manufacture, import or sell food, beverages and cleaning products. For guidance on how to use the UBC, please consult the UBC Instruction Manual.

Retail Council of Canada (RCC) Composite Based Calculator

RCC worked with its members to produce a Composite Based Calculator (CBC) to help retailers calculate their obligations for private label products and others for which they are the first importer. In 2004, RCC introduced the first five CBCs – for use by retailers of furniture, bedding and linen, hardware, kitchenware and small appliances.

Developing the CBC is a large undertaking which RCC is completing in several stages. The ultimate goal is to replace the existing Sectoral Calculator with the CBC which yields more precision for retailers. The Sectoral Calculator is based on dollar sales while the CBC is based on units sold of defined product categories and packaging audits.

The RCC is working on additional CBCs – for toys, electronics and cleaning and maintenance – for the 2005 reporting cycle. For more information, please check our website periodically.

Other Approved Calculators

Stewardship Ontario will support the ongoing development of approved calculators. The development of approved calculators will be a cooperative effort between Stewardship Ontario and those sectors that choose to adopt this approach to calculating the weight of packaging and printed paper generation in Ontario, and the associated fees for stewards in the sector.

In 2004, a total of three additional calculators were approved for use by Stewardship Ontario. These include:

Association of Municipalities of Ontario – a methodology to estimate the amount of obligated printed paper that municipalities in Ontario distribute to residents in the form of recreation guides, tax and billing correspondence, elected official newsletters and updates, recycling guides and calendars and other forms of correspondence between municipalities and its residents. The calculator is expressed as kilograms per resident.

Association of Universities in Ontario – a methodology to estimate the amount of obligated printed paper that universities in Ontario distribute to students in the form of course calendars, alumni correspondences, newsletters, etc. The calculator is expressed as kilograms per full-time equivalent students.

Canadian Vehicle Manufacturers' Association (CVMA) and the Association of International Automobile Manufacturers of Canada (AIAMC) – a methodology to estimate the amount of obligated packaging that automobile manufacturers sell to consumers through part and service departments at local dealerships. The calculator is expressed as kilograms per new vehicle sales and does not include any promotional and corporate printed paper distributed to customers and prospective customers. The types of printed papers are measured and reported separately by each automotive company.

Appendix iii - Ministry of the Environment Letter

Company Name
Address
City, Province,
Postal Code

September 14, 2004

Dear Steward- First and Last Name,

In 2002, the Government of Ontario passed the *Waste Diversion Act, 2002* (WDA) which requires affected industries to contribute payments to cover 50 percent of the net program costs of municipal blue box systems. The WDA established Waste Diversion Ontario (WDO) to develop, implement and operate diversion programs for wastes designated under the WDA.

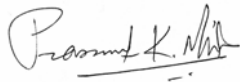
As you may be aware on December 22, 2003 the Minister approved Waste Diversion Ontario's Blue Box Program Plan in accordance with the authority under the *Waste Diversion Act*. The Blue Box Program Plan was the first Plan approved and implemented under the Act and is an essential component of the Ministry's goal of diverting 60 per cent of waste from disposal.

The Blue Box Program Plan is being implemented by Waste Diversion Ontario and Stewardship Ontario, both of which are non-profit, non-government corporations set up under the *Waste Diversion Act*, specifically for this purpose. Stewardship Ontario was legally designated by a Minister's Regulation to operate and implement the Blue Box Program Plan.

As you are aware on January 16, 2004 your organization was notified by Stewardship Ontario of your potential legal obligations under the *Waste Diversion Act 2002*. The deadline for registering and submitting a report plus any applicable payment of fees was June 20, 2004. An obligated steward who has not registered with Stewardship Ontario, or has not paid the obligated fees, would be in contravention of the Act. Please contact Stewardship Ontario at the web address www.stewardshipontario.ca or at their customer service centre at 1-888-288-3360 to determine whether you are an obligated steward.

If you have already met your obligations; please disregard this letter. The Ministry of Environment appreciates your efforts in ensuring that the Province of Ontario will meet its goal of diverting 60 per cent of waste from disposal by 2008.

Thank you,

A handwritten signature in black ink, appearing to read "P.K. Misra". The signature is written in a cursive style with a horizontal line underneath the name.

P.K. Misra
Director- Waste Management Policy Branch
Integrated Environmental Planning Division
Ministry of the Environment

Appendix iv – Draft Audited Financial Statements

Please see attached Stewardship Ontario Financial Statement For the year ended December 31, 2004.