



Annual Report 2005

April 1, 2006

Stewardship ONTARIO

April 1, 2006

Ms. Gemma Zecchini
Chair, Board of Directors
Waste Diversion Ontario
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North York, Ontario
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Dear Gemma,

In accordance with Section 33 of the *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 2005.

Stewardship Ontario also is complying with the requirement 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 - 2005

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Summary of 2005 Key Highlights

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

In 2005, Stewardship Ontario successfully discharged all of its obligations under the BBPP and achieved a number of key milestones:

- A total of 823,635 tonnes of Blue Box wastes were recovered in Ontario in 2004 (the most recent verified data available) representing a recycling rate of approximately 55%. The total recovery rate for 2005 is projected to reach approximately 865,000 tonnes.
- Ontario municipalities will receive \$51,284,596 from Stewardship Ontario to support the operation of municipal Blue Box recycling programs for 2005 (final quarterly payment scheduled for March 31, 2006).
- As of December 31, 2005, 36 projects were approved to a total of \$5,252,200 to support improvements in municipal recycling program operations through the Stewardship Ontario Effectiveness and Efficiency (E&E) Fund. An additional 19 projects requesting an additional \$4,397,425 were under review as of the end of the year.
- To support effective, user-friendly dissemination of key learnings from these projects to all municipalities, an online Knowledge Network program, combining website and computer based learning, was designed and implemented, and launched as part of a continuing series of workshops.
- Working in conjunction with municipalities in the Greater Toronto Area, a preferred contractor was selected to build a facility to process up to 60,000 tonnes annually of mixed glass to be processed for a variety of higher value uses.
- The Association of Municipalities of Ontario and Stewardship Ontario successfully negotiated an agreement to apply reasonable cost bands¹ to reported municipal program costs for the next two years of the program which will result in a reduction of the municipal gross cost calculation of \$10 million for the purposes of setting fees in 2006 and \$14 million in 2007.
- Identified and notified 3,800 returning and previously identified stewards and 930 new stewards of their obligations under the *Waste Diversion Act, 2002* (WDA) and the BBPP.
- Received, reviewed and approved reports from 1,400 obligated stewards.
- Referred the first cases for non-compliance by obligated companies to the Ministry of the Environment Investigation Branch for enforcement action.

¹ For a description of reasonable cost bands, see Section 4.4

- Maintained the combined WDO and Stewardship Ontario costs of administering the program at 3.4% of total program revenues.
- Completed a thorough overhaul, upgrade and seamless re-launch of the Steward Reporting system.
- Established steward audit procedures and completed five audits of data reports submitted by stewards.
- Launched a consultation program to review and update the Blue Box Program Plan including a comprehensive review of the stewards' fee setting methodology.
- Worked closely with Éco Entreprises Québec, the designated Industry Funding Organization for the Province of Québec, to promote harmonization of stewards' reporting requirements for both provinces.

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 is also 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 electronic newsletter, *Need to Know*.

This is the third annual report prepared by Stewardship Ontario. It encompasses the activities of the corporation over the 2005 calendar year in respect to the *Blue Box Program Plan (February 2003)* and the requests contained in a letter (dated December 30, 2004) to WDO from the Minister of the Environment approving stewards' fees for 2005.

The Minister's letter addressed three subjects:

- 1) Approval of the schedule of stewards' fees and associated Rules under the Blue Box Program Plan for 2005.
- 2) Amendment of the Plan to expand the level of in-kind contribution to be made by members of the Canadian Newspaper Association (CNA) and Ontario Community Newspaper Association (OCNA). (The amendments are described below.)
- 3) Approval of the "*Cost Containment Principles, Policies and Practices—Efficiency and Effectiveness Policies and Practices—Small Business Measures*" (that had been submitted to the Minister on July 12, 2004); with three additional actions (described below).

The Minister's complete letter can be viewed at the following URL:
<http://www.ene.gov.on.ca/envision/land/wda/bluebox/dec30letter.pdf>.

The amendment to the Plan regarding the expansion to the in-kind contribution for members of the Canadian Newspaper Association and Ontario Community Newspaper Association contained the following directions:

- The expanded in-kind contribution would only apply in lieu of direct payments to municipalities, and would not affect the members' obligation to pay for WDO and Stewardship Ontario administrative costs, program start up and delivery costs, and their share of any program shortfall costs.
- The schedule of stewards' fees approved by the Minister would not change as a result of this amendment. The reduction in anticipated 2005 fees from CNA and OCNA would be replaced by in-kind contributions to municipalities, not by direct payments from the remaining stewards.
- For the period prior to the approval of the Plan, the existing in-kind CNA and OCNA members' contribution, pro-rated over this period, would serve as their payment.

- CNA, OCNA, WDO and the Association of Municipalities of Ontario (AMO) were requested to reach agreement on the nature of the in-kind contribution in lieu of fees. The nature of the in-kind contribution which was limited to newspaper space, could be expanded to other services, such as home delivery of municipal, provincial and WDO waste diversion public information materials.
- CNA, OCNA, WDO, Stewardship Ontario and AMO were requested to propose a mechanism to insulate municipalities from the effects of a significant decline in the price of old newspapers, for example, a formula that would take into account market fluctuation over time.

The Minister requested the proposed amendment to the Plan be submitted to her by February 28, 2005 at which time it would be posted on the Environmental Registry for a 30-day public review and comment period before the Minister rendered a final decision.

Concerning the approval of the *“Cost Containment Principles, Policies and Practices—Efficiency and Effectiveness Policies and Practices—Small Business Measures,”* in the letter of approval, the Minister made note of the situation and requested WDO to undertake three additional actions, detailed in a Notice of Approval. Specifically, the Minister requested the following three initiatives:

- 1) Implement the cost-containment plan that WDO approved and submitted on July 12, 2004, but on an accelerated timetable. Implement the ‘reasonable cost’ bands in 2006 rather than 2008 as proposed. Resubmit the final revised cost-containment plan to the Minister by January 31, 2005.
- 2) Provide a report to the Minister by March 31, 2005 on possible areas of future cost savings in municipal Blue Box programs, specifically addressing:
 - a) The current capacity and location of Material Recovery Facilities (MRFs) in Ontario and options for creating greater efficiencies in siting new MRFs or replacing aging MRFs, through measures such as consolidating existing public and/or private MRFs.
 - b) An analysis and comparison of the cost of current municipal contracts with waste management companies to deliver their recycling services, and options on how to ensure value for money and increase the competitiveness of the bidding process.
- 3) Prepare a plain language report on the Blue Box program, in consultation with the Ministry of the Environment, which included:
 - 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 was to be an annual report sent to every obligated industry steward and municipality. The first report (for the 2004 calendar year) was to be sent to stewards and municipalities no later than February 15, 2005. In 2005 and future years, the report was to accompany the notice to the stewards of WDO's approval of the fees for the following year.

2.0 Implementing the Blue Box Program Plan (BBPP)

Stewardship Ontario continued its activities, based on the definition of Blue Box Waste defined under Ontario Regulation 273/02.

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
- textiles.

2.1 Stewardship Ontario Governance

Through 2005, governance of Stewardship Ontario was provided by the Board of Directors consisting of eight members. The board met regularly over the course of the year, with 10 regular meetings in addition to the Annual General Meeting that took place on May 31, 2005.

2.1.1 Governance Restructuring

On March 8, 2005, the Restructure Committee presented to the Board of Directors its recommendations regarding the future governance of Stewardship Ontario. The intent of the recommendations was to maintain the principle of having sector representation reflect the fees contributed by the identified sectors but also to incorporate a mechanism to ensure that diversity of interests were reflected in board decision-making through the establishment of two new committees of the board: The Policy Advisory Committee and the Technical Advisory Committee.

Based on the membership profile, sector allocation for a 15 member board was to be as follows:

<u>Sector</u>	<u>Seats</u>
Consumable products	6
Retailers & distributors	4
LCBO	2
Printed media	1
Durable products	1
At Large (CEO)	1

Among the additional recommendations were:

- Review the size of the board and the sector allocations on an annual basis and adjust if fee contributions change \pm 10% in a given year.
- Any existing Board members re-elected at the next AGM (2006) would serve for a term of one year and new members would be elected for a period of two years to ensure both board continuity and wider steward representation.
- Provision to be made within the bylaws to allow for alternates for elected board members.
- Committees of the Board would include:
 - Executive Committee (to include responsibilities for board nominations)
 - Audit and Finance Committee (to include responsibilities for Secretariat performance and compensation review)
 - Policy Advisory Committee
 - Technical Advisory Committee
- 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.
- 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.
- Upon review and agreement of the Board of Directors to these recommendations, direct legal counsel would be provided to prepare draft revised bylaws to reflect these changes.
- Elect a new board at the next AGM to be held before May 31, 2005.

The full set of recommendations in governance restructuring can be found at:
<http://www.ene.gov.on.ca/envision/land/wda/bluebox/031705-ReportToSOBoard.pdf>.

On October 18, 2005, the Minister of the Environment approved the new governance model for Stewardship Ontario.

3.0 Steward Notification and Registration

This section highlights activities that Stewardship Ontario undertook to notify potential stewards of their obligations, to provide effective customer service to assist them to fulfill their obligations, to help them register and file their Stewards' Reports as required and to ensure that reports were accurate and detailed.

3.1 Identifying and Notifying Stewards

Under the *Waste Diversion Act*, Stewardship Ontario is required to notify potential stewards of their obligations on an annual basis. The notification process is designed to direct potential stewards to the program "Rules," which includes fees for stewards for each obligation year.

The Rules are reviewed and revised as part of the fee setting process each year and are made available to the public by posting them on the Stewardship Ontario website. (View Rules at: <http://www.stewardshipontario.ca/rules/rules.htm>.)

Returning stewards are notified by email of their obligations and timelines for each year.

Throughout the year, Stewardship Ontario also actively identifies and notifies potential new stewards by:

- identifying new or unregistered products advertised or presented for sale in the Ontario market;
- reviewing business directories and lists of companies known to be selling products into the Ontario market; and
- researching and comparing names of companies that have been provided by other stewards against the Stewardship Ontario database.

New and potential stewards are notified by mail as they are identified.

During 2005, steward notification activities were as follows:

- emailed notification to 2,200 registered stewards concerning their obligation for 2005 (December 30, 2004); this includes all organizations who generate designated Blue Box Waste including those who previously registered below \$2 million in sales;
- mailed the obligation notification to 1,600 companies who had been originally notified in 2004 but who had not responded; (note; many of these will not be obligated but their status was unknown at the time of notification);
- mailed notifications to 930 new potential stewards.

During the 2005 obligation year, stewards were notified that they were required to meet the following timelines:

March 31, 2005	file Steward's Report using 2003 data
June 30, 2005	make payment for the first 50% (6 months) of 2005 fees
September 30, 2005	make payment for the next 25% (3 months) of 2005 fees
December 31, 2005	make payment for the final 25% (3 months) of 2005 fees

3.2 Assistance to Stewards for Registration

Stewardship Ontario provided ongoing assistance to stewards to support the registration and reporting process.

3.2.1 Customer Service

Stewardship Ontario's Customer Service group continued to respond to inquiries from stewards and potential stewards, notifying companies of their legal obligations and clarifying the Rules as required. Their activities are detailed in Table 3.1.

Table 3.1 - Customer Service Activities, 2005

Toll-free number (888) 288-3360	Managed on average approximately 500 calls per month and a peak of 1,150 calls
Email addresses: <ul style="list-style-type: none"> • customerservice@stewardshipontario.ca • info@stewardshipontario.ca • questions@stewardshipontario.ca • registration@stewardshipontario.ca 	Responded to approximately 2,500 emails from stewards in 2005
Stewardship Ontario Website www.stewardshipontario.ca	Total visits to the website in 2005 numbered just under 60,000, averaging about 5,000 visits with about 175,000 hits on a monthly basis
Ongoing Information Flow	Distributed pertinent and timely information to stewards through distribution of 17 electronic <i>Need to Know</i> newsletters

3.2.2 Posted New Guidebooks for Step-by-Step Assistance

For 2005, Stewardship Ontario completed a thorough review of its series of guidebooks with the intent of streamlining content for new and returning stewards. The 2004 guidebooks (from the initial program year) were removed to avoid confusion and replaced with this all new series. The 2005 Guidebooks included:

Guidebook 1: Ontario’s Waste Diversion Act – Are you Obligated?

-A guide that covered the basic elements of the BBPP and enabled potential stewards to determine if they should register and, if obligated, how to do so.

Guidebook 2: Get Ready to File a Steward’s Report

-A guide that provided information about designated blue box materials, collecting data, data sources and program exemptions and deductions, leading readers to the point of being able to enter the online Steward Reporting system.

Guidebook 3: How to File a Steward’s Report

-This guidebook provided step-by-step advice about how to work within the Steward Reporting system to file data to complete a Steward’s Report.

Guidebook 4: Update for Returning Stewards

-This guide was first launched in 2005 as a means for returning stewards who were familiar with the program to identify program and reporting system changes in preparation for filing their 2005 obligation year reports.

3.2.3 Provided “Calculator” Tools to Assist in Reporting

In 2005, Stewardship Ontario offered three types of calculator tools for the use of selected stewards:

- Sectoral Calculators;
- Composite Based Calculators;
- Unit Based Calculators.

The tools were designed to assist stewards who were obligated for a broad range of products in specified sectors and who may not have had access to packaging data (if they were first importers or distributors).

Sectoral Calculators

The sectoral calculators that were developed when the stewardship program first began remained available throughout 2005. They enabled stewards to estimate kilograms of Designated Blue Box Waste (DBBW) based on sales revenue for various sectors. Stewardship Ontario will eliminate the use of sectoral calculators as stewards establish internal data collection systems or other approved calculators.

Composite Based Calculators

The Retail Council of Canada (RCC) worked closely with Stewardship Ontario to develop the Composite Based Calculators (CBCs). The CBCs were first offered for use in 2005, providing a means of transitioning from a sales based approach to a unit sales based approach in calculators. The CBCs are based on data generated in a representative series of packaging audits.

The following table shows the new CBC for five product categories, each with a defined list of products. The five CBC's replaced three of the sales based calculators.

Sectoral Calculator Descriptor (2004)	Replaced with Following CBC (2005)
Furniture/bedding	Furniture Bedding and Linen
Hardware/home repair	Hardware
Kitchen and appliances	Kitchenware Small Appliances

Unit Based Calculator

The Unit Based Calculator that had been developed by the Canadian Council of Grocery Distributors (CCGD) and Stewardship Ontario early in the program to enable grocery distributors to report and calculate their private label packaging obligations was modified with new packaging data and offered for use again in 2005.

Other calculators developed and approved by Stewardship Ontario for use in 2004 and that were available for use by stewards in 2005 were from the following organizations:

- Association of Municipalities of Ontario on behalf of obligated municipalities,
- Associations of Universities of Ontario on behalf of Ontario universities, and
- Canadian Vehicle Manufacturers' Association and the Association of International Automobile Manufacturers of Canada on behalf of automobile manufacturers and their retail and service centres.

In these three examples, the association worked with Stewardship Ontario on behalf of their members on an appropriate measurement methodology for their individual sectors. Stewardship Ontario then worked with the association on the development of the calculator and approved it for use only when satisfied that it provided an accurate representation for generation of obligated material for that sector.

3.3 Reviewing Stewards' Reports

The Steward's Report review process involved an appraisal of every report and an audit of a select number of reports.

3.3.1 Report Review

Stewardship Ontario staff examined every Steward's Report submitted in 2005. Where appropriate data and detail were provided, the reports were approved. Stewards who submitted reports that appeared to contain inaccuracies, that lacked comprehensive detail or that failed to conform to the requirements of the Rules were contacted for additional information. The report review process addressed:

- reporting methodology;
- review of accuracy;
- brands reported on;
- comparison over previous year.

Stewards were required to describe in detail how they calculated material weights. Stewardship Ontario also reserved the right to request that stewards submit supporting documentation (e.g. data tables, product listings, audit reports and allocation percentages). Adjustments were made to the reports as required.

3.3.2 Auditing Steward's Reports

In accordance with the BBPP, Stewardship Ontario developed and launched an audit program to review steward data collection and reporting systems and methodologies. The program began in the last quarter of the year with five audits completed by year-end to test and evaluate the process. The revised audit procedures will be applied in 2006 with a target of auditing a minimum of 10% of Blue Box wastes identified in stewards' reports.

3.4 Enforcement Procedures

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 authority to assess late payment charges and interest on outstanding fees. Companies are potentially in violation of the *Waste Diversion Act* if they produced designated Blue Box Waste, had sales in Ontario of greater than \$2 million in 2003 for the 2005 obligation year, and were notified by Stewardship Ontario, but failed to file a Steward's Report. Enforcement under the Act is handled through the Ministry of the Environment's (MOE) Investigation and Enforcement Branch (IEB).

The process steps that Stewardship Ontario follows before determining if a company may be non-compliant with the program Rules are:

- send notification letter by first class mail;
- follow-up phone calls including getting appropriate manager contact;
- reminder letter;
- additional follow-up phone calls;
- registered letter indicating the company is not in compliance and may be referred to the MOE's IEB for further investigation;
- document all attempts to make contact and the information that is exchanged in the preparation of the case file for IEB.

The first case file that was turned over to the IEB in 2004 resulted in charges being filed against an obligated company in 2005. The company has since come into compliance with Stewardship Ontario and is in good standing. However, the case remains before the court in recognition that an offence had occurred.

In 2005, two additional case files were turned over to the IEB for investigation. This does not represent the total number of companies Stewardship Ontario has identified as potentially non-compliant; however, IEB is limited as to the number of case files it investigates at a given time. Discussions are continuing with IEB to identify opportunities to streamline the enforcement procedures.

3.5 Registration Results

2005 saw a total of 3,805 stewards registered with Stewardship Ontario. Of these, 1,793 were obligated stewards and were required to file a Steward's Report. Registration details are presented in Table 3.2.

Table 3.2 - Summary of Registrations for 2005

	2003/2004*	2005*
Registration with Stewardship Ontario	3,112	3,805
Exempted - No Blue Box wastes	842	1,127
Exempted - Blue Box wastes but <\$2 Million	617	885
Obligated Stewards – required to submit a Steward’s Report	1,653	1,793
Reports received	1,202	1,401
Reports outstanding	451	392
Reported between 0 to 15 tonnes – no fees paid	550	448

* December 2004

**December 31, 2005

In addition to the total number of registered stewards, Stewardship Ontario notified 930 new potential stewards between January 1 and December 31, 2005. The due dates for reports from these companies are linked to the date that they received their official obligation notice and some are not obligated to report until 2006. Therefore, total registrations and reports for the 2003/2004 and 2005 program years will continue to be received into 2006.

In 2005, stewards filed Steward’s Reports representing tonnages of DBBW as indicated in Table 3.3.

Table 3.3 - Steward’s Reports Filed in 2005

	# of Reports	Tonnes Reported
Total Reports	1,401	1,260,187
Reported 0-15 Tonnes	448	2,350
Reported >15 Tonnes	953	1,257,837

Table 3.4 presents a summary of identified fees owing for the 2005 program year, and a status update on fee collection to the end of December 2005. The shortfall in fees collected to date for the 2003/04 program years is to be built into future fee rates over a three year period beginning with the 2005 fees.

Table 3.4 - Summary of Fees Collected in 2005

	2005
Fees Target	\$62,531,000
Fees Identified from Stewards' Reports	\$63,175,000
% Target Identified	101.0%

4.0 Stewardship Ontario Key Program Activities

Equally important to identifying and registering stewards is the work Stewardship Ontario undertakes to determine how much each steward will be required to pay in fees. This is based on the amount that is required each year to fulfill industry’s obligation to share the cost of operating efficient municipal recycling programs.

The work done in 2005 used the agreed-upon net system cost of the municipal Blue Box program in 2004 to calculate the fees stewards will pay in 2006.

Additional activities are undertaken to meet the objective of increased diversion of Blue Box waste while minimizing the cost of the municipal Blue Box system and industry share of this in future years.

4.1 Calculating the Financial Obligation to Municipalities

The approach to calculating the financial obligation to municipalities is documented in the approved Blue Box Program Plan (BBPP) and subsequent publications including the 2004 Stewardship Ontario Annual Report² and the Blue Box Program Guide³.

The elements of the 2004 net system cost calculation that were defined in 2005 and used for setting 2006 fees were consistent with this approach but with some modifications that came about as part of the evolving cost containment strategy⁴.

For the 2004 reported net system cost, interest on municipal capital debt was included according to a schedule agreed to by Stewardship Ontario and AMO in the approved cost containment plan⁵ (refer to Section 4.4).

WDO is responsible for collecting and verifying program data from municipalities using the annual Municipal Blue Box Financial and Tonnage Datacall, working with Stewardship Ontario and AMO under the direction of the Municipal Industry Program Committee (MIPC).

Table 4.1 provides the 2004 verified reported Blue Box net system costs after completion of the data compilation and verification including interest on debt for municipal capital investment.

² http://www.stewardshipontario.ca/pdf/annual_reports/annual_report_2004.pdf.

³ http://www.stewardshipontario.ca/pdf/bbpb_docs/bbpb_guide2005.pdf.

⁴ “Cost Containment Principles, Policies and Practices—Efficiency and Effectiveness Policies and Practices—Small Business Measures”

http://stewardshipontario.ca/pdf/consultation/workshop_8mar2004/public_discussion_paper2.pdf.

⁵ http://webservices.siriusweblabs.com/dotconnector/files/domain4116/2_1a_WDO_Minutes_July_18_2005.pdf.

As part of the 2004 Datacall verification process as prescribed in the BBPP, Stewardship Ontario undertook financial audits and recycling program reviews of four municipal recycling programs. These financial audits resulted in adjustments to the costs reported in the municipal program submissions. In addition, at the beginning of 2005, Stewardship Ontario conducted a review of the cost allocation methodology for reporting municipal Blue Box program costs. This was done to ensure proper allocation of costs to residential Blue Box recycling within programs with multi-use facilities and using co-collection methods (collecting more than one 'stream' of waste material, e.g. recyclables and garbage, in the same truck).

Table 4.1 - 2004 Verified Reported Blue Box System Cost

	Gross Reported Costs	Calculated Interest on Municipal Capital	Calculated Administration Costs	Gross Cost Per Tonne	Total Gross Revenue	Gross Revenue Per Tonne	Net Cost	Net Cost Per Tonne
2004 Blue Box System Cost	\$186,961,107	\$4,230,940	\$3,296,805	\$236	\$83,755,844	\$102	\$110,773,007	\$134
1/3 of City of Hamilton 2003 Blue Box Amortization (1)	\$366,787							
North Glengarry Datacall Adjustments (2)	\$86,057							
Adjustments resulting from 2003 Financial and Compliance Audits	-\$405,894							
2004 Adjusted Blue Box System Cost	\$187,008,057	\$4,230,940	\$3,296,805	\$236	\$83,755,844	\$102	\$110,779,958	\$135

Explanatory Notes

1. The City of Hamilton reported \$1,100,361 of Blue Box expenses in the 2003 Datacall to distribute Blue Boxes throughout the city. MIPC determined that this type of Blue Box purchase should be amortized over three years while boxes purchased for replacement and new homes should be expensed. Therefore, one third of the \$1,100,361 was included in the 2003 Blue Box costs and a further one third is being added to the 2004 Blue Box costs which, as stated, were used in 2005 to calculate stewards fees for 2006. The final one third will be added to the 2005 net system cost.
2. An error was identified in the 2003 North Glengarry Datacall submission and was corrected by MIPC using the policy approved by the WDO Board in September 2004.

As described in the BBPP, the municipal obligation used for setting fees is based on a three-year rolling average of revenue reported by municipalities to modulate the affect on fees of potential significant swings in global commodity markets. Table 4.2 presents

the calculation of the three year rolling average reported revenue for the purpose of defining the municipal obligation for 2006 fees.

Table 4.2 - Three Year Rolling Average Reported Revenue

2004 Rolling Average Reported Revenue				
	2002	2003	2004	Average
Tonnes Marketed	726,726	779,208	823,635	776,523
Total Gross Revenue	\$59,754,371	\$65,599,298	\$83,755,844	\$69,703,171
Per Tonne Average	\$82.22	\$84.19	\$101.69	\$89.37
3 Year Rolling Average			\$73,608,260	

As part of the approved cost containment plan, application of reasonable cost bands⁶ for the 2006 financial obligation to municipalities resulted in a reduction in the 2004 reported net system cost of \$10 million. The net system cost approved by the WDO to be used for defining the municipal obligation for 2006 was calculated as presented in the table 4.3. With strong revenues realized by municipal programs in 2004 and the cost bands negotiated between Stewardship Ontario and AMO, the obligation used for setting 2006 fees was about \$6.5 million lower than that used for the 2005 fees.

Table 4.3 - 2004 Approved Net System Cost Used in 2005 to Calculate 2006 Fees

2004 Net Blue Box System Cost	
Total Costs	\$194,535,802
Less 3 Year Rolling Revenue	\$73,608,260
Less 2004 Reasonable Cost Band Reduction	\$10,000,000
2004 Net System Cost	\$110,927,542

4.2 Market Development

4.2.1 Procedures

Stewardship Ontario implements a program of market development activities to:

⁶ Under the Cost Containment Principles approved in 2005, applying 'reasonable cost bands' reduces the net system cost to be used to set 2006 and 2007 fees; refer to Section 4.4 of this report for a description of the reasonable cost bands.

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

4.2.2 Glass Market Development

In 2005, Stewardship Ontario continued implementation of its glass market development program through development of the:

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

These funds were provided for through the 2003 and 2004 program year fees for stewards of glass. An update on both funds is provided below. More information is available on Stewardship Ontario's website at:

<http://www.stewardshipontario.ca/funding/glassmarket.htm>.

Glass Market Development Investment Fund

The Glass Market Development Investment Fund is designed to make investments in implementation projects that improve markets for recycled materials. The \$2 million fund is managed by Stewardship Ontario under the direction of the Board of Directors and its Projects Committee.

Stewardship Ontario released a Request for Proposals (RFP) to provide processing capacity for mixed broken glass (MBG) under this fund in March, 2005. The RFP solicited bids from glass recycling companies working independently or together to provide recycling capacity in Ontario for up to 60,000 tonnes of MBG collected from Ontario Blue Box programs per year. The RFP was developed in conjunction with the municipalities that are expecting to provide MBG materials to a single facility or multiple facilities and to enter into contracts with the successful bidder(s). The municipalities that have participated in this process are:

- the Cities of Toronto, Hamilton and Guelph; and
- the Regions of York, Peel and Durham.

Three companies submitted bids, including:

- Canadian Liquids Processors Ltd. of Hamilton, Ontario;
- NexCycle Industries Ltd. of Guelph, Ontario, and
- Unical Inc. of Longueuil, Québec.

The review panel composed of representatives from each of the six participating municipalities, the consultant managing the tender process and Stewardship Ontario unanimously selected Unical Inc. as the preferred contractor.

Contracts between Unical Inc. and each of the partner municipalities and between Unical Inc. and Stewardship Ontario are being developed. Staff from the Cities of Toronto and Hamilton and the Regions of York and Peel have been given the authority by their respective municipal councils to negotiate contracts with Unical Ltd., agreeing to provide in total a minimum of 50,000 tonnes per year of mixed broken glass for the next seven years. Negotiations among the parties were initiated in 2005. Guelph and Durham similarly are pursuing the authority to negotiate with Unical Ltd.

The successful negotiation of these contracts is expected to lead to savings of several millions of dollars in Blue Box program net costs over the term of the contracts. The execution of the process itself already has led to savings for some participating municipalities as the glass marketplace adjusts to this new development.

Glass Diversion Fund

Five Glass Diversion Fund projects have been approved and were either completed or continued through 2005. The projects included:

- *Niagara Glass Recycling Technology Project*—Stewardship Ontario contributed \$75,000 towards a \$1 million project to clean mixed glass and air-transport clean glass into a bagging system at the Niagara MRF. The target market for the material is sandblasting and filtration. Phase one scheduled for completion February 2006.
- *Rancor Glass Diversion Project*—Stewardship Ontario committed \$75,000 towards this project to stimulate additional demand for the aggregate substitute produced by Rancor. The emphasis is in Eastern Ontario where the glass has been used as an aggregate substitute in a parking lot and roadway at a Regional MRF in Ottawa Valley. Rancor has also partnered with a decorative brick designer to use glass to produce a decorative landscape brick. First project completed.
- *Siscor Glass Sphere Project*—Siscor is building a new multi-million plant in the Barrie area to manufacture porous glass spheres for use in ceiling tiles (and other commercial /industrial applications). The Stewardship Ontario grant of \$10,000 has been used to support business planning and to identify the preferred sources of residential mixed broken glass. Complete.
- *NexCycle Industries Mixed Broken Glass Trials*—Stewardship Ontario provided a grant of \$100,000 to modify NexCycle's existing processing operations to process mixed broken glass. NexCycle conducted trials using mixed broken glass and anticipate they can consume approximately 30,000 tonnes a year of this material with some equipment modifications to produce material primarily for the fiberglass industry. Phase one complete.

- *Try Recycling*—Stewardship Ontario provided a \$15,000 grant to complete a business plan to examine higher value end markets including filter media and winter sand. Preliminary on-site testing along with an off-site visit to an equipment supplier has been completed. Preliminary results suggest filter media and winter sand can be produced using a special piece of equipment from a US supplier. Phase one complete.

Of the approximate total of \$500,000 available, funding committed as of December 31 2005 was \$275,000.

4.2.3 Plastics Market Development

Stewardship Ontario also proceeded with development of a \$100,000 plastics market development fund that was established using fees paid by stewards who use plastic packaging.

Four projects were approved through the Plastics Market Development Fund as of December 31, 2005:

- 1) *Plastic film/mixed plastics feasibility study* – Stewardship Ontario, in collaboration with Quinte Waste Solutions, the Environment and Plastics Industry Council (EPIC) and a large local area carpet manufacturer, awarded up to \$20,000 (through a competitive tender process) to the Innovation Centre in Waterloo, Ontario. This study examined the costs and potential markets (i.e. including the carpet manufacturing market) for different streams of post consumer plastics.
- 2) *Float-sink Pilot Project* – In collaboration with EPIC, Stewardship Ontario funded a \$10,000 study to demonstrate the viability of using a “float –sink” technology to separate rigid plastics, such as laundry detergent jugs, collected in recycling programs. The process involves first washing the material then electrostatically separating it. If successful, this study may lead to reduced in-MRF sorting costs and to increased recycled plastics revenues.
- 3) *Central Plastics Sorting Feasibility Study* – The Plastics Market Development Fund was one of four contributors to a \$35,000 study to investigate the business case of developing a central Plastics Recovery Facility (PRF) in the GTA area. The main goals of the study were to compare the feasibility of a central PRF against plastics separation facilities at existing MRFs, as well as against MRFs that were upgraded with automated sorting equipment. Funds for this project were provided through the Efficiency and Effectiveness Fund (see below) which contributed \$17,500 with the balance split equally among EPIC, York Region and the Plastics Fund (i.e. \$6,000 from the Plastics Market Development Fund).
- 4) *Draft Procurement Policy to Promote Recycled content* - As part of WDO's recently approved cost containment strategy, and in response to the Minister's request for an

assessment of stewards' actions on waste minimization and material selection, Stewardship Ontario developed a work plan to report back to the Minister. As part of this process, \$25,000 was earmarked for preliminary work to identify green procurement "best practices" within public and private sector organizations and to prepare a model green procurement protocol for consideration by Stewardship Ontario. This research included (with assistance from EPIC) an assessment of opportunities to encourage – where applicable – the use of recycled content plastic products.

4.3 Effectiveness and Efficiency (E&E) Fund

Ten percent of the Stewardship Ontario financial obligation to municipalities is committed to municipal cost-sharing projects designed to encourage greater effectiveness and efficiency of the municipal Blue Box system. The fund is administered by Stewardship Ontario with oversight by WDO's MIPC committee. Final funding decisions are made by Stewardship Ontario's Board of Directors based on recommendations from Stewardship Ontario's Projects Committee.

For the first two program years a total of \$9 million was allocated to E&E funding (\$3.3 million for 2004, \$5.7 million for 2005).

As of December 31, 2005, Stewardship Ontario had received applications for 92 projects totaling \$12.6 million (see Table 4.4). Thirty-six (36) E&E Fund projects totaling \$5.3 million had been approved as of December 31, 2005. This represents 58% of the funding available for Year One and Year Two of the E&E Fund program.

Table 4.4 - E&E Fund Projects "In the System" as of December 31, 2005

	Number	Funding Requested
Total Applications in System:	92	\$12,622,974
Approved:	36	\$5,252,200
Being Reviewed/Developed:	19	\$4,397,425
Rejected:	21	\$1,401,550
Withdrawn:	16	\$1,571,799

Summary information about each of the approved projects is presented in Appendix i according to the priority areas established by MIPC.

4.3.1 Summary of E&E Fund Accomplishments in 2005

- A Year One Report and Year Two E&E Fund plan is posted on the Stewardship Ontario website.⁷
- A highly successful half-day “E&E Fund “ project reporting event, the Ontario Recyclers Workshop, was held in Toronto in November 2005.
- The Knowledge Network was launched in November, 2005 with the “model contract” tools as the first online learning product. Staff at the City of Kingston report that this tool helped to achieve a saving of \$250,000 on their recent tender.
- A recycling program advisor has been engaged under the E&E Fund to help municipal recycling programs identify opportunities to reduce their cost and enhance their performance, and to help identify best practices.

4.4 Cost Containment Initiatives

WDO submitted a Revised Cost Containment Plan to MOE containing provisions proposed by AMO and Stewardship Ontario (January 31, 2005)⁸. The cost containment proposal was approved by the Minister of the Environment on August 11, 2005⁹.

Subsequently, MIPC established a Cost Containment Team, composed of representatives from Stewardship Ontario and municipalities to define reasonable cost bands to reduce the net system cost to be used for setting 2006 and 2007 fees. During 2005, the Cost Containment Team undertook extensive analyses of 2003 and then 2004 Blue Box Financial Datacall data and outlined an approach to reasonable cost bands.

MIPC determined that an Efficiency and Effectiveness (E&E) Factor recognized the dual objectives of increasing diversion (reaching 60% diversion) and minimizing the cost of the system. A measure of program performance using both material recovery rate and net cost per tonne is expressed as:

⁷ http://www.stewardshipontario.ca/pdf/eefund/Report_MIPC_sept14.pdf.

⁸ <http://www.ene.gov.on.ca/envision/land/wda/bluebox/containmentproposal.pdf>.

⁹ <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/081105-MinistersLetter.pdf>.

Online Computer Program New Resource on Recycling for Municipalities

The Knowledge Network allows Ontario municipalities to find the latest information on developments in the design, management and operation of residential recycling programs in a quick and user-friendly manner.

Launched by the Minister of the Environment during the Ontario Recycler Workshop in November, the Knowledge Network combines features of website and computer based learning to provide online resources. Users can access discussion threads, allowing for organized dialogue, debate and discussion.

The first topic was a discussion of ‘One’ versus ‘Two Stream’ recycling. Education modules help users find specific information of interest to them. Currently, users can access the Model Contracts templates in this manner.

The Knowledge Network also features access to job aids, surveys for real-time feedback on issues and email alerts to make users aware of key issues of interest in a timely manner. More modules will be added in the future as E&E Fund projects are completed, such as studies on User Pay Strategies and Waste Management Utility Models.

$$EE_Factor = \frac{Net_Cost_Per_Tonne}{\% Recovery} \quad \text{or} \quad EE_Factor = \frac{Net_Cost_Per_Household}{\% Recovery}$$

Better performing programs have E&E Factors which are low; in other words, a relatively low cost in the numerator combined with relatively high recovery rate in the denominator.

Following lengthy discussions, MIPC agreed that reasonable cost bands were to be based on:

- recognition that all programs have room for improvement;
- recognition that reasonable cost bands are better than current programs costs;
- use of the E&E Factor to measure program performance;
- a sample of better performing programs as measured by the E&E Factor and defined by a percentile, will be taken from each municipal group;
- the percentiles will be decreased for 2007 over 2006 so that cost bands in 2007 reflect better performance over 2006.

MIPC established the following with respect to reasonable cost bands:

- reasonable cost bands will result in a \$10 million cost reduction applied to the 2004 net Blue Box system cost (which will have an effect on stewards' fees in 2006), affecting programs managing just over 40% of system tonnes;
- reasonable cost bands will result in a \$14 million cost reduction applied to the 2005 net Blue Box system cost (having an impact on 2007 stewards' fees), projected to affect programs managing just over 59% of system tonnes.

The following recommendations were then approved by the Boards of Directors of both AMO and Stewardship Ontario and adopted by the WDO¹⁰:

- For capital expenditures with an amortization period of seven years or more commissioned in or after 2004, the average of the prime interest rate for the year in which the capital was commissioned will be utilized as the factor to calculate interest.
- For capital expenditures with an amortization period of seven years or more commissioned prior to 2004, the average of the prime interest rate less 1¼% for the year in which the capital was commissioned will be utilized as the factor to calculate interest reflecting that it was generally funded as an opportunity cost in the past.
- Define the reasonable cost bands recommended by MIPC of \$10 million applied to the 2004 net Blue Box system cost and \$14 million applied to the 2005 net Blue Box system cost.

¹⁰ The recommendations are summarized in the minutes of the July, 2005 WDO Board meeting http://webservices.siriusweblabs.com/dotconnector/files/domain4116/2_1a_WDO_Minutes_July_18_2005.pdf.

- Apply best practice administration fees of 5% of gross program costs for programs providing services with municipal staff and 3% of gross program costs for programs that contract for services for use in the 2005 Datacall (to be conducted in 2006). These best practice administration factors will replace the previously agreed 3% and 1%, respectively, in the 2005 Datacall for the purpose of setting the 2007 steward fees.

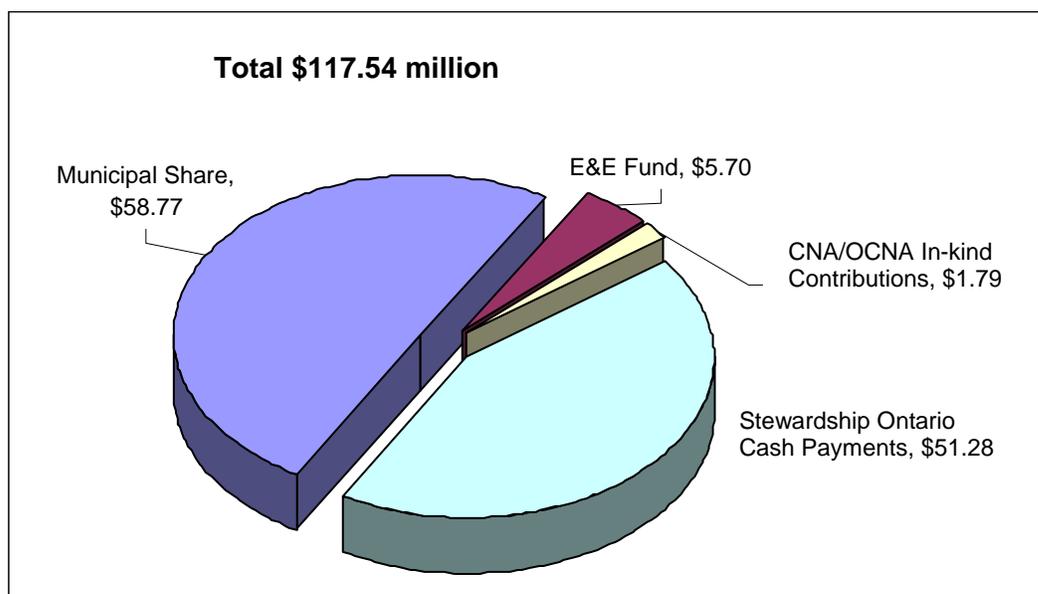
In 2005, MIPC also began discussions on defining the best practice costs to be used for setting 2008 stewards' fees.

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 agreed upon reasonable net Blue Box system cost, which is distributed in the form of quarterly payments to municipal programs. The amount available is equal to:

- fifty percent of the agreed upon 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 the Effectiveness and Efficiency (E&E) Fund (see Section 4.3).

Figure 4.1 – Approved 2003 Net Blue Box Program Cost ^{note 1} (\$millions)



Note 1: The approved cost used for establishing stewards' fees to be assessed against stewards in 2005.

Funding for 2005 was allocated under the direction of MIPC according to the agreed upon approach outlined in the BBPP. 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 upon 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.

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. This provides municipalities with an incentive for continuous improvement.

A ‘What-if’ tool was developed by MIPC to help municipalities to understand the level of funding received and to identify how their funding could be increased. The What-if tool is available on the WDO website¹¹.

4.5.1 Funds Distributed Directly to Municipalities

For the 2005 program year, Ontario municipalities will receive a total of \$51,284,588 in cash payments. By the end of 2005, three equal installments totaling \$12,821,147 were made. The fourth and final installment for 2005 is scheduled for March 31, 2006. The funds received by each individual municipality are reported on the WDO website.

Payments distributed in the 2005 calendar year are summarized in Table 4.5.

Table 4.5 - Payments Distributed in the 2005 Calendar Year

	Payments for 2004 Program Year	Payments for 2005 Program Year
March 31, 2005	\$9.5 million	
June 1, 2005		\$12.8 million
October 1, 2005		\$12.8 million
December 31, 2005		\$12.8 million

4.6 Participation on WDO Committees

Throughout 2005, Stewardship Ontario staff continued to provide input to WDO committees, working with other key stakeholders to develop recommendations to the Boards of Directors of WDO and Stewardship Ontario:

¹¹ <https://protected.wdo.ca/login.aspx>

The Public Affairs Committee (PAC) is chaired by the (non-voting) Executive Director of WDO and includes representation from municipalities, non-governmental organizations, affected stewards, as well as Stewardship Ontario's communication 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 2005 was the management and delivery of the in-kind newspaper advertising program contributed by the members of CNA and OCNA.

In the drafting of the BBPP, it had also been anticipated that PAC would provide oversight and make recommendations to the Boards of Directors regarding 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 by the (non-voting) Executive Director of WDO with five representatives nominated by municipalities and five by Stewardship Ontario. MIPC played a key role throughout 2005 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;
- review of applications to the Effectiveness and Efficiency Fund;
- calculation of annual Stewardship Ontario financial obligation to municipalities;
- calculation of reasonable cost bands for the purposes of setting stewards fees;
- 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 2005, 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.

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 are 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 fair share of Stewardship Ontario's program delivery and administrative costs.

As outlined in the introduction, in December 2004, the Minister¹² directed that the BBPP be amended¹³ such that the CNA/OCNA in-kind contribution be expanded to cover their entire municipal financial obligation, amounting to \$1.79 million for 2005, thus reducing the total cash payment to municipalities.

However, for the 2005 calendar year, the obligation of the CNA/OCNA was limited to \$1.3 million plus the additional calculated obligation prorated to the period from the time of approval of the amendment (required by the Minister) to the end of the year¹⁴. Therefore, the required CNA/OCNA in-kind contribution was \$1.38 million. Of this amount, \$76,000 will be built into the 2006 lineage due to the timing of the approval¹⁵.

4.8 Province-wide Waste Audit Program

The BBPP directs Stewardship Ontario, through the Effectiveness and Efficiency Fund to complete a series of province-wide residential waste audits. The main objectives of the audit program are to:

- 1) collect accurate single-family and multi-residential Blue Box waste composition data in appropriate municipalities across Ontario;
- 2) estimate provincial Blue Box waste generation rates (kg/household/week) for single-family and multi-residential households by material category and waste stream; and
- 3) estimate typical recovery rates for recyclable Blue Box wastes.

Stewardship Ontario uses the results of waste audits for three main purposes:

- 1) as the primary instrument for assessing Blue Box material generation rates for setting fees (with the stewards' reports as the cross check);
- 2) for assessing opportunities and priorities for improving cost-effective recovery; and,
- 3) for determining the recovery performance of existing programs.

Information on the audit methodologies, material categories and results is available on the Stewardship Ontario website¹⁶.

12 <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/Aug21CNAONA1.pdf>.

13 <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/053005-MinistersLetter.pdf>.

14 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.

15 <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/111505-BlueBoxLetter.pdf>.

16 http://www.stewardshipontario.ca/funding/ee/waste_audit.htm.

Stewardship Ontario worked closely with the partner municipalities, WDO, and the University of Toronto Statistical Consulting Service to develop sampling protocols that generate accurate and reliable data. Protocols for waste collection, sorting and reporting were posted on Stewardship Ontario’s website. The audits were done by six companies retained under a competitive bid process and trained to use the same methodologies and protocols in each audit.

4.8.1 2005 Waste Audit Program

A total of \$500,000 was approved in 2005 for the waste audit program. It comprised 28 single-family audits (four in each of the seven partner municipalities) and 12 audits of multi-family buildings. The partner municipalities for the 2005 program were selected with a view to covering programs representative of waste generating behaviour across the province. They included Sudbury, Essex-Windsor, North Glengarry, Durham, Ottawa, London, Toronto and Peel. All 28 single-family household audits were completed in 2005.

The multi-family audit program started midway through 2005. Four seasonal audits were conducted in Peel, Ottawa and Toronto (the Toronto multi-family audits are funded through E&E Fund project #32 – Toronto’s Integrated Multi-Family Recycling Strategy). The summer and fall multi-family audits were completed in 2005, and the winter and spring multi-family audits were started but will be completed in the first and second quarter of 2006.

Stewardship Ontario met with the partner municipalities in November 2005 to establish an efficient process for reviewing the data and summarizing the results. The results of each audit were posted on Stewardship Ontario website after the fieldwork had been completed, verified, analysed and a summary of the data was reviewed by the municipal partners.

A summary of the status of the audits is provided in Table 4.6.

Table 4.6 - 2005 Waste Audit Program Status

Partner Municipalities	Status of Field Measurements	Status of Posting Results on Web
Single-Family Audits		
Ottawa	All 4 finished	All 4 posted
North Glengarry	All 4 finished	All 4 posted
Durham	All 4 finished	All 4 posted
Toronto	All 4 finished	All 4 posted
London	All 4 finished	pending final review

Partner Municipalities	Status of Field Measurements	Status of Posting Results on Web
Essex-Windsor	All 4 finished	All 4 posted
Sudbury	All 4 finished	All 4 posted
Multi-Family (MF) Audits		
Toronto*	2 finished, 1 underway, 1 remaining	Summer and fall results to be posted late April 2006.
Peel	2 finished, 1 underway, 1 remaining	Summer and fall results to be posted late April 2006.
Ottawa	3 finished, 1 remaining	Summer and fall results to be posted late April 2006

* Toronto MF audits funded through E&E Fund project #32 – Toronto’s Integrated Multi-Family Recycling Strategy.

Several additional audits (not under the auspices of the waste audit program) were also completed in 2005 as part of other E&E Fund projects (e.g. Toronto’s cart and bag collection pilot and Stratford’s user pay project, etc.) and the data from these audits will be posted on the Stewardship Ontario website when they are available. In November, 2005, Stewardship Ontario released two RFQs for the 2006 waste audit program (one for seasonal multi-family audits and one for seasonal single-family audits) and contracts were awarded to five companies under a competitive bid process.

5.0 Stewardship Ontario Fees

Three activities relating to stewards' fees were undertaken or initiated in 2005.

- 1) Material specific fee rates assessed against stewards in 2005 were approved by the Minister of the Environment in December, 2004.
- 2) Fees for 2006 were established and approved by the Minister in December, 2005.
- 3) A comprehensive review of the methodology for setting stewards fees was launched in October 2005, to be completed in early 2006.

The following is a summary of each of these elements of the stewards' fees.

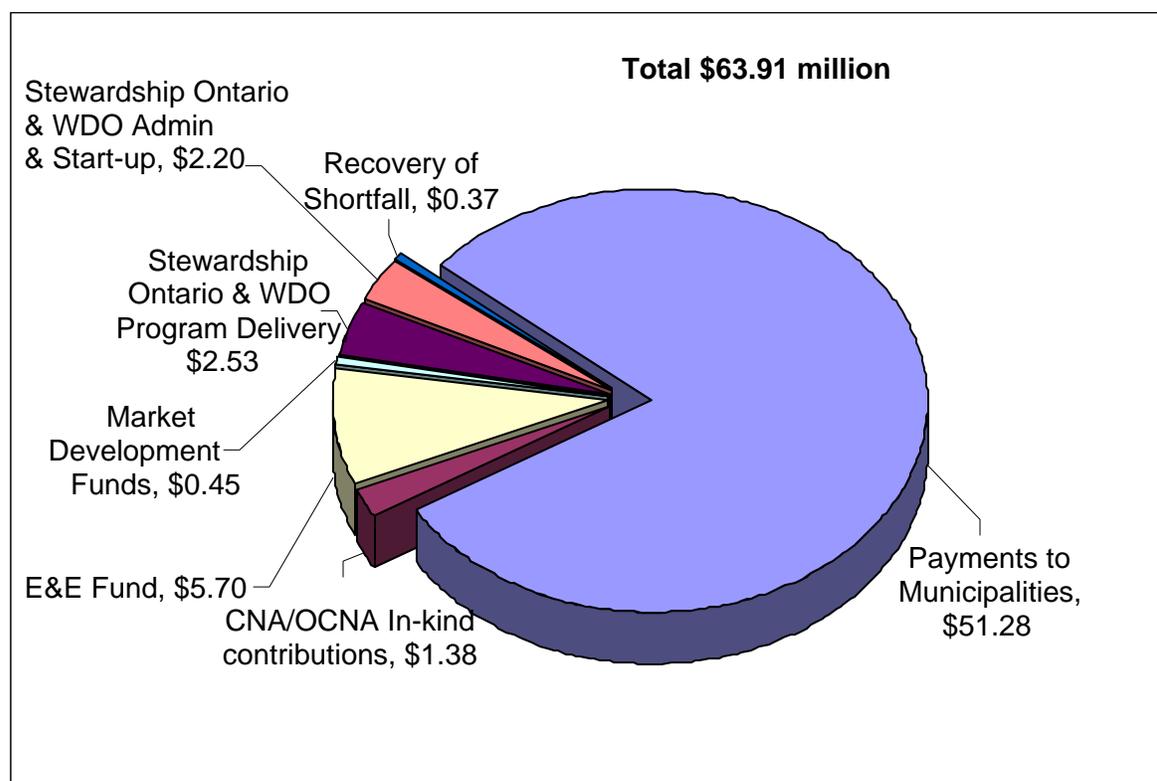
5.1 *Annual Blue Box Program Costs for 2005*

Stewards' fees calculated for the 2005 program year total about \$63.91 million¹⁷ and, as shown in Figure 5.1, comprise:

- 1) payments to municipalities, including direct cash payments, E&E Fund allocation and CNA/OCNA in-kind contribution
- 2) direct program delivery costs
- 3) market development costs
- 4) WDO and Stewardship Ontario start-up and administration costs, and
- 5) recovery of a portion of the small shortfall in collection of 2004 fees.

¹⁷ In-kind contributions from CNA/OCNA members are not included in Stewardship Ontario revenue.

Figure 5.1 – 2005 Stewardship Ontario Program Costs (\$millions)



Note: Fees in Figure 5.1 reflect budget figures on which 2005 fee rates were calculated. In-kind contributions from CNA/OCNA members are not included in Stewardship Ontario revenue.

Fees were originally calculated to be \$64.32 million but changes to the in-kind contribution from CNA/OCNA requested by the Minister resulted in a reduced obligation for 2005 (refer to Section 5.1.1) so that the total program cost is \$63.91 million.

5.1.1 Stewards' Financial Obligation to Municipalities

Stewards' annual obligation to municipalities is calculated to be 50 percent of the approved net system cost, amounting to \$58.36 million for the 2005 program year (which includes cash payments, plus CNA/OCNA in-kind contribution, plus the E&E Fund allocation), and representing over 90 percent of the fees. With the reduced CNA contribution (described below), the total industry obligation is \$57.45 million.

Direct payments to municipalities make up by far the largest portion of the stewards' fees, about 80 percent of the fees for the 2005 program year.

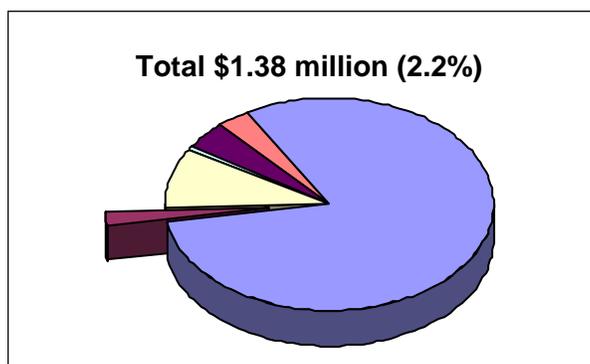
CNA/OCNA In-kind Advertising

The requirements of the in-kind contribution were amended in 2005 at the request of the Minister of the Environment when the fees were approved for 2005. The CNA/OCNA

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

For the 2005 calendar year, the required CNA/OCNA in-kind contribution was \$1.38 million, representing about two percent of the total fees, as shown in Figure 5.2. Of this amount, \$76,000 will be built into the 2006 lineage.¹⁸

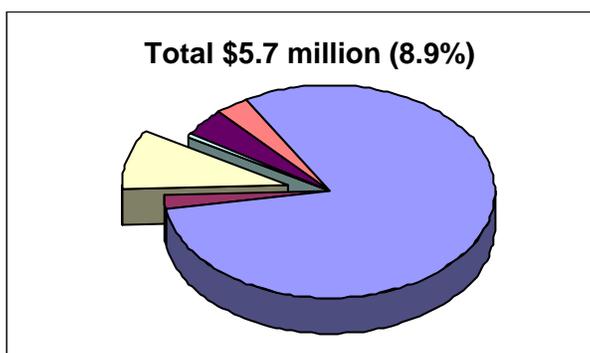
Figure 5.2 – 2005 CNA/OCNA Contribution (\$millions)



Effectiveness & Efficiency (E&E) Fund

Ten percent of the total municipal obligation, after subtracting the CNA/OCNA in-kind contribution is withheld to capitalize the E&E Fund. For the 2005 program year, \$5.7 million were allocated to the E&E Fund, approximately nine percent of the fees, as shown in Figure 5.3.

Figure 5.3 – 2005 E&E Fund Allocation (\$millions)



¹⁸ 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.

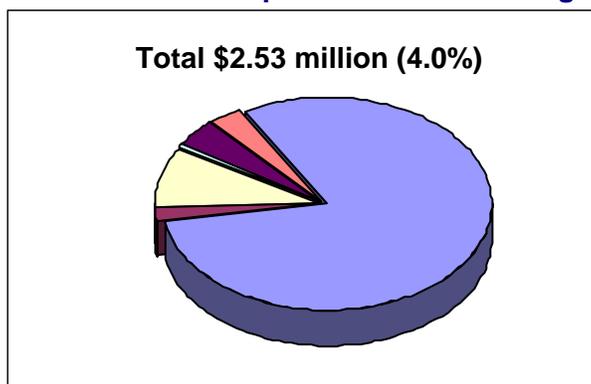
5.1.2 Program Delivery Costs

Stewardship Ontario and WDO program delivery activities required as part of the approved BBPP 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.

These costs, totaling about \$2.53 million are incorporated into the stewards' fees and comprise approximately four percent of the 2005 calendar year fees as shown in Figure 5.4.

Figure 5.4 – 2005 Stewardship Ontario & WDO Program Delivery



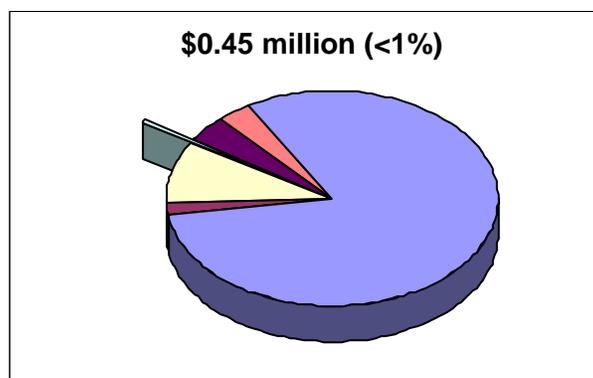
5.1.3 Market Development Fees

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.

Market development fees for 2005 were about \$450,000 or just under one percent of total fees, as shown in Figure 5.5. These costs are applied directly to the materials affected. Please refer to Section 4.2 for additional details.

Figure 5.5 – 2005 Market Development Fees



5.1.4 WDO and Stewardship Ontario Administration Costs

In accordance with the policies approved by the Minister¹⁹, administration costs for Stewardship Ontario and WDO include:

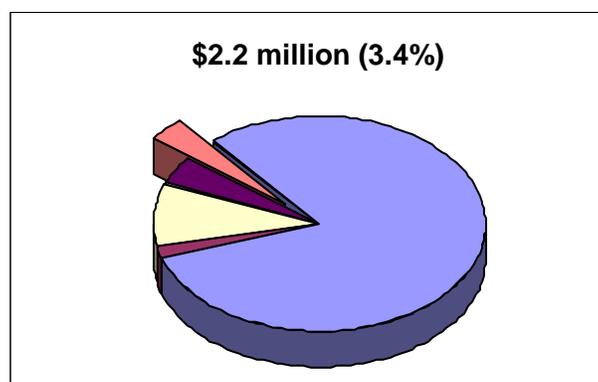
- legal and accounting fees;
- information technology support;
- Stewardship Ontario customer service centre;
- general administration costs, e.g. salaries, rent and supplies.

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 5.6, the combined Stewardship Ontario and WDO administration and start-up costs total \$2.2 million and represent approximately 3.4 percent of total fees.

¹⁹ Refer to the approved policies and practices to view administration costs incurred by Stewardship Ontario and WDO at no more than 5% of total program costs: <http://www.ene.gov.on.ca/envision/land/wda/bluebox/costs2004.pdf>

Figure 5.6 – 2005 Stewardship Ontario & WDO Administration & Start-up



In addition to the above program fees, a portion of the shortfall in the collection of fees for the 2003 and 2004 program years was recovered through the 2005 fees. The shortfall arose because of the difference in the estimated generation of obligated Blue Box material on which the fees were based, and the generation reported by registered obligated stewards (refer to Section 5.2 for more information about this difference). The fees were set to recover the shortfall over three years, about \$370,000 add in 2005, less than one percent of the total program cost.

5.1.5 Fees for 2005 and 2006 Program Years

The *annualized* fees for the 2005 and 2006 programs years are shown separately below in Table 5.1. The 2005 fees were approved in December 2004 and were assessed against stewards in 2005. Fees for 2006 were set during 2005 and approved in December, 2005.

Table 5.1 - Fees for 2005 and 2006 Program Years

	2005 Fees	2006 Fees
Stewardship Ontario Program Costs	Millions of \$	Millions of \$
Payments to Municipalities	\$51.28	\$48.59
CNA/OCNA In-kind Contributions	\$1.38	\$1.48
E&E Fund	\$5.70	\$5.40
Market Development Funds	\$0.45	\$0.00
Program Delivery	\$2.53	\$2.73
Administration & Start-up	\$2.20	\$2.46
Recovery of Shortfall	\$0.37	\$0.58
Total	\$63.91	\$61.24

Note: Fees in Table 5.1 reflect budget figures on which fee rates were calculated for each program year. In-kind contributions from CNA/OCNA members are not included in Stewardship Ontario revenue.

5.2 Setting 2006 Fees

Given the fee setting cycle, work is done throughout the current year to set fees for the following year so they can be approved by the Minister of the Environment before year-end. Consequently, the work done to set 2006 fees was carried out in 2005.

5.2.1 Estimating Obligated Materials

An assessment of the quantity of obligated materials generated by stewards is required to establish Stewardship Ontario material specific fees. The estimates of generation of each material are developed based on the results of waste composition studies conducted throughout Ontario, cross-checked with generation data reported by stewards.

In 2005, Blue Box Waste generation estimates were revised for the purpose of establishing 2006 fees to account for population growth and information reported by stewards for the 2005 program period.

As in previous years, in general, the data reported by stewards in 2005 were considerably lower than the estimates developed from waste composition studies. There are five primary reasons for this difference:

- 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;
- materials generated by companies which fall below the de minimis exemptions of less than 15 tonnes of Blue Box wastes or \$2 million gross annual sales in Ontario.

Estimates from audits were adjusted according to data reported by stewards where 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 2004 for the purpose of setting 2006 fees is 1,501,915 tonnes. Blue Box material generation estimates will continue to be refined using data resulting from an extensive program of waste

composition studies conducted in 2005 (see Section 4.8) and as the data from stewards are refined.

Table 5.2 shows the estimated generation of Blue Box materials for 2004 used for setting 2006 fees and the generation reported by stewards in 2005, used to assess fees in 2005 and to calculate the 2006 fee rates (as described in Section 5.2.2).

Table 5.2 - Generation of Blue Box Materials (tonnes)

	Estimated Generation for Setting 2005 Fees (tonnes)	2003 Data Reported by Stewards for 2005 (tonnes)	Estimated Generation for Setting 2006 Fees (tonnes)
Printed Paper			
Newsprint - CNA/OCNA	264,800	269,984	283,483
Newsprint - Non-CNA/OCNA	136,400	128,285	134,699
Magazines and Catalogues	95,100	48,984	96,349
Telephone Books	15,000	16,090	16,090
Other Printed Paper	127,800	41,299	129,368
Packaging			
Old Corrugated Containers	140,000	92,524	141,800
Gabletop	12,800	12,473	12,900
Paper Laminants	42,000	26,437	42,500
Aseptic Containers	2,800	4,555	2,800
Old Boxboard	130,500	130,022	132,200
PET bottles	36,200	37,684	36,700
HDPE bottles	23,000	24,313	23,300
Plastic Film	53,700	48,314	54,400
Plastic Laminants	57,400	16,539	58,100
Polystyrene	20,400	14,114	20,600
Other Plastics	28,300	34,506	28,600
Food & Beverage Cans	57,800	56,670	58,500
Aerosols	4,300	5,119	4,400
Paint Cans	4,800	8,609	8,609
Al Food & Beverage Cans	24,100	28,197	24,400
Other Aluminum Packaging	2,408	2,309	2,482
Food and Beverage - Flint	76,200	85,718	77,200
Food and Beverage - Coloured	6,700	6,341	6,800
LCBO - Flint	45,600	44,125	44,125
LCBO - Coloured	66,200	61,509	61,509
Total Generation	1,474,308	1,244,718	1,501,914

5.2.2 Calculating Material-specific Fees

Calculation of the fees for 2006, based on the net Blue Box system cost approved by the WDO (as described Section 4.1) used the same methodology as in previous years. To set material specific fees, the cost of the Blue Box Program is apportioned to specific materials according to the methodology presented in the BBPP.

There are separate formulas for allocating each of:

- 1) *Municipal obligation*: These costs, which include the municipal transfer payments, the CNA/OCNA in-kind contribution and the E&E Fund, were allocated to each material according to the methodology defined in the approved BBPP. This methodology uses the same three factor formula as have been used for previous fees, together with the appropriate input data for generation and recovery of Blue Box waste, approved gross cost, revenue and net system cost data for 2004, and material specific cost data. With strong revenues realized by municipal programs in 2004 and the cost bands negotiated between Stewardship Ontario and AMO, the obligation used for setting 2006 fees was about \$6.5 million lower than that used for the 2005 fees.
- 2) *Market development costs*: As market development costs were specific to a particular material, these costs were allocated only to the material whose market related to the funds.
- 3) *Program delivery and administrative costs*: Since Stewardship Ontario and WDO program delivery and administration costs were incurred to the benefit of all materials, these costs were 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 were further allocated to sub-categories according to the relative amount of each material in the group.

In order to spread the 2006 fees over the material for which fees can be collected, the material specific fees were divided by the quantity of each material reported to be generated in 2005 as presented in Table 5.2. This minimizes the potential for a shortfall in the fees collected.

Table 5.3 presents the fee rates for each of the four program years 2003 to 2006.

Table 5.3 - Schedule of Stewards' Fees - 2003 to 2006

Category	2003 Fee Rate (cents/kg)	2004 Fee Rate (cents/kg)	2005 Fee Rate (cents/kg)	2006 Fee Rate (cents/kg)
PRINTED PAPER				
Newsprint	0.028 ¢/kg	0.026 ¢/kg	0.271 ¢/kg	0.182¢/kg
Newsprint - Non CNA/OCNA	0.028 ¢/kg	0.026 ¢/kg	0.786 ¢/kg	0.733 ¢/kg
Magazines and catalogues	0.081 ¢/kg	0.310 ¢/kg	0.862 ¢/kg	1.479 ¢/kg
Telephone books	0.081 ¢/kg	0.687 ¢/kg	1.302 ¢/kg	1.190 ¢/kg
Other printed paper	0.251 ¢/kg	1.318 ¢/kg	9.029 ¢/kg	7.961 ¢/kg
PACKAGING				
Paper based packaging	4.728 ¢/kg	5.987 ¢/kg	7.904 ¢/kg	7.673 ¢/kg
Plastics packaging	6.692 ¢/kg	9.610 ¢/kg	13.907 ¢/kg	13.556 ¢/kg
Steel packaging	3.633 ¢/kg	4.391 ¢/kg	4.745 ¢/kg	4.601 ¢/kg
Aluminum cans	-5.465 ¢/kg	-3.193 ¢/kg	-1.093 ¢/kg	-0.476 ¢/kg
Foil & other aluminum pckg.	-5.465 ¢/kg	-3.193 ¢/kg	5.502 ¢/kg	3.557 ¢/kg
Clear glass packaging	3.723 ¢/kg	3.682 ¢/kg	3.761 ¢/kg	3.309 ¢/kg
Colour glass packaging	4.016 ¢/kg	3.916 ¢/kg	4.432 ¢/kg	3.602 ¢/kg

5.3 Blue Box Program Plan Review for Stewardship Ontario's Methodology for Setting Stewards' Fees

The approved funding formula has been used successfully for setting fees for the first four program years of the plan during the start-up period of 2003 through 2006. While minor modifications have been implemented within the BBPP during this period to address specific issues, some stewards and stakeholders have suggested other modifications to the funding formula.

In 2005, the Stewardship Ontario Board of Directors initiated a consultation to review the Blue Box Program Plan (BBPP) and the methodology for setting stewards fees in future program years. The objective of the review was to provide an opportunity for all stakeholders to re-evaluate the currently approved funding formula and to consider whether potential modifications or alternative approaches would better support the goals of the BBPP, the policy objectives and the legal requirements of the *Waste Diversion Act* (2002).

A Steering Committee composed of two Stewardship Ontario Board members was directed by the board to oversee this review process. In addition, an Advisory Committee including representation from a broad cross section of stakeholders was established to provide input to the work of the Steering Committee.

The Steering Committee identified possible modifications and alternatives to the funding formula, and defined the principles to guide the review and to determine the options considered within the scope of the review. These were described in documents that were circulated broadly to support the review process and to inform stakeholders of the details of the consultation.

The first public consultation meeting was held on December 8, 2005. It was attended by 135 stakeholders with an additional 40 who participated online by webcast. This meeting brought together stakeholders to review the options proposed to Stewardship Ontario as either modifications or alternatives to the current steward funding formula.

The results of the review are scheduled to be forwarded to the WDO Board for approval in March 2006.

The consultation documents can be viewed at:
http://www.stewardshipontario.ca/consultation/work_web.htm.

6.0 Financial Summaries for the 2005 Program Year

The draft audited financial statements for the 2005 calendar year are attached as Appendix i. Key financial performance indicators are summarized in Table 6.1 below:

Table 6.1 - Statement of Revenue & Expenses - 2005 Program Year

	<u>Program Year 2005</u>
Revenue	\$ 63,882,129
Less: Deferred Revenue	<u>4,324,924</u>
	\$ <u>59,557,205</u>
Expenses:	
Municipal Payments	\$ 52,362,517
Program Delivery	3,072,869
Administration	<u>1,031,227</u>
	\$ <u>56,466,613</u>
Surplus	<u><u>\$ 3,090,592</u></u>

7.0 BBPP Key Performance Indicators

7.1 Blue Box Waste Recovery Rates

The quantity of residential Blue Box materials recovered²⁰ by Ontario municipal programs in 2003 as reported by the WDO was 779,844 tonnes. Recovery in 2004 was 823,635 tonnes, an increase of 5.6 percent over 2003.

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 was to be primarily done through municipal waste audits conducted in partnership with municipalities (described in Section 4.8) and 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).

Based upon data used to set Stewardship Ontario fees for 2006, Table 7.1 shows generation estimates and reported recovery by primary material groups for 2004, indicating the overall diversion of Blue Box Waste to be about 55 percent.

**Table 7.1 - Estimated Generation & Recovery of Blue Box Waste in 2004
Used in Calculations in 2005 for Establishing 2006 Fees**

Material	Quantity Generated* (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
<i>Printed Paper</i>			
Newspaper & Magazines	514,530	387,840	75.4%
Other Printed Paper	145,460	63,662	43.8%
Printed Paper Total	659,990	451,502	68.4%
<i>Packaging</i>			
Paper Packaging	332,200	168,349	50.7%
Plastics	221,700	39,803	18.0%
Steel	71,510	33,544	46.9%
Aluminum	26,880	10,754	40.0%

²⁰ 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.

Material	Quantity Generated* (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
Glass	189,635	119,683	63.1%
Packaging Total	841,925	372,133	44.2%
GRAND TOTAL	1,501,915	823,635	54.8%

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 about five percent in 2005 (to be reported as part of 2005 Datacall in early 2006), taking overall recovery to about 865,000 tonnes.

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. Key activities in 2005 included:

- √ 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 31, 2005;
- √ provided briefings for affected stakeholders (as outlined in Section 3.3) ;
- √ held 10 meetings of the Board of Directors of Stewardship Ontario;
- √ initiated a consultation process for review of the Blue Box Program Plan and the methodology for setting stewards fees in future program years;
- √ distributed 11 news releases on subjects ranging from market development to industry's contribution to the Blue Box program and to advise the public through the media of the quarterly payments to municipalities (as outlined in Section 8.4). The releases were posted on the website at:
www.stewardshipontario.ca/media/archive.htm.
- √ provided regular updates to stewards through 17 issues of Stewardship Ontario's electronic newsletter, *Need to Know*.

8.1 Consultation

8.1.1 Consultation with Key Stakeholders

Stewardship Ontario undertook steward and stakeholder public consultation as follows:

- Amendments to the Blue Box Program Plan (BBPP) as requested by WDO and the Minister of the Environment: September 1, 2005. The meeting was attended by 116 people (in person) with another 123 who attended by online webcast.
http://www.stewardshipontario.ca/consultation/work_web_archive.htm#is9.
- The first ever Ontario Recycler Workshop was jointly hosted by WDO, AMO and Stewardship Ontario: November 3, 2005. This event included E&E project updates and results, a demonstration of the new Knowledge Network and "What If" tools, as well as a discussion of "Reasonable Cost Bands." The meeting was attended by 114 people (in person) with another 36 who registered to attend by online webcast.
http://www.stewardshipontario.ca/consultation/work_web_archive.htm#ps4.
- Blue Box Program Plan Review and Stewardship Ontario Funding Formula for 2007 undertaken by the Board of Directors prior to setting fees for 2007. This was the first public meeting in a two part consultation process: December 8, 2005. The meeting

was attended by 137 people (in person) with another 47 who registered to attend by webcast.

http://www.stewardshipontario.ca/consultation/work_web_archive.htm#is10.

8.2 Stewardship Ontario Website

In February 2005, Stewardship Ontario re-launched its website with an updated design, navigation and platform. The changes reflected an increased shift from identifying/registering new stewards to assisting returning stewards with their reporting obligations through:

- design changes which improved the readability and volume of content that could be included on a page;
- drop-down menus which streamlined the navigation and increased the ease of accessing information;
- a change in platform which made the site more dynamic and easier to maintain.

Again, with the goal of meeting the shifting needs of the population served by the website, the site structure and corresponding navigation were further refined at the end of the year. Information for stewards is now easily assessed in single area, resulting in a clearer delineation for new and returning stewards. The key navigation areas, “registration and reporting” were replaced with “new companies, returning stewards, and information for stewards.”

Outside of the re-launch and end-of-the-year steward information restructure, the website was routinely updated and expanded as information developed for numerous existing topics or new areas unfolded.

Traffic to the website included slightly more than 60,000 visits in 2005, with an average of approximately 5,000 visits per month.

8.2.1 Website Archives

In addition to providing topical and current information on issues of concern to stewards and stakeholders, archives are maintained on several key topics.

- Consultation events – includes background documents, slideshows, and other materials related to public consultation activities. Webcasts broadcast on CNW are archived for 180 days following any consultation event to permit maximum accessibility by stewards and stakeholders. Workshop and webcast archives may be viewed at: http://www.stewardshipontario.ca/consultation/work_web_archive.htm.
- Official Comments – contains a brief summary of the topic for which comments were solicited and, where applicable, a summary of the comments received and/or resulting activities:
http://www.stewardshipontario.ca/consultation/comments_archive.htm.

- Press releases – dates back from the end of 2002 and includes all of 2003 to 2005; <http://www.stewardshipontario.ca/media/archive.htm>.
- Tenders – lists and provides links to closed tenders from the Waste Audit and Glass Market Development Fund, <http://www.stewardshipontario.ca/funding/tenders.htm>.
- Setting of Fees – provides background information on the fee setting process for each program year: http://www.stewardshipontario.ca/info/fees_2005.htm.
- *Need to Know* – logs all issues of Stewardship Ontario’s e-newsletter from the most recent to the oldest: <http://www.stewardshipontario.ca/new/needtoknow.htm>.

8.2.2 The Knowledge Network

As addressed in Section 4.3.4, the Knowledge Network was launched under the E&E Fund on November 3, 2005. It is accessible from Stewardship Ontario’s website at: <http://www.vubiz.com/stewardship/Welcome.asp>.

8.3 Publications

In 2005, Stewardship Ontario distributed 17 ‘regular’ issues of *Need to Know*, Stewardship Ontario’s e-newsletter. In most cases, *Need to Know* is distributed to approximately 2,500 stewards and other identified stakeholders. The *Need to Know* archive was expanded to offer a brief selection of highlights of each issue to facilitate browsing by web viewers. Archived copies are available at: <http://www.stewardshipontario.ca/new/needtoknow.htm>.

8.4 Public Announcements

Stewardship Ontario distributed 11 news releases throughout 2005 on topics that included notifications about distribution of cheques to Ontario municipalities, funding approvals under the Effectiveness and Efficiency Fund and the Glass Market Development Fund and issues pertaining to other Canadian stewardship programs that are of relevance to the BBPP or Stewardship Ontario activities. In 2005, Stewardship Ontario expanded its in-house ability to distribute news releases independently (instead of relying on paid external services for this function).

News releases sent out in 2005 can be reviewed at: <http://www.stewardshipontario.ca/media/archive.htm>.

8.5 Documentation and Audit

Stewardship Ontario maintains hard and/or electronic copies 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.

8.7 Privacy Principles

Stewardship Ontario established privacy guidelines in 2004 to protect steward/stakeholder information other than that which, through the consultation process, is transparent. These guidelines comply with all the requirements of the Personal Information Protection and Electronic Documents Act (PIPEDA). To view the principles, go to: http://stewardshipontario.ca/pdf/rules_privacy/privacy_policy.pdf.

Appendices

Appendix i: Summary of E&E Projects as of December 31, 2005

Table 1 Approved E&E Projects by Priority Area as of December 31, 2005

Priority Area	Number	Funding Approved	Value
MRF Rationalization	8	\$591,900	11%
Multi-Residential Recycling	3	\$1,918,550	37%
Benchmarking and Waste Audits	6	\$673,300	13%
Cost Containment	9	\$241,650	5%
Innovative Financing and Compliance	3	\$154,200	3%
Communication and Education	3	\$1,297,600	25%
Other Projects	4	\$375,000	7%
Total	36	\$5,252,200	100%

Table 2 - E&E Projects Approved as of December 31 2005

Year One Commitments to June 30, 2005

Ref No.	Project Title	Proponent	Funding Approved	Date Approved
MRF Rationalization				
63	Identifying and Applying Best Practices in Recycling in Ontario	London, Toronto, RARE, Kingston, Waterloo, EWSWA, AMRC	\$225,000	Nov 22 2004
81	Recycling Program Optimization Study	County of Northumberland	\$23,000	Dec 14 2004
Total =			\$248,000	
Multi-Residential Recycling				
18	Development and Review of Baseline Information of Multi-Residential Recycling Programs in Ontario	EWSWA, Hamilton, Peel, Quinte Waste Solutions, London, Waterloo, AMRC	\$28,550	Dec 14 2004
32	Integrated Multi-Family Recycling Strategy	City of Toronto	\$1,525,900	April 14 2005
36	Multi-Residential Recycling: Optimizing Recycling Performance by Using a Focused Delivery	City of London	\$10,000	Oct 18 2004
Total =			\$1,564,450	
Benchmarking and Waste Audits				
44	RECYCLE AWAY (best practices for open space recycling)	Quinte Waste Solutions	\$15,000	Oct 25 2004
45	Quinte Depot Review (best practices for rural depots)	Quinte Waste Solutions	\$31,650	Nov 22 2004
60	Cart vs. Bag for Household Recycling	City of Toronto	\$235,000	Oct 18 2004
96	Province-Wide Waste Audit Program: Single Family Audits	Ottawa, Toronto, Durham, EWSWA, North Glengarry, London, Sudbury	\$283,900	Oct 18 2004
104	Co-Collection Studies - Time and Motion and Diversion Participation	Region of Niagara	\$7,750	Feb 11 2005
Total =			\$573,300	
Cost Containment				
19	Building on 'Smart Contracts, Smart Marketing'- an AMRC 2004 Workshop	Quinte Waste Solutions, AMRC	\$7,250	Aug 23 2004
86	Pre-Feasibility Study of Cooperative Marketing Programs for Blue Box Materials in Ontario	OVWRC, EWSWA, Quinte Waste Solutions, Armour Township, North Bay, AMRC	\$9,800	Feb 11 2005
95	Help Desk Services (contracts and "What If" tool)	various municipalities	\$45,000	Aug 23 2004
97	Model Recycling Contracts and Tender	Kingston, REIC, AMRC	\$72,600	Oct 25 2004

Ref No.	Project Title	Proponent	Funding Approved	Date Approved
	Documents			2004
120	Reasonable Cost Bands	AMO	\$9,000	Feb 11 2005
153	Municipal Datacall Authentication - 2004	AMO, York Region	\$24,000	May 17 2005
Total =			\$167,650	
Innovative Financing and Program Compliance				
76	Optimizing Stratford's User Pay Program	City of Stratford	\$59,000	April 14 2005
Total =			\$59,000	
Communication and Education				
68	Identifying Best Practices in Municipal Blue Box Promotion and Education	Oxford, AMRC, Waterloo, EWSWA and Commexus Inc.	\$142,100	Dec 14 2004
105	Enhanced Blue Box Recovery Program	Peel, York, Durham, Toronto, Aluminum Association/Novelis, MGM Management, Entec	\$125,000	April 14 2005
121	Knowledge Network Pilot Projects	VuBiz - no funding partners for the pilot phase	\$60,500	March 8 2005
Total =			\$327,600	
Other Projects				
94	A-Team and Peer Review Support	AMO, WDO, and Stewardship Ontario	\$25,000	Aug 3 2004
130	Funding Options and Funding Strategy for E&E Project Activities in Northern Ontario	MIPC Request for Proposals	\$65,000	April 14 2005
155	Municipal MIPC Policy Advisor	Region of York	\$270,000	April 14 2005
Total =			\$360,000	
Total Approved Funding for Year One =			\$3,300,000	

Table 2 - E&E Projects Approved as of December 31 2005, *continued*

Year Two Commitments to December 31, 2005

Ref No.	Project Title	Proponent	Funding Approved	Date Approved
MRF Rationalization				
12	City of Dryden Transfer Facility	City of Dryden	\$250,000	Aug 3 2005
85	Peel Region MRF Optimization (cost/benefit analysis for optical plastics sorter and research on bag-breakers)	Region of Peel	\$19,600	July 6 2005
102	Guelph MRF Optimization: Cost Allocation Technical Assistance	City of Guelph	\$6,800	Sept 23 2005
122	Renfrew County MRF Rationalization (Feasibility study to assess the business case for amalgamating the OVWRC with a private MRF)	Ottawa Valley Waste Recovery Centre	\$25,000	July 6 2005
162	Dufferin MRF Optical Plastics Sorting	City of Toronto	\$25,000	July 6 2005
168	Desktop Study of the Feasibility of Developing a Centralized Plastics Recovery Facility in the GTA	Peel Region, York Region, EPIC	\$17,500	Sept 23 2005
Total =			\$343,900	
Multi-Residential Recycling				
32	Integrated Multi-Family Recycling Strategy	City of Toronto	\$354,100	April 14 2005
Total =			\$354,100	
Benchmarking and Waste Audits				
161	Multi-Family Waste Audits in Peel and Ottawa	Peel and Ottawa	\$100,000	July 28 2005
Total =			\$100,000	
Cost Containment				
164	Markets Help Desk	Peel with ReMM	\$25,000	Sept 23 2005
187	Pre-qualified Technical Consulting Assistance Program (Pilot)	various municipalities	\$25,000	May 17 2005
188	A-team Technical Support	various municipalities	\$24,000	Dec 14 2005
Total =			\$74,000	
Innovative Financing and Program Compliance				
126	Analysis of User Pay Programs in Ontario	County of Oxford, AMRC, Haldimand County, Bluewater Recycling Association, Region of Waterloo	\$31,200	Aug 3 2005

Ref No.	Project Title	Proponent	Funding Approved	Date Approved
160	Implementation of a Waste Management Utility in Ontario Municipalities: A Practical Guide	City of London with Ottawa and RIS International	\$64,000	Aug 3 2005
Total =			\$95,200	
Communication and Education				
105	Enhanced Blue Box Recovery Program	Peel, York, Durham, Toronto, Aluminum Association/Novelis, MGM Management, Entec	\$970,000	April 14 2005
Total =			\$970,000	
Other Projects				
178	Peer Review Program (Year Two)	MIPC	\$15,000	Dec 14 2005
Total =			\$15,000	
Total Year Two Funding Approved as of Dec. 31, 2005 =			\$1,952,200	
Total E&E Funding Approved as of Dec. 31, 2005 =			\$5,252,200	

* Stewardship Ontario has committed up to \$1.9 million to Toronto for project #32 over the first two years of the E&E Fund program and up to \$1.1 million for project #105 over the same period

Appendix ii

2005 Financial Statement

Stewardship Ontario

Financial Statements

For the year ended December 31, 2005

Stewardship Ontario

Financial Statements For the year ended December 31, 2005

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Auditors' Report

To the Members of Stewardship Ontario

We have audited the revised balance sheet of Stewardship Ontario as at December 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Due to the self-registration of participants in the stewardship program as described in Note 2(a) to the financial statements, the completeness of revenues is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the revised financial position of the Organization as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our previous audit report dated February 17, 2006 has been withdrawn and the financial statements have been revised as described in Note 10.


Chartered Accountants

Toronto, Ontario
February 17, 2006

(except for Note 10 which is as at June 23, 2006)

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

Stewardship Ontario Balance Sheet

December 31	(Note 10) 2005	2004
Assets		
Current		
Cash	\$ -	\$ 1,446,862
Investments (Note 3)	34,389,881	9,358,510
Accounts receivable	4,305,523	3,236,799
Prepaid expenses and deposits	17,799	13,978
	38,713,203	14,056,149
Deferred start-up costs (Note 4)	894,165	1,767,625
Due from Waste Diversion Ontario (Note 5)	665,000	500,000
	\$ 40,272,368	\$ 16,323,774
Liabilities and Deficiency		
Current		
Bank indebtedness	\$ 12,931,813	\$ -
Accounts payable and accrued liabilities	15,203,494	10,656,744
Due to CSR: Corporations Supporting Recycling (Note 6)	957,658	951,571
Deferred revenue (Note 7)	9,647,583	5,322,659
	38,740,548	16,930,974
Due to CSR: Corporations Supporting Recycling (Note 6)	-	951,572
	38,740,548	17,882,546
Net Assets	1,531,820	(1,558,772)
	\$ 40,272,368	\$ 16,323,774

On behalf of the Board:

_____ Director

_____ Director

Stewardship Ontario Statement of Changes in Net Assets

	(Note 10) For the Twelve Months Ended December 31, 2005	For the Eleven Months Ended December 31, 2004
Balance, beginning of year	\$ (1,558,772)	\$ -
Excess (deficiency) of revenue over expenses for the year	3,090,592	(1,558,772)
Balance, end of year	\$ 1,531,820	\$ (1,558,772)

Stewardship Ontario Statement of Operations

	For the Twelve Months Ended December 31, 2005			For the Eleven Months Ended December 31, 2004
	Actual	Budget	Variance	Actual
Revenue				
Steward fees	\$ 63,504,052	\$ 62,530,500	\$ 973,552	\$ 40,923,863
Interest income	378,077	-	378,077	118,120
	<u>63,882,129</u>	<u>62,530,500</u>	<u>1,351,629</u>	<u>41,041,983</u>
Less: Deferred revenue	(4,324,924)	(5,698,300)	1,373,376	(5,322,659)
	<u>59,557,205</u>	<u>56,832,200</u>	<u>2,725,005</u>	<u>35,719,324</u>
Expenses				
Municipal				
Municipal transfers	51,284,596	51,284,600	(4)	33,547,076
Effectiveness and efficiency fund	1,077,921	-	1,077,921	-
	<u>52,362,517</u>	<u>51,284,600</u>	<u>1,077,917</u>	<u>33,547,076</u>
Other External Program Elements				
Amortization of deferred start-up costs	873,460	893,000	(19,540)	777,755
WDO costs	536,284	700,000	(163,716)	545,690
MOE enforcement and compliance	129,522	400,000	(270,478)	462
Market development	207,571	450,000	(242,429)	106,773
Other	940	270,000	(269,060)	155,681
	<u>1,747,777</u>	<u>2,713,000</u>	<u>(965,223)</u>	<u>1,586,361</u>
Program Delivery				
Business Development	14,409	20,000	(5,591)	12,905
Communications	232,152	209,000	23,152	280,439
Information technology and data management	152,953	145,500	7,453	123,057
Technical services	643,337	751,000	(107,663)	648,817
Committee, board and MOE support	282,241	283,000	(759)	168,863
	<u>1,325,092</u>	<u>1,408,500</u>	<u>(83,408)</u>	<u>1,234,081</u>
Administrative				
Human resources	506,289	439,000	67,289	380,409
Office expenses	127,287	187,200	(59,913)	136,806
Automobile	17,134	18,000	(866)	27,892
Travel	23,562	20,000	3,562	7,428
Rent and facilities	209,021	232,500	(23,479)	194,366
Professional fees	95,000	100,000	(5,000)	127,372
Insurance	52,934	59,800	(6,866)	36,305
	<u>1,031,227</u>	<u>1,056,500</u>	<u>(25,273)</u>	<u>910,578</u>
	<u>56,466,613</u>	<u>56,462,600</u>	<u>4,013</u>	<u>37,278,096</u>
Excess (deficiency) of revenue over expenses for the year	\$ 3,090,592	\$ 369,600	\$ 2,720,992	\$ (1,558,772)

The accompanying notes are an integral part of these financial statements.

Stewardship Ontario Statement of Cash Flows

	For the Twelve Months Ended December 31, 2005	For the Eleven Months Ended December 31, 2004
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 3,090,592	\$ (1,558,772)
Adjustments to reconcile excess (deficiency) of revenue over expenses for the year to cash provided by operating activities		
Amortization of deferred start-up costs	873,460	777,755
Reduction in due to CSR: Corporations Supporting Recycling (Note 6)	(945,485)	(885,677)
Changes in non-cash working capital balances		
Accounts receivable	(1,068,724)	(3,054,353)
Prepaid expenses and deposits	(3,821)	(13,978)
Accounts payable and accrued liabilities	4,546,750	10,656,744
Deferred revenue (Note 7)	4,324,924	5,322,659
	10,817,696	11,244,378
Investing activities		
Purchase of investments	(25,031,371)	(9,358,510)
Decrease in deferred start-up costs	-	60,994
Advance to Waste Diversion Ontario	(165,000)	(500,000)
	(25,196,371)	(9,797,516)
Increase (decrease) in cash during the year	(14,378,675)	1,446,862
Cash, beginning of year	1,446,862	-
Cash (bank indebtedness), end of year	\$ (12,931,813)	\$ 1,446,862

Stewardship Ontario Notes to Financial Statements

December 31, 2005

1. Business Organization and Operations

The objects of the Organization are to provide financial support to municipally operated waste diversion programs in Ontario for wastes designated under the Waste Diversion Act 2002. The Organization is a not-for-profit organization and as such is not subject to income taxes.

In October 2002, Stewardship Ontario began the process of designing and developing the Blue Box Program as a result of a request of the Minister of the Environment.

On February 14, 2003, Stewardship Ontario was formally incorporated in the Province of Ontario as a corporation without share capital and commenced operations on February 1, 2004, the commencement date of the Blue Box Program Plan.

2. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

(a) Revenue Recognition

Steward fees are recognized as revenue when stewards register with the Organization and submit tonnage details.

The Organization follows the deferral method of accounting for revenue whereby amounts received for specific programs are recognized as revenue when the related expenses are incurred.

(b) Investments

Investments are carried at cost which approximates market value.

(c) Deferred Start-Up Costs

Deferred start-up costs are amortized on a straight line basis over three years from the start of operations.

(d) Financial Instruments

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments and that the carrying value approximates the fair value of its financial instruments.

All of the Organization's cash and investments are held at one major financial institution.

Stewardship Ontario Notes to Financial Statements

December 31, 2005

2. Significant Accounting Policies (Continued)

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Investments

Investments consist of guaranteed investment certificates that bear interest at 2.37% to 3.15% (2004 - 2.05% to 2.25%), includes accrued interest of \$224,728 (2004 - \$8,510) and mature from July 2006 to January 2007.

4. Deferred Start-up Costs

	2005	2004
Cost	\$ 2,545,380	\$ 2,545,380
Accumulated amortization	(1,651,215)	(777,755)
	\$ 894,165	\$ 1,767,625

5. Due from Waste Diversion Ontario

The amount due from Waste Diversion Ontario is due on or before July 31, 2006 and is non-interest bearing.

6. Due to CSR: Corporations Supporting Recycling ("CSRO")

These funds were borrowed from CSRO to finance the initial start-up costs of the Organization.

	2005	2004
Balance, beginning of year	\$ 1,903,143	\$ 2,788,820
Reduction during the year, net	(945,485)	(885,677)
Balance, end of year	\$ 957,658	\$ 1,903,143

The balance of the borrowings is to be reduced no later than December 31, 2006.

Stewardship Ontario Notes to Financial Statements

December 31, 2005

7. Deferred Revenue

Deferred revenue represents unspent resources that are externally restricted for programs and relate to a subsequent years' activity.

The balance of deferred revenue is as follows:

	<u>2005</u>	<u>2004</u>
LCBO Glass Market Development	\$ 1,744,204	\$ 2,039,659
Effectiveness and Efficiency	<u>7,903,379</u>	<u>3,283,000</u>
	<u>\$ 9,647,583</u>	<u>\$ 5,322,659</u>

8. Commitments

Stewardship Ontario entered into an agreement with Waste Diversion Ontario (WDO) on August 25, 2005. Stewardship Ontario agrees to guarantee the payment of all wages and benefits of the current employees of WDO up to a maximum of \$150,000.

9. Significant Contract

Stewardship Ontario has an Operating Agreement with CSR to act as its Secretariat to implement and operate a blue box waste diversion plan under the Waste Diversion Act, 2002. The contract commenced January 16, 2004 and will terminate June 30, 2007. Secretariat fees charged by CSR amounted to \$2,424,084 (2004 - \$2,378,467).

Subsequent to the year end, the contract was extended to June 2010.

10. Revised Financial Statements

These financial statements have been revised to reflect an arithmetic error in the balance sheet and statement of changes in net assets.