



Thinking
beyond
the box

Stewardship Ontario

Blue Box Information Meeting

September 27, 2012

Welcome

- In person (60)/ Webcast audience (75)
 - Slides advance automatically
 - Question box for questions/ comments on webcast console
 - While dialogue difficult in this format, we have set aside blocks of time for questions/answers and comments
- Webcast will be archived and made available on line for future review

Agenda

1. Fee setting methodology: where did we land?
2. What did we learn from 2012 research?
3. Review 2013 Fee Schedule
4. Next Steps

What you told us:

1. Last year

- Simplify methodology
- Harmonize with other provinces
- Engage stewards in decision-taking

2. Consultation in May

- Appreciate effort, but need to see options
- Little desire for radical change
- Stay away from life-cycle metrics

3. Consultation in July: Two Options

Option 1

Logic	Name	Description	All Else Equal
I pay for what does not get recycled and is disposed.	Recovery Factor (35%)	Tonnes Disposed (unrecovered) distributed between PPP	If recovery rate increases, fee rate decreases
I pay for the net cost of recycling my product (costs minus revenues)	Net Cost Factor (40%)	Sum of net cost (gross cost less revenues) distributed between PPP	If net cost increases, fee rate increases
What would I be paying if I were to achieve the 60% target?	Equalization Factor (25%)	Net cost to recover required tonnes to achieve 60% target.	Higher tonnes needed to achieve 60% and/or higher cost/tonne produces higher fee rate

Material revenues applied before three factor formula is calculated

....and Option 2

Logic	Name	Description	All Else Equal
I pay for what I put into the marketplace.	Generation factor (45%)	Generated tonnes distributed between PPP	If generation increases, fee rate increases
I pay for the cost of recycling my product.	Gross cost factor (45%)	Sum of recovered tonnes x gross cost to handle	If recovered tonnes or gross cost increases, fee rate increases
I pay for what does not get recycled and is disposed.	Unrecovered factor (10%)	Disposed tonnes (unrecovered) distributed between PPP (up to 60% target)	If disposed tonnes increase, fee rate increases

Material revenues applied after three factor formula is calculated

Option 1

Pros

- Established, proven and reasonably successful
- Ensures all materials share cost
- Consistent with approach used in other provinces

Cons

- Complex: difficult to understand and explain

Option 2

Pros

- Simple and logical
- Ensures all materials share cost

Cons

- Still involves complex mathematics
- Fees would change, some significantly
- Departure from approach in other provinces

No clear consensus

12 submissions (stewards and associations)

- Three supported Option 1 (status quo)
- Four supported Option 2 (new approach)
- One supported Option 2 if pressed, but wanted more options
- Four said we should spend more time at the drawing board



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Comments & Questions



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2013 Blue Box Fees

Fee setting steps

1. Municipalities report data for validation
2. Stewardship Ontario, AMO and City of Toronto review “best practice” and negotiate obligation
3. Obligation and program management costs are allocated to specific materials using 3-factor formula
4. Fees rates are calculated by dividing fee allocations by total kg of each material sold by stewards

Steward Obligation for 2013

Total obligation is \$98,500,681 (5.4% more than last year):

- 2011 data year was peak year for fuel costs which added \$7.3 million (2.4%) to gross program costs
- Ongoing trend of lighter-density packaging an incremental cost of \$6 million (2%)
- Cost of living increase of \$5.8 million (1.9%)
- Best Practice “Discount” negotiated with municipalities decreased from 8.72% to 7.62%

2013 BB Management Budget

Stewardship Ontario PROVISIONAL 2013 Blue Box Program Management Budget

	2013	2012	Variance
WDO and MOE	1,050,000	950,000	100,000
System Improvement			
Promotion & Education	900,000		900,000
BB System Transformation	1,650,000		1,650,000
Market Development - Plastics	-	3,000,000	(3,000,000)
Other projects	150,000	125,000	25,000
Program Management	<u>5,084,077</u>	<u>4,811,120</u>	<u>272,957</u>
Total	8,834,077	8,886,120	(52,043)

2012 ABC Study

- Greater share of obligation should be allocated to printed paper category:
 - Higher fee rates for printed paper categories (newspapers, magazines, catalogues, directories and “other printed paper”)
 - Flat or lower fee rates for most packaging categories
- Revealed two key consequences
 - Significantly higher “in-kind contribution” to municipalities
 - Magazines would pay more than cost of managing their material due to aggregation of fees

- In response to shift in in-kind fees:
 - SO and CNA/OCNA will work with municipalities to realize maximum value from in-kind contributions
 - SO has allocated new budget to system improvements that will benefit stewards and municipalities
- In response to the magazine anomaly
 - SO is reaching out to stewards of magazines, directories and “other printed paper” to seek solutions

Additional research

- Bale/Material flow studies have confirmed that:
 - Gable-top, aseptic and laminate paper packaging are managed together
 - Strong long-term demand owing to recent technological advancement in North America
- Fees for these materials should continue to be aggregated
- Stewardship Ontario will step up efforts to increase capture of these materials

Reporting Change for 2013

- Last year we extended the deadline for reporting from April 30th to July 31st
 - Made possible by the alignment of data for program costs and steward sales to the same year
 - Readiness for September consultation would depend on absolutely accurate, on-time reporting by all stewards
- Conclusion from our experience in 2012
 - Some data verification post-reporting is inevitable
 - July 31st simply does not provide enough time



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Comments & Questions

Next Steps

- Please provide comments by October 12, 2012
- Send submissions to [WeRecycle@Stewardshipontario.ca.](mailto:WeRecycle@Stewardshipontario.ca)



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Thank you