



Thinking
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the box

Stewardship Ontario

Blue Box Fee Setting Methodology

Consultation Meeting/Webinar

May 26, 1011

Welcome

- In person (67)/ Webcast audience (82)
 - 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

1. Background, scope and current logic
 - Break - Questions/Comments
2. Program goals, price signals & fee anomalies
 - Break - Questions/Comments
3. The evolving marketplace & steward expectations
 - Break - Questions/Comments
4. Review questions, options & next steps
 - Break - Questions/Comments



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Part 1: Background, Scope and Current Logic

Background

- Process initiated due to request from a group of stewards/packaging manufacturers
- Appealed for change in formula to reward recent increase in recovery rate
- Effect would be to decrease fees for cartons (aseptic/gable top) and increase fees for other paper laminates (cups, food containers)
- Request led to an examination of current state of recycling of composite paper packaging, and assessment of fee setting methodology

Other Questions

- Does the fee setting formula still generate the price signals originally intended?
- Are there other materials that have experienced an “unrewarded” gain in performance?
- What has changed in the market, with consumers, and with steward expectations?
- What is the connection between the fee setting formula and SO’s efforts to broaden range of material that can be recycled successfully?

Next-Least-Cost-Tonne

- Single target for entire basket of goods
- Large variation among materials re costs, tonnes and recycling efficiency
- Maximizing performance and minimizing costs means giving priority to materials that are:
 - Generated in high volumes
 - Comparatively easy to separate and process
 - Command comparatively high scrap prices
- Large variations in material recovery



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5 minute break followed by
Comments & Questions



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Part 2: Program Goals, Price Signals & Fee Anomalies

Goals & Price Signals

- Promote waste reduction
- Make it comparatively inexpensive (or at least cost neutral) to select materials that are easier to recycle
- Ensure relative fees go up as relative costs increase
- Ensure relative fees go down as relative recycling performance improves

Formula's Price Signals

- Review has confirmed that the formula supports the objectives of the program.
 - All materials in the program attract a fee (which promotes packaging reduction)
 - Relative cost increases produce fee increases
 - Relative performance increases produce fee reductions
- However, the relationship is not perfect due to:
 - The *Recovery Rate Effect*, and
 - The *Small Volume Effect*

The *Recovery Rate Effect*

- 60% of the fee rate for each material is determined by the recovery rate achieved for that material
- Materials with the lowest recovery rates (and the highest costs per tonne) have been assuming a increasing *proportion* of the total cost
 - Fair, to the extent that higher program costs are driven by materials with higher costs-to-recycle
 - Not so fair, to the extent that higher program costs are systemic, or driven by general market conditions

The *Small Volume Effect*

- Material categories created according to type and how they are processed, not by weight or volume
- Potential for fees to change in response to improved costs or improved performance is limited by material's share of total volume
 - Fair, to the extent that the change only *appears* very large against a small base
 - Not so fair, if smaller volume materials have no chance of gaining reward for increased performance

Material Aggregation

- Recovery rate and small volume effects most evident when different material categories are aggregated together
- Improvements in recovery and shifts in cost overshadowed by movement (or lack of movement) for other sub-categories
- Most evident for gable/aseptic versus other laminate and tubs/lids versus other plastics
- Also can exacerbate “competitive set” concerns



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Part 3: The evolving marketplace, & steward expectations

Consumer Perspective

- 89% say blue box is main driver of recycling
- 75% say the blue box is their primary environmental effort
- 83% say they favour blue box friendly products
- 82% say acceptance in blue box means “friendly”



Threats on horizon



- 68% say they have too much packaging they can't put in their blue box
- 37% say the blue box has fallen behind trends in consumer packaging
- Few recognize role of manufacturers and retailers in funding the program

For Ontario business...



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- Sustainability over the **full supply chain** drives productivity, but...
- Recycling alone drives **perceptions** of sustainability, and therefore...
- Any consumer deficiencies in blue box undermine effort/\$\$ dedicated to achieving supply chain sustainability

Most Common Messages

1. I'm paying enormous fees, but my customers complain that they can't put my packaging in the blue box – what am I paying for?
2. Costs/fees are too high and rising too fast – what are you doing to get costs under control?
3. I operate nationally, and have to report and pay fees into programs across the country – what are you doing to harmonize with other programs?

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- Find ways to expand the range of materials accepted
- Do so in an economically sustainable way
- Look for ways to harmonize with colleagues in other provinces



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Part 4: Review questions, options & next steps

Questions

- Do we need to consider fundamental changes to the formula?
- Should we do more to reward materials that improve in performance? On what basis?
- Should we factor-in the fact that decisions about what to collect are not made by stewards?
- Should we consider a performance-based approach to material aggregation?
- Should we (can we?) consider how fees impact competitive advantage between packaging material types?
- Are there changes we can make in the meantime that represent “continuous improvement”

Options for Cont Improvement

- Progressive Improvement Model
 - “Emerging Materials” that have historically been recycled at a low rate but have achieved improvement
 - “Materials in Development”: the rest
- Compromise Model
 - Mathematical exercise that seeks a midpoint between “status quo” and what would occur if gable/aseptic and tubs/lids sub-categories were separated

Next Steps

- SO will review comments/questions (written comments welcome) & consult with MOE staff
- Any changes require review/approval by:
 - Stewardship Ontario Board
 - Waste Diversion Ontario Board
 - Minister of the Environment



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Thank you