



Thinking
beyond
the box

Stewardship Ontario

2012 Revised Rules and Fee Schedule

October 18, 2011

We're Listening

- Over the past year, we have been seeking to better understand and respond to your needs:
 - You told us you wanted us to do what we can to reduce fee volatility
 - You told us you wanted us to improve the reporting process, reduce “free riding” and promote fairness
 - You told us that you wanted us to communicate more, to make our discussions more meaningful and to be more responsive to your concerns

We've been working on it

- Our Plan for 2011 has been to include efforts to:
 - Manage down growth in what you pay to ensure we to meet our recycling obligations
 - Plan for a future in which we can control costs **and** ensure your customers can put your packaging in their blue boxes
 - Make tangible progress in our effort to improve reporting and fee setting, and in this regard...
 - Involve you in our “thinking process”, offer ideas and carefully consider your view of the trade-offs

We've made progress

- Since the process began in the spring:
 - We've managed growth in costs to below 2% (a decrease in real terms)
 - We considered process improvements that might respond to your concerns about reporting/payment
 - We circulated a range of ideas in a discussion paper and talked to you about the pros/cons
- You responded with thoughtful, objective and constructive comments – and offered new ideas

And have used your ideas

- We now understand your needs and priorities better, and are recommending that:
 - We proceed with those measures that are most important to help reduce fee volatility and ease reporting
 - We proceed with some of the measures designed to promote timely reporting and verification
 - We defer those measures that raised significant concerns among many stewards, to see if there are other ways to achieve the same ends

Recommendations

1. Change the way steward payments are calculated.
2. Create a report verification deadline of July 31 giving stewards 4 extra months to check reports.
3. Continue to issues credits and debits, with credits deferred to the following year.
4. Will develop administrative fee policies.
5. Discontinue late reporting penalty and re-establish 10% plus interest late payment penalty.
6. Provide more guidance on reporting etc.

More work needs doing

- Stewards would like us to look into ways in which we could update/improve the “calculators”, or find suitable alternatives
- We need to develop a guidebook of material definitions, decision trees and other tools to support steward reporting
- We need to examine the de minimus thresholds to determine their impact on program revenues and fees.



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Questions?

Complex Fee Methodology

- Fee rates established via defined methodology designed to ensure that:
 - Sufficient funds are raised from stewards to meet industry's obligations under the program
 - Costs of the program are fairly and equitably allocated among the materials
- Highly complex “three factor formula” made more complex by numerous input variables
- Difficult to understand, even more difficult to explain

Is it the right approach?

- Complexity has always been an issue.
- Formula reviewed by committee of Board in 2006, which concluded complexity was necessary trade-off to achieve fairness.
- Do we still believe this to be true?
 - Total cost up by only 1.9%, but many fees stand to increase by more, many have significant decreases
 - Some changes counter-intuitive until factors/variables are closely examined

Example Aluminum

- Recovered tonnes, recovery rate, etc, pretty stable
- Total fee payable in 2011 \$132,000
- Total fee payable in 2012 \$478,000
- Increase in total fee payable \$346,000
- Rolling 3yr revenue (% Change) -10%
- Rolling 3yr revenue (\$/tonne Change) -\$152/te
- Rolling 3yr revenue (Total \$Change) -\$1,596,000
- Cost for a can of cola ~0.024¢
- Cost for a 24-can case of cola ~0.560¢

Time for Another Review

- Try again for more simplicity:
 - Do we use fewer/different factors? Fewer variables?
 - Should we apply calculations less frequently – every two years, three years?
- Conduct a new Activity Based Costing study, to ensure that costs are fairly allocated
- Do more bale/curbside audits to validate material composition in the supply chain and ensure we are working off most accurate data possible



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Questions?

- Please complete session feedback form
<http://www.surveygizmo.com/s3/673682/Feedback-on-the-BB-Session-on-2012-Fees-Schedule-and-Revised-Rules-October-18-2011>
- Comments due by November 17th
- Send to: bluebox@stewardshipontario.ca
- Presentation slides and link to archived webcast will be available at:
<http://www.stewardshipontario.ca/stewards/what-we-do/blue-box/consultation>
- Thank you for your participation