

Questions and Answers from the Blue Box Consultation on July 24, 2012

1. Who set the in-kind agreement? Who is that up to?

The decision was made by the province at the time the Blue Box Program Plan was first introduced. The decision rests with the Government of Ontario. For more details please visit the Waste Diversion Ontario website [here](#).

2. How is the net cost of 'not' achieving 60% calculated/determined?

The calculation is a complicated one. Should any stewards want to know this, please contact us individually and we can explain the process and calculations. Feel free to email beyondthebox@stewardshipontario.ca to have us take you through the math.

3. What does PPP stand for?

It stands for printed, paper, and packaging.

4. While you indicated that Option 2 would not go very far in harmonizing between Ontario and other provinces in terms of the supply chain, what about harmonizing within the province? Would it help achieve that?

It will be helpful in that it better aligns with the objectives of the Waste Diversion Act in the sense that it encourages material reductions because Option 2 puts even more emphasis on the fact that the less material an organization supplies into the market place the lower their bill will be. That is also true today (Option 1) but in Option 2 a full 45% is dedicated to the amount supplied into the marketplace.

In addition, Option 2 dedicates 10% of the three factor formula for material that does not get recycled and is disposed. In other words, as a steward I pay for what does not get recycled, and so by definition if my material gets recovered more and less of it goes into landfill, then my fee rate will go down relative to others'. This means there is an incentive for me as a steward to encourage municipalities to collect more material and broaden the range of material that is successfully recycled.

These features of Option 2 may not necessarily drive consistency between municipalities but in aligning our business with waste diversion of a broader basket of goods, it may be an improvement over today's methodology.

5. It appears that most of the comparison of the two fee schedules is around the credit that is accrued to the aluminum users. It appears that Option 2 is more favourable to the beverage industry. In terms of wanting a formula that is fair to

stewards, is there an option to return some of that credit back into the blue box basket of goods, as opposed to it all being accrued to the aluminum stewards?

Under the current formula, the mathematics results in a benefit for everyone. In other words, the whole system benefits from the high revenue material, including aluminum. For example, in the case of yogurt tubs, a steward's fee rate, to a certain extent, is moderated by the revenue that is generated out of aluminum under the current fee setting methodology. With Option 2, that is not the case. All of the benefit of revenue from each of the materials accrues directly to that material.

6. Where does that revenue come from?

The revenue comes from the value of the aluminum, but also the ability to extract that material from the waste stream. Collecting material for recycling is a capital and labour intensive activity. Collecting a single material such as aluminum cans would be prohibitively expensive, but because the blue box program collects much more than just aluminum cans, costs are spread over a wide range of materials. Since revenue for aluminum is so high, it brings in more revenue than its share of the collection and sorting costs. Because this "profit" is only possible because of the shared infrastructure, the original formula shared revenue from aluminum in a limited way among all materials. Under the new option, revenue from aluminum would be credited only to the aluminum category.

7. If we are looking at harmonization, what influence, or what relationship does Stewardship Ontario have with the other IFOs in the other provinces in terms of influencing the way those fees are set? And do you have a role to play in terms of harmonizing across the provinces?

Stewardship Ontario has regular dialogue with its colleagues in other Industry Funding Organizations (IFO).. There is, in Stewardship Ontario's opinion, a general consensus that IFOs would like to find a new approach to fee setting. Stewardship Ontario will continue to engage in dialogue with colleagues at other IFOs, and this is something that is very much part of our plan forward moving.

8. Why does the new formula have such a beneficial impact on food and beverage containers ?

The issue here is how the revenue from the sale of recycled material is treated and the fact that there is not equal sharing in the benefit of the revenue under Option 2, which was put forward by the steward community. Stewardship Ontario is interested in stewards' views on this new option and any ideas on how it could be altered and changed to make it fairer.

9. On the Option 2 slide, the bottom of the page states 'revenues applied after 3FF calculated'. I thought Option 2 did not include the 3FF. Can you explain?



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The “three factor formula” under Option 2 is different from the current state (Option 1) in that it (Option 2) consists of: Generation Factor (45%), Gross Cost Factor (45%) and Unrecovered Factor (10%). In Option 2, revenues are applied after this “new” three factor formula is applied.

10. I have a concern under the new option with the unrecovered factor of 10% for ‘I pay for what does not get recycled and is disposed.’ Stewards are willing to pay their share but we should not be penalized for the behaviour of consumers or municipalities who are not recycling what they should be. Therefore, we maintain stewardship needs to continue to be a shared responsibility between stewards, municipalities and consumers.

Some materials are more easily recycled than others. While in recent years stewards have pressed for the Blue Box Program to expand, stewards have also pressed municipalities to control costs. Changes of the kind advocated by stewards in recent years take time and investment. While it may be frustrating to observe that the steward community seems to be advocating for more recycling than the municipalities themselves, until such time as all materials are recycled at the same rate, mechanisms are required to balance costs between materials with high recovery rates and those with low recovery rates.

11. Building on the earlier point about what does not get recycled, I thought that question had to do with consumers making the choice to not put a pop can or something in the recycling bin when they have the choice to do that, not the issue as to whether the system cannot recycle it. Can you clarify?

There are multiple reasons why things do not end up in the blue box; it could be because the municipality doesn’t collect it, the consumer is wasteful, the consumer doesn’t know what can and cannot be placed in the blue box, which is partly a function of training and education, and partly a function of the system being inconsistent which results in people sometimes putting items in the garbage rather than contaminate the blue box. It’s a multifaceted problem and not one that can be easily resolved.

12. I don’t think a steward should be penalized for a consumer who makes the choice of how something which is recyclable gets recycled if they have access to it, and I think the separate point which you were alluding to, is around harmonization within the province of Ontario. Every municipality has different systems and collects different materials, and I think we’ve talked a lot about standardization and how that would look, and I’m wondering if there’s been any modeling done, because I would imagine that you can seek efficiencies if we were more aligned.

Standardising the “basket of goods” requires planning and investment. Systems must be put in place to properly sort the new materials in a cost effective manner, and ensure

that they can be transformed into new products. Simply mandating that municipalities collect everything without first preparing the recycling infrastructure would dramatically increase costs, and create streams of “residuals” that do not get successfully recycled. It may appear for a short time that consumers can recycle more, but the program will only be successful and cost effective over the long term by considering the entire recycling supply chain. It is a complicated problem that requires comprehensive solutions.

13. Is there a danger with Option 2 in that it may incent stewards to change their packaging to non-recyclable material to avoid paying fees?

The numbers do adjust things a little, but fundamentally Option 2 shares the costs of the Blue Box Program among all the materials in the program. The first and third factors are based on how much material is sold into the marketplace, i.e., whether it is recycled or not, and the less materials recycled, the higher the share of that material cost would be. Option 2 still takes costs from the high recovery rate material and shares it among the low recovery rate material, but it does it a little differently and not to the same degree.

14. Did you look at eliminating the third factor all together in an effort to simplify the model further?

The document called Comparison of Option 1 and Option 2 (including aggregated and disaggregated fee rates) Work Sheet is available [here](#). It demonstrates the impact of adjusting the weighting given to each of the three factors. To see the impact of eliminating a factor altogether, simply reduce that factor weighting to zero.

15. On the old corrugated containers, the number I had was 8.57¢. The chart in option one says 11.45¢, so it's much more of a swing on the upside if that number is correct. This is of concern.

The difference is due to the deficit recovery fee that was applied last year. There were changes made to the fee setting methodology last year designed to deal with an unexpected substantial decline in some material categories that forced a deficit recovery factor to be added to the fee. Just as a reminder, the 2012 Fee Schedule, which includes the deficit recovery fees is provided in Appendix A, page 8, of the Blue Box Rules available [here](#).

16. Something I heard in the last consultation, but I don't think it was one of your ten specific questions, was around the ability for stewards to be recognized for the contributions that they make to the Blue Box Program, and I'm wondering whether or not you heard that in the feedback from the last consultation and if there's anything SO can do to recognize or to let consumers know about the contribution that the stewards are making to the program.



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The municipalities are responsible for public education. They spend their resources most directly on educating their consumers about what to put in and what not to put in the blue box. Mentions of stewards are not that common. However, Stewardship Ontario has been speaking with municipalities about how it can work more cooperatively with municipalities and do more than simply educate consumers about the instructional aspects of the blue box and leverage the consumer's affection for the blue box, which came out in Stewardship Ontario's recent research. Both Stewardship Ontario and municipalities recognize the consumer's ongoing affection for the blue box, and this should be used to help drive more performance in the blue box and part of that is recognizing the commitment of the steward community to the advancement of the blue box.

17. What is the difference between the 'generated material' and the material supplied as reported by stewards? In other words, how does SO develop the 'generated' volume if it is not based on the volume reported by stewards?

Calculating the amount generated is done as a joint exercise with Waste Diversion Ontario and we draw on a variety of sources of information including the data reported by the stewards, data reported by the municipalities, as well as information from waste audits. The waste audits provide information on how much printed paper and packaging ends up in the garbage and in the recycling bales. Essentially, there is a variety of sources to determine waste generated versus the quantities supplied into market as reported by stewards. It all contributes to a high level of accuracy with respect to how much printed paper and packaging is actually, on a kilogram basis, entering the marketplace.