

Questions and Answers from the Blue Box Information Session

September 27, 2012

- 1. There appears to be a lack of communication from the municipalities as far as highlighting that stewards support the Blue Box Program. In the context of the in-kind advertising, it would be interesting to understand if municipalities are obligated to indicate that stewards are part of the Blue Box Program, and that municipalities are not running the program by themselves.**

There's a growing recognition that more can be achieved in reaching out to the consumer to raise awareness of stewards' involvement in the Blue Box Program.

On the other hand, municipalities do pay for half of the Blue Box Program, and therefore face their own pressures from their consumers, as well as cost pressures. Please recall that the in-kind contribution is money that the newspapers owe the system that they have the privilege of paying in the form of in-kind, but the resource belongs to the municipalities. We hope to work with municipalities to leverage as much value out of that asset as possible, but it is their asset.

While Stewardship Ontario agrees that stewards should receive more recognition for their contribution to this program, we would really like to start a dialogue around the Blue Box Program that is one of partnership with the municipalities.

The fact is we are working together with municipalities to make the Blue Box Program as cost effective as possible and achieve ever-higher recovery rates for the widest range of materials. Stewards have started to express their wish for the Blue Box Program to collect the widest range of materials possible, to recycle them as successfully as it possibly can, and get recovery rates up. That's why we believe we're at a point in time where we need the dialogue to be positive with the municipalities and for us all to start working together to advance this program going forward, for which there is a collective belief and purpose.

- 2. When will Stewardship Ontario make available for industry the generation and recovery data for 2011 so recovery rates by material can be understood?**

These tables are available to view online:

<http://www.stewardshipontario.ca/stewards/what-we-do/blue-box/consultation>.

- 3. What is the 2013 reporting deadline?**

The reporting deadline is changing – the 2013 reporting deadline will be June 30 rather than July 31, which is what it was in 2012.

- 4. Could you please explain what is meant by a typo adjustment of \$400,000, as appears in the [notes for information session document](#)?**

It is simply a clerical error that happened when the official number from Waste Diversion Ontario was calculated last year. Someone transposed a number in the amount of \$400,000 that we should have paid the municipal sector last year. We had to go with the official number, but we agreed at the time with the municipal sector that we would make it right this year, and that is what we are doing.

5. What percentage of recycling costs incurred by municipalities or regions are covered by fees collected by Stewardship Ontario? What efforts are being made by municipalities to use common recycling facilities shared by several municipalities and towns?

When the program was set up as a 50/50 program, a couple of things were put in place that we believed would be effective levers in encouraging these kinds of systemic improvements in the system.

The first was the payment to best practices. A point was reached where we were negotiating the obligation not on the reported cost but on the best practice cost. The idea was that if Stewardship Ontario was paying the best practice cost, there would be an incentive for the municipalities to adopt changes in their system that would improve economic efficiencies. The second were the protocols for how our contribution is paid out to the municipalities that were also put in place, which results in more money going to municipalities that operate efficiently against the benchmark, and less money going to municipalities that are less efficient against the benchmark. These protocols encouraged those municipalities that were receiving less than the benchmark to make changes in order to get more results. The third thing we did was create what was then the Efficiency and Effectiveness Fund, and which evolved into the Continuous Improvement Fund. The Continuous Improvement Fund meant that a proportion of the money we would contribute each year would not be distributed out to the municipalities. Instead the money would go into a fund that municipalities could draw on as a capital resource to finance game-changing efforts that they might make in their operations to achieve systemic efficiencies. We very much pushed for systemic efficiencies in the use of that fund and cooperation among municipalities. Some of that has occurred over the course of the past ten years. While more could have occurred, we believe that the vast majority of municipalities are trying to do the very best job they can with the tools that they have at their disposal.

Going forward we need to start talking about a new partnership with municipalities that will advance the sorts of systemic changes the system truly needs to make savings and use them to advance the performance for materials like composite paper packaging and other materials that we know we can recycle at a higher rate than we are today.

6. Your budget projections for 2013 show \$1.65 million for Blue Box transformation opportunities. Can you outline what exactly the components to this are and how you developed that budget? When you look at the previous years, you've put \$3

million towards a subset of materials for plastics on an annual basis; do you see this to be a multi-year budget moving forward, and do you think \$1.65 million per year is enough?

Over the last two years, we have been looking very closely at the municipal Blue Box supply chain. We have a lot of data about the municipal Blue Box supply chain that has been accumulated over time by the reporting and negotiating process that we've experienced. Stewardship Ontario is staffed with experts in municipal and commercial supply chains. It is interesting to compare the Blue Box system today to what the system would look like if we built it today from the ground up. If we built it today it would look very different, cost a different amount to operate and would perform very differently. We want to reach the point of looking at the Blue Box Program as a true supply chain, as any supply chain operator would do, but that's going to take time, effort and resources. It will take more than \$1.65 million, but we need to start somewhere, and what we're proposing in the budget for next year is the resources we need to get that process going. The \$1.65 million will be dedicated to starting that journey in 2013.

7. How will Stewardship Ontario address innovations such as biodegradable and certified compostable packaging moving forward?

Many stewards are already putting new innovative packaging into the marketplace, yet it is true the recycling infrastructure cannot keep pace with the level of innovation that exists. That said, our objective is to make sure that everything that goes into the Blue Box is recycled.

However, there are materials that can cause difficulties with the existing recycling system, so we are encouraging our stewards, if they're looking at any kind of new packaging, to run some samples by us so that we can carry out the analysis to see what effect the new packaging/materials will have on the recycling system. Anything is recyclable with the right kinds of resources, but some current systems are unable to process some new packaging.

Changing the recycling system to enable the recycling of new packaging is possible. However, take the example of clam shells. The system couldn't manage clam shells for a variety of reasons, but we worked with the steward community to see that that material could get captured and recycled successfully within the existing stream, and that process is now starting to get a substantial amount of traction within the recycling supply chain. And similar things will happen in the future, and a lot of what we do at Stewardship Ontario is to try to figure out ways to push the supply chain in a direction that enables it to deal with these materials.

- 8. I'm wondering why we wouldn't as stewards want to leverage all of the in-kind contributions that are being generated and also the Continuous Improvement Fund to do promotional and change activities. Can you explain why we wouldn't use the P&E and Blue Box transformation money for this?**

We do use some of this money for promotional activities. Our relations with the people involved in the Continuous Improvement Fund (CIF) are strong and we share many views in common. However, we must be mindful that the CIF money is the amount that we owed them that they have agreed in the negotiation process to use for this purpose. Similarly, with the in-kind, this is money that the newspapers owe the system that they have the privilege of paying in the form of in-kind, but the resource belongs to the municipalities. We do work with municipalities to leverage as much value out of that asset as possible, but it is their asset.

- 9. In 2014, the Province of B.C. will be 100% extended producer responsibility in regards to printed paper and packaging stewardship. The Province of Quebec will be 100% EPR in all forms of packaging stewardship in 2013. Has there been any communication from the Province of Ontario's Ministry of Environment suggesting that Ontario's EPR will be increasing from the current 50% in the near future?**

Not to our knowledge.

- 10. With respect to the question about disruptive materials, what is the best practice for stewards to determine how the materials they select in their supply chain are handled in the recycling system?**

The choices you make regarding your packaging are your decisions to make. Stewards have a lot of factors to consider, from economics to performance in terms of what the packaging needs to do for the product. We know that in certain circumstances, there are packaging choices that are not recyclable at all but yet still produce, based on lifecycle analysis, a lower carbon footprint. So we don't presume to tell you what the right packaging choices are for your company. What we want to do is provide you with as much information as we can about the end of life part of that decision-making process, so you are aware of what materials can be recycled successfully; which ones are a challenge to recycle today but for which we are developing a successful supply chain in the future; which materials that aren't recycled today but we hope to have a recycling supply chain in the future; and finally which materials out there today that not only don't have a recycling solution in our system but create a potential problem for the system. We are trying to bucket our information in those ways to inform stewards' decision-making, but these are your decisions to make and we just want to help you by providing you with as much information as possible to help you during that decision-making process.

If anybody wants to consult with us on packaging plans, we'd be more than pleased to meet with you and talk about your plans. We can also consult with some of our experts to run some samples through the system.

11. Regarding the issue of packaging decisions; I appreciate everything that Stewardship Ontario is doing in terms of wanting to meet with stewards when they're making their decisions, but of course it has to be acknowledged that while I appreciate Stewardship Ontario's mandate is Ontario, for many stewards packaging decisions are made for the North American marketplace. They are not made for province-specific. So what is Stewardship Ontario doing in terms of engaging with the other stewardship agencies in Manitoba and Quebec to at least collaborate and put that information together if you are going to provide that info to stewards to help them make those decisions?

We engage quite frequently with EEQ in particular on these sorts of issues. They do a lot of work and research in this area. If issues arise, we make a point of connecting with our colleagues in other programs.

That said, recycling supply chains differ not only from province to province but from municipality to municipality. That's also part of the problem, so we are engaging with as many sources of knowledge as possible with regards to our supply chain to advance it as much as possible. Some packaging decisions are made globally, and that's why we would not presume to tell stewards what packaging choices to make. All we can do is engage the network of knowledge as best we can and tell our stewards in Ontario what we know about our supply chain in Ontario and about what's happening elsewhere. It's not an easy problem to solve, but the more information we have and the more information we share, the more likely it is that the best decisions will be made.

What we don't want to happen is for a steward to be surprised when launching a new product with brand-new packaging that somebody has told them is not a problem from the recycling point of view, only to discover when they introduce the product in Ontario there is a problem. So the more stewards can tell us about what their plans are, the better we can prepare you for that product introduction in Ontario.

12. On Page 5 of the [notes for information session document](#), could you explain where the concept of discount comes from; the discount factor in the negotiations with the municipalities?

It is just the difference between the reported costs and the number we negotiate.

13. Am I to understand lighter density packaging as meaning everything is going polystyrene? I'm assuming that is not what you're referring to?

There are gradients of density depending on the material. For example, newspaper is really heavy, water bottles are really light. There are two significant trends in the

packaging that affect system costs. One is that generally packaging is getting lighter. Given that recycling is a throughput business that is measured in tonnes, lighter packaging affects the cost per tonne. The other increasingly important factor is the weight per “unit of sort”. Hypothetically speaking, if 10 kilograms of materials go through a conveyer belt, and those 10 kilograms are made up of 100 units, the system required to sort out 100 units of that 10 kilograms is very different than the system required if it took 1,000 units to make up those 10 kilograms. The number of sort units per kilogram is also a driver of cost in the system. The numbers you see are a reflection of both of those factors. They are an estimate at this point; we intend to improve this information over time in order to further refine how we allocate costs amongst the various material categories.

- 14. In the 2012 Fee Calculation tables there was a significant spike in gross costs associated with “telephone books” not in line with gross costs of Magazines and Catalogues nor Other Paper. Previous fee calculations tables showed that directories had costs similar to Other Paper and Magazines and Catalogue sub-categories. Indeed, from 2003 to 2009, the gross costs for phone books were apparently 50% of the gross costs of Magazines and Catalogues and 50% of the gross costs of other papers. Can you explain why and how the methodology changed in 2010, 2011 and 2012 and what is recently causing the gross costs of the directory category to increase above and beyond the other printed paper subcategories?**

The cost determination methodology to set fees has not changed, but it is driven by the results of our annual research . Stewardship Ontario conducts third party bale audit sampling each year to inform the composition of Blue Box materials found in each type of bale. For the telephone book category, over 95 per cent of its Blue Box capture is generally found in Old Newspaper (ONP) and hardpack bales (mixed bales of corrugated cardboard and paper board), to varying degrees. Each year, this composition changes, based on the amount of telephone books tracked to each type of bale. Each of these bale types also have a differentiated cost to handle, with hardpack being the most expensive. This year’s data showed a higher than usual allocation of telephone books were attributable to hardback bales. In addition, all the costs were updated based on the new Activity Based Costing (ABC) study, and a higher portion of telephone books were attributable to ONP8 and ONP6 and less to hardpack. For the “other printed paper category”, higher volumes were attributable to ONP 8 bales than previous years.

- 15. Can you elaborate on the following quote “The 2012 (ABC) study revealed that the printed paper category should be allocated a greater share of costs, leading to a significant increase in fee amounts for all printed paper categories”? What factors or new activities are causing this revaluation?**

Until this year we had been using density data that to some extent dated back to 1993. This year, as part of our ABC study, we commissioned research that provided us with

up-to-date and accurate density data. In general, we found lighter densities, which create more volume, which in turn attracts more total system handling costs. Our research also demonstrated that there is a higher proportion of paper vs packaging as compared to the results of our 2008 study.

16. Will the results of the ABC study and the bale and curbside audits be made available to stewards?

Yes, Stewardship Ontario intends to provide stewards with a summary of the results of our studies. Watch your in-box for details.

17. Is there data to show which MRF/facility is restricted from certain materials versus others, or an assessment of the technical capabilities of the jurisdictions?

In 2011 the WDO conducted a study, available [here](#), which looked at the capacity and capability of the Ontario MRFs.

18. If a producer used a packaging material from a material not on the proposed 2013 fee schedule, what are the implications for the steward? For disrupter plastics, does the steward face penalties? Is the steward exempt from fees?

If a producer used material not designated by the *Waste Diversion Act* such as wood, ceramic, crystal, rubber and leather, then they are not obligated to report and pay fees on that material.

With respect to disrupter plastics, stewards are required to report their disrupter plastics because Stewardship Ontario is seeking data on their use in the market place. The fee rate attached to disrupter plastics is the same rate applied to the “Other Plastic Packaging” subcategory.

19. The ABC Study reports that the cost landscape is shifting across the whole basket of goods resulting in printed papers taking a larger share. What are the drivers behind this shift, e.g., declining newspaper or other printed paper tonnage?

The study showed us that, among other things, more labour on the line and new processing equipment used to refine the sorting of paper has contributed significantly to cost increases since the last ABC Study was conducted in 2008. Also, as discussed above, until this year we had been using density data that to some extent dated back to 1993. This year, as part of our ABC study, we commissioned research that provided us with up-to-date and accurate density data. In general, we found lighter densities, which create more volume and more handling which drives labour costs. Our research also demonstrated that there is a higher proportion of paper vs packaging as compared to the results of our 2008 study.



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20. How do you foresee using the \$900,000 designated for promotion and education, e.g., is it an additional buy of ad space, over and above the municipalities' in-kind newspaper allocation, or is it to be used for some other purpose?

That money will be used to for a variety of campaigns, not least of which will be continued partnerships with municipalities interested in being part of our "Plastics Is In Campaign" to continue to improve the capture rate of mixed plastics in the residential Blue Box stream. Municipalities interested in participating are encouraged to contact Stewardship Ontario at 1-888-288-3360 or WeRecycle@StewardshipOntario.ca.