

Summary of Feedback to May 31, 2012 Blue Box Fee Setting Methodology Consultation

Stewardship Ontario received twelve submissions from the steward community, many of them from the industry associations that represent the steward community. From those submissions we found that there seems to be a general consensus on the following points:

- Simplify fee setting methodology
- Eliminate cross-subsidization: formula should more accurately reflect actual cost to manage each material
- No fee increases
- Do not consider Life Cycle Analysis of packaging materials
- Simplify allocation of common costs
- Encourage consistency of materials collected across municipalities
- Harmonize with other provinces.

There was a more mixed opinion on the following items:

- Collect broadest range of materials possible/Keep next least cost tonne.
- Fully disaggregate material categories
- Do not reward recycled content/Yes provide credit.
- Some said the three factor formula unfairly penalizes high performing materials
- There was little feedback on calculating revenue on a three-year rolling average, but those who responded said it should be maintained.
- Some said newsprint should not be permitted to fulfil obligation with in-kind contribution
- Some said questions were difficult to answer and would like to see actual options to analyze
- The desire for consumers to be aware of industry's contribution to blue box costs was expressed.

A summary of the answers to Stewardship Ontario's questions, with sample quotes, is provided below:

- 1) Are there modifications that we can make to the three factor formula that represent 'continuous improvement' toward our ultimate goal of sharing costs fairly and equitably, while also acknowledging efforts stewards are making toward the overall sustainability of their businesses and supply chains?

Most respondents would like the formula to more accurately reflect the actual cost to manage each material through the system. Most believe that the three factor formula is too complicated and need to better understand what the implications of altering it would be on the fee schedule, or do not understand the three factor formula sufficiently enough to suggest revisions. Many expressed the view that any change in the formula should not result in increased fees. Some stewards believe that there is an inherent inequality in the formula due to regulation 101/94 which requires municipalities to collect certain designated materials – most of which are achieving a 60% recovery rate. Stewards say they have no influence over what additional materials municipalities choose to collect and so do not have access to the same breadth of collection and are therefore always going to have a lower recovery rates and higher fees.

"...would like to see fees focused more on recovery rate and system costs rather than equalization fees..."



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"...need more detailed information on what specific modifications might be done and how it would impact stewards."

"...all the material designated under the regulation have achieved the targeted 60% recovery rate. While those materials not designated under the regulation are often labeled as problematic and assigned higher fees."

- 2) Should the 'next least-cost tonne' be replaced with an approach that actively supports recycling of the broadest range of materials, and incents municipalities to collect and process a broader and more consistent list of blue box materials?

The response to this question was mixed. Stewardship Ontario heard both full support for continuance for next least cost tonne approach and also strong views in support of encouraging or inciting municipalities to collect a broader and more consistent range of materials.

"...yes, replace with broadest range of materials; government should mandate consistent and broad range of materials for collection."

"Fully support continuance of least cost tonne. Will have greatest long term impact on managing system costs and expanding range of material."

- 3) Should we do more to reward materials that achieve a substantial improvement in recycling performance?

Stewardship Ontario heard a resounding NO to this question. Most stewards believe that the three factor formula already does that work. Some stewards noted that the fees should reflect actual cost of managing material.

"...fees should be linked to the actual costs of the materials managed..."

- 4) Should the amount of the 'reward' be influenced by the extent to which the improvement in recycling performance contributes to the overall performance of the blue box system?

Again, a resounding NO from stewards on this question, echoing the responses to question #3 that the three factor formula already takes this into consideration.

"...higher performing materials will exhibit lower net costs and lower fees. Therefore the performance reward is inherent in the fee calculation without application of a subjective metric..."

- 5) Alternatively, should a material that improves performance be expected to achieve a specific threshold (e.g. 20%, 30% or more) before realizing a "reward"?

Echoing the responses to questions #3 and #4, stewards by and large agree that the three factor formula already addresses this.

"...fees should reflect actual cost of managing the material"

"..WDA requires that fees paid by stewards should fairly reflect the cost of managing those materials"

- 6) Should we consider a new 'disposal' factor that directly reflects the benefits achieved from enhanced diversion performance. i.e., amount of landfill space saved? The disposal factor is an alternative to the traditional



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way of evaluating recycling performance based on weight. It instead would use cubic volume to assess how much landfill will be consumed.

Stewards were unanimous in rejecting a disposal factor stating that it would add complexity to the formula, would cause administrative burden and would not be aligned with other provincial programs.

"... there would be incremental burden on stewards to measure cubic volume rather than current weight and there will be confusion as to how to best define volume...."

7) Should material aggregation continue to be an aggregation of similar materials, or should we instead look to aggregate materials with similar performance, regardless of material type?

a) Should materials be grouped and assessed based on recycling performance and maturity of markets? For example, should the formula reward materials with most established and stable materials in terms of infrastructure and end markets while allocating more costs to materials with less developed infrastructure/ end markets?

b) Alternatively, should materials be grouped based on revenue trends? For example, should materials with the highest growth in revenue/ tonne be rewarded at the expense of materials with flat or declining market value?

c) Alternatively, should materials be grouped based on their performance trend where materials with the highest growth in recycled tonnes are rewarded at the expense of those with flat or declining rates in recycled tonnes?

On the question of aggregation, Stewardship Ontario heard from stewards that they would like to see more disaggregation so that fees for each material type are based on the actual net costs of managing that material. Stewards are seeking a better understanding of what they view as "arbitrary cross-subsidization" through the three factor formula.

"...pursue more disaggregation to ensure cost accuracy and fairness..."

".. fees should be based on the actual costs for managing the material regardless of groupings"

8) Should packaging innovation beyond end-of-life be rewarded e.g., lower carbon and water footprints? If yes, what should be rewarded? If yes, would stewards be willing to report requisite data to Stewardship Ontario and cover additional administrative costs?

Stewards are in agreement that the introduction of a life cycle assessment factor into the fee setting formula goes well beyond the scope of the blue box program and would add too much complexity to the fee setting methodology. In addition there is little or no agreement on an appropriate and recognized approach to LCAs.

"No, Stewardship Ontario should focus on core business of waste diversion and not expand scope into other areas".

"...LCAs based on industry averages. If Stewardship Ontario chooses to reward innovation should be based on calculated attributes, not life cycle indicators."

9) Should Stewardship Ontario consider rewarding percentage of recycled content? If yes, would stewards be willing to report requisite data to stewardship Ontario and cover additional administrative costs?

Steward feedback was mixed on the issue of crediting stewards for use of recycled content. Some stewards believe that use of recycled content should be rewarded because it expands the market for recycled material



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which is a goal of the Blue Box Program. Others support a credit for recycled content but only if consistent with other provincial programs (EEQ).

However, most respondents believe that rewarding recycled content would be unfair because that option is not available to all stewards due to technical or regulatory issues and/ or because it would add complexity and does not impact material recycling rate.

“..we recommend rewarding stewards that are engaged in ‘closed loop’ system.

“no, adds complexity and cost and the municipal cost does not change if package is made from recycled content.”

10) Rather than consider making the formula more complex (which all preceding questions presume), should Stewardship Ontario instead focus on making the formula simpler? Should we use fewer variables? If so, what would they be? Should we eliminate the three-year rolling average? Should we apply calculations less frequently; e.g., every two or three years?

Generally stewards expressed a desire to better understand the three factor formula. There is a sense that the three factor formula assigns arbitrary costs to different materials. Also stewards do not have a clear understanding of how the common costs are allocated and would like to see more transparency in these calculations. Some stewards would like to see a two factor formula and have the material revenues allocated to materials after the three (or two) factor formula is applied. There was little feedback on the three year rolling average, but those who responded suggested that it be maintained.

“Would like to see a simpler formula that minimizes burden on stewards.”

“Simplify by eliminating equalization factor and move to 2 factor formula”.

Thank you

Stewardship Ontario would like to thank everyone who made the time and effort to provide comments in response to our May, 2012 Fee Setting Methodology consultation.

July 20, 2012.