


Slide 1

Stewardship ONTARIO

Presentation of Preliminary 2009 Fees for Blue Box Stewards


September 12, 2008
Joyce Barretto, CEO




Slide 2

Welcome!

- In person ~60
- Webcast audience ~50
 - slides advance automatically
 - enlarge slide
 - volume control
 - email box for questions/comments left of slide screen
 - use at any time
 - please include name & affiliation
- Archived webcast available




Volume control



Slide 3

Today's Agenda: Blue Box Focus


- ♦ Stewardship Ontario key updates
- ♦ Blue Box Program Plan overview
- ♦ Preliminary stewards' Blue Box fees for 2009
 - questions & comments
- ♦ Break
- ♦ Proposed changes to 2009 Blue Box Rules & reporting requirements
 - questions & comments
- ♦ Concluding remarks



Slide 4

Stewardship Ontario


- ♦ Industry Funding Organization (IFO) established under the *Waste Diversion Act* (2002)
- ♦ Charged with developing, implementing & managing two stewardship programs:
 - Blue Box Program Plan (BBPP)
 - Municipal Hazardous or Special Waste (MHSW) Program Plan



Slide 5

Stewardship Ontario Programs



- ♦ 2003—*Blue Box*
 - packaging & printed material introduced into Ontario (ON Reg. 273/02)
 - managed through municipal recycling programs
- ♦ 2008—*Municipal Hazardous or Special Wastes*
 - wide range of products (ON Reg. 542/06)
 - managed through municipal MHSW programs & through commercial & institutional collection programs



Slide 6

2 Programs; 1 Organization

- ♦ Distinctly different stewardship programs
 - Printed Paper & Packaging in municipal waste stream
 - residuals & related packaging that require separate management
- ♦ Material streams, collection & processing requirements & funding formulas differ

Slide 7

Blue Box Program Highlights

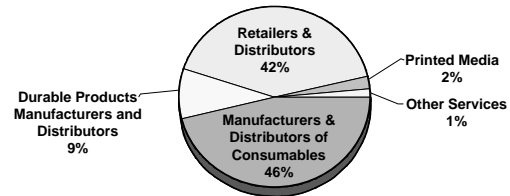
- ◆ 5 years successfully discharged members' legal obligations under *Waste Diversion Act* (WDA); stewards at 50% share of net program costs
- ◆ Keeping combined administration costs of Stewardship Ontario & Waste Diversion Ontario (WDO) under 5% of total program costs
- ◆ Successful partnerships with municipalities to improve effectiveness & efficiency of municipal Blue Box (BB) programs



Slide 8

Profile of Blue Box Stewards

- ◆ 1,380 registered stewards in 2008
- ◆ Fee contribution by sector



Slide 9

Blue Box Steward Contributions

- ◆ Over first 5 years:
 - \$191M: direct cash payments to municipalities
 - ~\$7M: "In-kind" advertising space
 - \$19.75M project grants to improve effective & efficiency of municipal recycling programs



Slide 10

Annual Tonnes of Blue Box Material Recovered

Year	Tonnes Recovered	Estimated Recovery Rate
2001	693,547	45%
2002	726,718	46%
2003	779,844	53%
2004	823,635	55%
2005*	786,947	57%
2006*	850,975	64%
2007*	865,969	63%

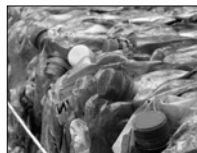
*Figures do not include wine & spirit containers on deposit in Ontario



Slide 11

BBPP—A Continuous Improvement Program

- ◆ Continuous Improvement Fund
- ◆ Recyclers' Knowledge Network
- ◆ Market Development



Slide 12

Continuous Improvement Fund (CIF)

- ◆ Agreement among Stewardship Ontario, WDO, Association of Municipalities of Ontario (AMO) & City of Toronto to allocate 20% of stewards annual financial obligation to municipalities to:
 - support diffusion of municipal BB recycling Best Practices
 - make strategic investments in collaboration with municipalities toward improving system performance
 - reduce future net system costs

www.wdo.ca/cif



Slide 13

Recyclers' Knowledge Network (RKN)

- ◆ Completely up-to-date online source of municipal recycling information
- ◆ User-friendly resource for recycling 'Best Practices'
- ◆ Likely future site for expanded online recycler training



www.recyclersknowledgenetwork.ca



Slide 14

Market Development

- ◆ Overcome barriers to recycling—provide capacity & increase value
- ◆ Glass—\$2.5M investment paid by glass stewards
 - 8 projects including new glass processing plant
 - due to open October 2008
 - \$10M savings in glass processing over 5 years
- ◆ Plastics—\$2.4M investment paid by plastics stewards
 - details later in presentation



Slide 15

New Program Report: MHSW

- ◆ Phase 1 launch: July 1, 2008
 - 300 stewards registered to date
- ◆ 9 materials; 3 "return channels"
 - automotive, commercial, municipal
- ◆ Double diversion rate of these materials within 5 years

Phase 1 Materials

- ◆ Paints & coatings
- ◆ Solvents
- ◆ Oil filters
- ◆ Oil containers
- ◆ Single use dry cell batteries
- ◆ Antifreeze
- ◆ Pressurized containers
- ◆ Fertilizers
- ◆ Pesticides



Slide 16

MHSW Phase 2

- ◆ Due March 2, 2009
- ◆ Materials:
 - all batteries, except lead acid batteries from vehicles
 - aerosol containers such as hair spray containers
 - portable fire extinguishers
 - fluorescent light bulbs & tubes
 - switches containing mercury
 - thermostats, thermometers, barometers, other measuring devices that contain mercury
 - pharmaceuticals
 - sharps, including syringes



Slide 17

MHSW Phase 3

- ◆ Due August 31, 2009
- ◆ Final phase of amended program includes addition of all other remaining materials ("Phase 3") that meet definition of "municipal or hazardous waste" in provincial regulation



Slide 18

Wrap-Up

- ◆ More information
 - website: www.stewardshipontario.ca
 - e-newsletter: *Need-to-Know*
- ◆ Provide your opinion about today's presentation
 - form on table



Slide 19



Preliminary BBPP 2009 Fees

Derek Stephenson, Program Manager



Slide 20

Topics

- ♦ Determining Stewards' Fees for 2009
 - timeline; financial obligation to municipalities; program delivery & administration costs; preliminary 2009 fees
- ♦ Policy Issues
 - fee-setting methodology; overcoming barriers to performance; managing 2008 surplus; BB containers for Municipal Hazardous or Special Materials (MHSM)
- ♦ Review of fees over past 5 years



Slide 21

Timeline for Setting 2009 Fees

August 1	WDO informs Stewardship Ontario of stewards' obligation for 2009
Sept 12	Stakeholder information session on preliminary fees
Sept 26	Deadline for comments to Stewardship Ontario
Oct 8	Stewardship Ontario Board review & set final fees
Oct 22	WDO Board approval of fees



Slide 22

Summary of Fee-Setting

Fees comprised of:

- ♦ External costs charged to Stewardship Ontario:
 - 50% of verified municipal net system cost
 - including allocation to CIF & in-kind advertising
 - projected WDO charges
 - projected Ministry of the Environment (MOE) enforcement costs

Plus

- ♦ Costs directly incurred by Stewardship Ontario:
 - projected administration
 - projected program delivery costs
 - material-specific market development fees (if any)
 - recovery of any shortfall or credit for any operating surplus



Slide 23



2009 Material-Specific Fee Calculations

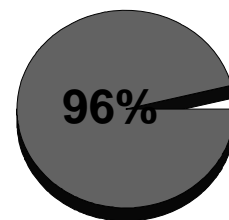
Liz Parry

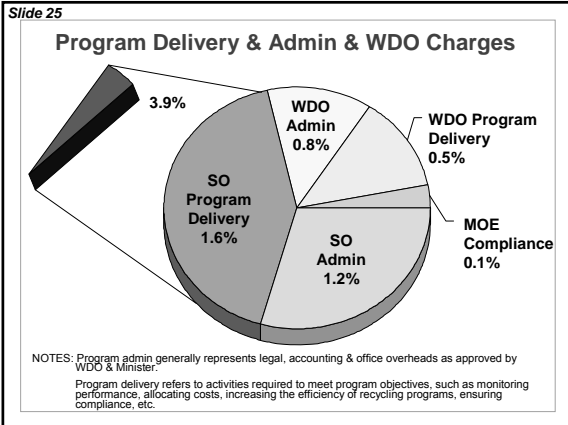


Slide 24

Largest Component of Fees

- ♦ Industry financial obligation to municipalities represents 96% of fees





Slide 26

Blue Box Material Recovery

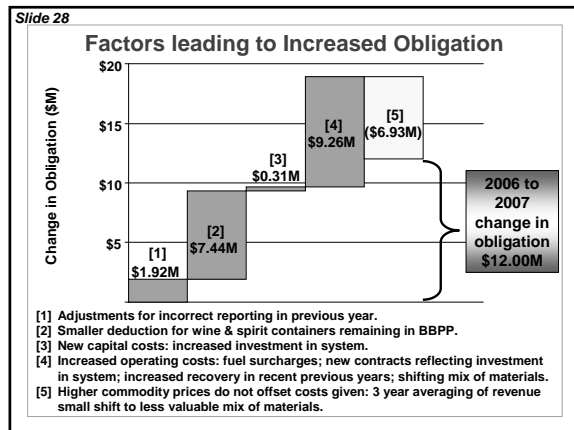
Tonnes	2006	2007	Year Over Year Change	
Overall Recovered	943,000	903,000	(40,000)	-4%
Net of LCBO	851,000	871,000	20,000	2%

- Drop in overall reported recovery due to diversion of LCBO containers now returned through deposit system.
- Recovery of remaining BB materials relatively flat
 - increased by about 2% in 2007 over 2006, compared to 4% to 7% in past years
 - population & households increased by about 3%
- Overall recovery rate (excluding LCBO deposit containers) remains at about 63%

Slide 27

Municipal Obligation for 2009

Obligation for 2009	\$78.5M
Obligation for 2008	\$66.5M
<i>Difference (+18%)</i>	<i>\$12.0M</i>



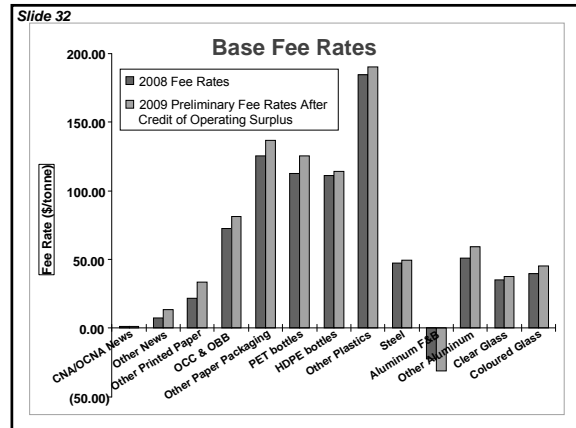
- Slide 29**
- ### Material-Specific Increases (1)
- All fee rates increase with overall increase in financial obligation to municipalities
 - Change in obligation affects materials differently due to fee-setting formula
 - type of material: easier-to-recycle materials have higher recovery rates & lower cost to manage have relatively lower fee rates
 - commodity value: higher revenues lower net cost for that material which results in a lower fee
-

- Slide 30**
- ### Material-Specific Increases (2)
- Therefore, the material-specific changes primarily relate to:
 - relative quantity of material recovered
 - affect of commodity prices on the cost
 - relative percentage of each material recovered (recovery rate)
 - Fee rates are affected by amount of material introduced into Ontario market
-

Slide 31

Factors Contributing to Increase in Obligation

Material	Tonnes Recovered	Net Cost	Recovery Rate	Tonnes Reported by Stewards	Result
Printed Paper	↓	↑	↑	↓	Relatively large increase
Paper Packaging	—	↑	—	—	In line with overall increase
PET	—	↑	↓	↓	In line with overall increase
HDPE	↓	↑	↓	↓	Relatively small increase
Other Plastics	↑	↑	↑	↑	Relatively small increase
Steel	↑	—	↑	—	Relatively small increase
Aluminum	↓	—	↓	—	Relatively large increase in credit
Glass	↑	↑	↑	—	Relatively small increase



Slide 33

Preliminary Stewards' Fee Rates for 2009

Material	2008 Fees		2009 Preliminary Fees	
	Fee Rates (¢/kg)	Fee Rates (¢/kg) ¹	Fee Rates (¢/kg)	Fees (\$) ²
CNA/OCNA Newsprint	0.148	0.133		\$347,022
Other Newsprint	0.764	1.332		\$1,961,184
Other Printed Paper	2.182	3.373		\$4,820,385
OCC & OBB	7.252	8.115		\$20,975,849
Other Paper Packaging	12.534	13.696		\$5,651,483
PET Bottles	11.238	12.560		\$6,069,735
HDPE Bottles	11.135	11.406		\$2,539,465
Other Plastics	18.449	18.990		\$26,523,822
Steel	4.744	4.955		\$2,849,038
Aluminum Food & Beverage	(2.215)	(3.116)		(\$834,143)
Other Aluminum Packaging	5.095	5.912		\$188,593
Clear Glass	3.529	3.758		\$2,860,223
Coloured Glass	3.976	4.537		\$419,707
Total Blue Box Program Fees ³	\$66,605,943			\$74,372,363
CNA/OCNA In-Kind Contribution	\$1,829,057			\$3,396,745

1. Fees are not final pending on-going review of stewards' reports expected to result in higher reported tonnes before fees are finalized in October. Therefore total Blue Box program costs could be spread over a larger base of tonnes, leading to reduce fee rates.
2. Fee rates include a \$4.9 M credit (5%) for the projected operating surplus for 2008 (after the restricted reserve) that is attributable to each material.
3. Total Program fees includes financial obligation to municipalities of \$75.5M & projected program delivery & administration costs.

Slide 34

Stewardship ONTARIO

Fee-Setting Policy Considerations

Guy Perry

- Slide 35**
- Key Policy Considerations**
- ♦ Annual review of fee-setting methodology
 - ♦ Market development investments
 - ♦ Allocation for 2008 surplus fees
 - ♦ Minimizing future surpluses
 - ♦ Reconciling containers managed under both BB & MHSW Programs
-

- Slide 36**
- Fee-Setting Methodology**
- ♦ Changes made to factor weightings for 2008 fees
 - in 2007, changes were made to dis-aggregate fee rates for plastic & paper packaging
 - ♦ Agreement to review weightings annually
 - ♦ **No change recommended for 2009**
 - reasons:
 - significant system cost increase
 - allow time for recent changes to work through system
 - implementing plastics market development initiatives
-

Slide 37

Market Development Investments

- ◆ For some materials—barriers to increasing recovery & to lowering cost of recycling
- ◆ Provision to include additional material-specific fees to overcome barriers
 - paid by stewards of affected materials
- ◆ Initial focus on glass (\$2.5M)—years 2 & 3
- ◆ For 2008, \$2.4M market development fees to increase plastics recycling—plastics stewards



Slide 38

2-Track Blue Box Plastics Plan

- 1) Optimize recovery of highest value plastics via BB
 - "All Bottle Plus" demonstrations (potential 15% lift)
 - conducted initial demonstration in Brockville in June
 - follow-up research underway
- 2) Technology investment opportunities for range of plastics
 - REOI to RFP for range of solutions
 - REOI used to ensure activities provide best return for stewards
 - issued REOI in June, interviews in July-August
 - developing next steps to RFP



Slide 39

Market Development Fees for 2009

- ◆ Recommendations:
 - no additional market development fees for 2009
 - Board to undertake strategic review of Stewardship Ontario market development needs across all materials



Slide 40

Management of Surplus for 2008

- ◆ Projected 2008 surplus available: \$4.9M
 - new stewards found
 - penalties & interest
 - conservative budgeting
- ◆ Recommendation:
 - continue with current policy of:
 - maintaining restricted reserve of \$3.5M
 - apply remaining surplus to reduce fees in following year



Slide 41

Minimizing Surplus for 2009 (1)

- ◆ Not possible to project with 100% accuracy total quantity of BB material in next program year
- ◆ Current practice is to divide projected current year costs by steward reported tonnes in previous year
 - no allowance made for projected growth or change in material mix, due to lack of data



Slide 42

Minimizing Surplus for 2009 (2)

- ◆ Consideration given to alternative of incorporating projected modest growth rates into estimates of obligated material likely to be reported next year
 - resulting in lower fee rates (\$/tonne)
 - not recommended at this time—still no clear generation trends & risk of financial shortfall
- ◆ **Board support to continue with current practice**



Slide 43

Blue Box Containers for MHSM

- ♦ Addendum to MHSW Program Request Letter states:

“Potential fees should...not [apply] to a different program developed by WDO (i.e. Municipal Hazardous or Special Material containers managed under the blue box program).”
- ♦ MHSM fees:
 - effective July 2008 with payments commencing October
 - fees effective for 18 months—2008 & 2009
 - synchronized with BB fee-setting in 2010
- ♦ Some BB stewards will pay fees both for BB containers & for MHSM



Slide 44

Reconciliation of Costs for MHSM Containers

- ♦ Program in which fees paid will reflect market in which majority of MHSM sold (residential vs IC&I) & sector through which majority of containers managed (BB vs MHSW)
- ♦ Identifiable costs incurred to manage BB containers within MHSW program will be reimbursed by BB program & vice versa
- ♦ Measurable recovery of BB containers within MHSW program will be credited to BB program & vice versa
- ♦ Ensure administrative simplicity, transparency & minimize arbitrary allocations



Slide 45

2009 BB Fees for MHSM Containers

- ♦ BB containers which contain MHSM will continue to pay BB stewards' fees in 2009
- ♦ BB containers for paint, solvents, antifreeze, pesticides & fertilizers sold into consumer market
 - will pay 2009 BB fees
- ♦ Oil containers, specifically designated as MHSW will not pay BB fees in 2009
 - no BB stewards fees for oil containers in 2009
 - credit for BB fees for oil containers July-December 2008
 - stewards may apply for an adjustment to their 2008 Steward's Reports
 - send email to pgill@stewardshipontario.ca



Slide 46

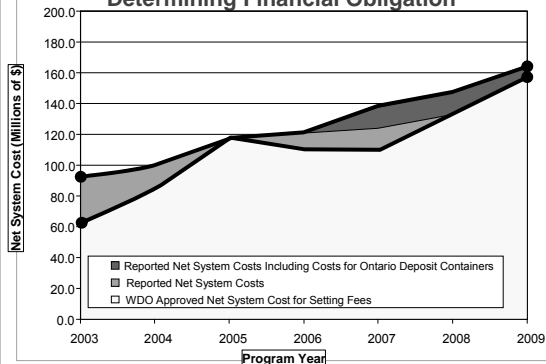


Review of Blue Box Program Plan Fees Over 5 Years



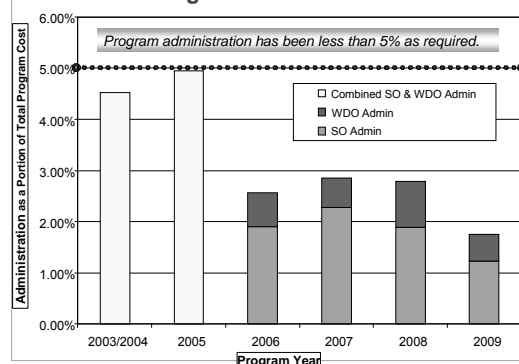
Slide 47

Determining Financial Obligation



Slide 48

Program Administration



Slide 49



Summary & Next Steps

Derek Stephenson



Slide 50

Preliminary 2009 Fees

External costs charged to Stewardship Ontario:

Verified municipal net system cost (includes allocation to CIF & in-kind advertising)	\$78.5M
Projected WDO charges	\$0.8M
Projected MOE enforcement costs	\$0.1M

Plus

Costs directly incurred by Stewardship Ontario:

Projected program administration	\$1.4M
Projected program delivery costs	\$1.8M
Material-specific market development fees	none
—Board to review strategic needs & options	pending
Credit shortfall for operating surplus	-\$4.9M

Total	\$77.7M
--------------	----------------

Slide 51

Comments

- ◆ Deadline: September 26
 - consultation slides & detailed calculations posted on Stewardship Ontario website
- ◆ Send comments to: comments@stewardshipontario.ca
- ◆ Board will review comments & finalize fees on October 8
- ◆ WDO Board consideration & approval of fees on October 22
 - note fees no longer require Minister's approval



Slide 52



Questions & Comments



Slide 53



Break



Slide 54



Proposed Changes to 2009 BBPP Rules

Paul Gill



Slide 55

Key Changes

- ◆ Annual date changes
- ◆ Clarification change—designation of stewards
- ◆ Publishing names of notified companies
- ◆ New material reporting categories



Slide 56

Annual Date Changes

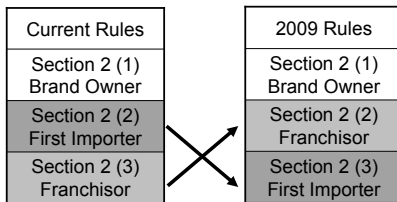
- ◆ Change addressed in sections:
 - Section 1 – defines year for basis of Steward's Report
 - Appendix B – Form of Steward's Report
 - Appendix C – Payment Schedule



Slide 57

Designation of Stewards (1)

- ◆ Revise order of First Importer & Franchisor



Slide 58

Designation of Stewards (2)

- ◆ Modify Section 2 (3)
 - *In the event that there is no Brand Owner or Franchisor, a First Importer is designated as a steward...*
 - clarify that a steward is only designated as a First Importer if a Brand Owner does not exist
- ◆ No changes to designation of a steward



Slide 59

Publishing Names of Notified Companies

- ◆ Change addressed in section 10 (6):
 - *Stewardship Ontario may publish on its website the names of those persons to whom, in 2008 and 2009, it sent written notice of how to obtain a copy of the Rules pursuant to the Waste Diversion Act 2002*
 - aid stewards in identifying their obligation



Slide 60



Proposed New Material Reporting Categories for 2009



Slide 61

Background (1)

- ◆ Stewards report kilograms of designated BB wastes they introduce into the Ontario market & manage as municipal waste
 - 24 sub-categories of packaging & printed materials
- ◆ Stewards report on methodology used, deductions, brands & additional comments
- ◆ Continued packaging innovation leading to
 - introduction of new materials & packaging formats
 - differential recycling & management costs



Slide 62

Background (2)

- ◆ May 2008 letter from AMO highlighted “problem packaging”
 - non-recyclable & contaminants, difficult to identify & sort, and large sizes
 - used to support AMO position paper on revised BB funding
- ◆ Stewards concerned about differences in reporting requirements between Stewardship Ontario & Éco Entreprises Québec (ÉEQ)



Slide 63

Objectives of Proposed Changes

- ◆ Track packaging changes that may impact program costs & recovery performance
- ◆ Provide additional data to better inform Board decision-making on emerging policy & program issues
- ◆ Promote greater harmonization of stewards reporting requirements in Ontario & Quebec
- ◆ Board commitment to monitor impact of steward fees



Slide 64

Current Plastic Sub-Categories

PET bottles	12.560 ¢/kg
HDPE bottles & jugs	11.406 ¢/kg
Polystyrene	18.990 ¢/kg for each of these materials
Other rigid plastics	
LDPE/HDPE film	
Plastic laminant	
Natural & synthetic textiles	



Slide 65

Summary of Proposed Changes

- ◆ Biodegradable plastic film & biodegradable rigid containers
- ◆ Plastic containers >5 litres
- ◆ LDPE/HDPE carry-out bags
- ◆ Request additional information from stewards



Slide 66

Biodegradable Plastic Film & Rigid Containers (1)

- ◆ Proposed additions
 - biodegradable plastic film
 - biodegradable rigid plastic containers
 - ◆ Rationale for collecting this information
 - not addressed in original BBPP because not on the market
 - growing usage by brand owners & retailers
 - carry-out film bags, service packaging
- continued...*



Slide 67

Biodegradable Plastic Film & Rigid Containers (2)

- ♦ Rationale, *continued* ...
 - considered a contaminant to conventional plastic film & rigid container recycling
 - need to quantify amount entering marketplace
- ♦ Impact/challenges to stewards
 - limited number of stewards affected, but growing



Slide 68

Plastic Containers >5 Litres (1)

- ♦ Proposed additions
 - PET bottles >5 litres
 - HDPE bottles & jugs >5 litres
 - Other rigid plastic containers >5 litres
- ♦ Rationale for collecting this information
 - large packaging formats fill recycling containers & collection vehicles faster, leading to increased collection costs

continued...



Slide 69

Plastic Containers >5 Litres (2)

- ♦ Rationale, *continued* ...
 - some containers lost to disposal under some existing MRF configurations
 - >5 litre based on feedback from operators
 - AMO & Toronto discussing a ban or deposit on large PET water containers
- ♦ Impact/challenges to stewards
 - limited number of stewards & products affected
 - stewards may not be able to identify & report product by size



Slide 70

LDPE/HDPE Carry-Out Bags (1)

- ♦ Proposed additions
 - LDPE/HDPE carry-out bags
 - optional field for bag unit count
- ♦ Rationale for collecting this information
 - Ontario Plastic Bag Task Force MOU with Minister to reduce single-use plastic bags
 - Stewardship Ontario providing reporting & analysis for Task Force
 - weight & bags/capita are being tracked

continued...



Slide 71

LDPE/HDPE Carry-Out Bags (2)

- ♦ Rationale, *continued* ...
 - provides valuable & comparative information for the Task Force
- ♦ Impact/challenges to stewards
 - large number of stewards have carry-out bags
 - retailers typically source bags from suppliers separately from other plastic film applications
 - many retailers currently split out plastic bags in their Steward's Reports



Slide 72

Additional Information from Stewards (1)

- ♦ Proposed addition
 - text box for steward to enter waste reduction initiatives
- ♦ Rationale for collecting this information
 - allow stewards to provide information on what the company is doing to:
 - reduce packaging materials
 - select easier to recycle materials
 - utilize recycled content

continued...



Slide 73

Additional Information from Stewards (2)

- ♦ Rationale, *continued* ...
 - recommendation from Report to Minister: *Assessment of Stewards Actions in Response to Stewardship Ontario Fees*
 - monitor industry packaging & material trends
 - support analysis of potential revisions to existing fee-setting methodology if program costs increase
- ♦ Impact/challenges to stewards
 - steward choice to participate or not



Slide 74

Proposed New Material Reporting Sub-Categories

PET bottles	12.560 ¢/kg
PET bottles > 5 Litres	
HDPE bottles & jugs	11.406 ¢/kg
HDPE bottles & jugs > 5 Litres	
Polystyrene	18.990 ¢/kg for each of these materials
LDPE/HDPE film	
LDPE/HDPE film carry-out bags*	
Plastic laminant	
Other rigid plastic	
Other rigid plastic > 5 Litres	
Biodegradable rigid plastic containers	
Biodegradable plastic film	
Natural & synthetic textiles	

*Optional carry-out bags unit total

Slide 75

Comment Period

- ♦ Please review draft "Proposed Rules & New Material Reporting Categories for 2009"
 - comment on additions
- ♦ Comments due September 26
 - put "Proposed Rules & New Material Reporting Categories" in subject field
 - email to: customerservice@stewardshipontario.ca



Slide 76



Questions & Comments



Slide 77

Wrap-Up

- ♦ Email questions/comments about presentation content by Friday, September 26
 - customerservice@stewardshipontario.ca



Slide 78



Thank You!

