



Report on Stakeholder Submissions on Preliminary 2011 Blue Box Fees

October 12, 2010

Stewardship Ontario hosted a stakeholder consultation on September 16, 2010 to present preliminary 2011 Blue Box fees. The comment period was open until September 30, 2010 and comments were submitted to info@stewardshipontario.ca.

There were a total of 12 written submissions covering both general comments on preliminary fees and addressing options to revise the fee formula presented for consultation. Below is a summary of the comments and requests, and an associated response.

COMMENT/REQUESTS	RESPONSE
<p>Request to disaggregate aseptic and gable top cartons from other paper packaging (paper laminants):</p> <ul style="list-style-type: none"> ▪ There is a \$1.2 million subsidy born by Stewards of aseptic and gable top containers due to the current fee aggregation with paper laminants. ▪ Aseptic/gable top cartons have a combined recycling rate of 25% while virtually all the paper laminates are sent to landfill or screened at paper/tissue mills and sent to landfill. ▪ It has always been intent of ON MOE to link performance to fees and disaggregate materials with different material handling practices and different recycling performance to send correct price signals to producers, therefore no mitigation measures should be put in place. ▪ In the broader context of linking fees to performance; as cost continues to rise, the willingness of Stewards to support costs driven by poor performance of other materials in the same fee categories will diminish. 	<p>SO is considering the option to disaggregate aseptic and gable top containers from paper laminants, and will make a recommendation based on the principle of managing like-with-like. More specifically there are three key principles that SO will consider:</p> <ul style="list-style-type: none"> ▪ Policy: materials have a similar recycling performance ▪ Operations: Materials are handled in a similar manner in the recycling system (collection, sorting, processing, consumer awareness) ▪ Fairness: group materials to soften differences driven by data or other factors unrelated to recycling performance or operations.
<p>Request for information of how the proposed \$500 thousand market development levy on aseptic/gable top Stewards will be spent:</p> <ul style="list-style-type: none"> ▪ SO has a key role to play in supporting used cartons' markets ▪ Stewards of aseptic and gable top cartons are aware of the efforts from the carton manufacturing industry (Carton Council of Canada) to promote and develop local end-markets across Canada, and welcome those efforts in collaboration with SO. ▪ How will market development activities mitigate Stewards costs, specifically for the currently difficult to recycle materials? 	<p>SO will spend the proposed \$500 thousand market development fees to develop and implement a recycling strategy to increase diversion of used cartons in Ontario.</p> <p>These funds will ultimately bridge the gap in the supply chain of used cartons and provide viable local end-markets for used cartons to increase both the revenue for used cartons and the recycling performance.</p>

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<p>Request to better understand the cost containment measures SO has in place to mitigate large increases in fees:</p> <ul style="list-style-type: none"> ▪ Fees for aseptic and gable top cartons have increased on average 25% per year since 2006, while the net system cost went up by only 10% from 2008 to 2009. ▪ Recyclers must work hand in hand with industry’s manufacturing firms to create a robust recycling system, where SO can help set the precedent of influencing what types of materials enter the market. ▪ 10% overall increase in net cost and in particular, a 25% increase for beverage Stewards is a significant burden to absorb. 	<p>SO works with WDO and municipalities to report, verify and negotiate the cost owed by Industry to pay for municipal recycling efforts. Rather than simply accept the costs as reported, Stewardship Ontario and the municipalities have developed a protocol for determining a cost reflecting best practices. These efforts resulted in the reduction from the cost reported by municipalities of about \$8.5 million in cost in 2009</p> <p>In addition, the practice of averaging commodity revenues over 3 years has modulated the effect of the economic downturn.</p> <p>While it is true the <i>fees</i> have increased overall by 10%, the changes for individual materials may be different because of the relative recycling rates, cost and because of projected sales estimates over which the fees are spread.</p> <p>Stewardship Ontario also negotiated the extension of the Continuous Improvement Fund (CIF) for another year with a 10% contribution from Steward’s fees. These funds will be used to improve the system effectiveness and efficiency.</p>
<p>Request to review all discretionary administrative, project and programs expenses to determine what savings can be undertaken</p>	<p>This is noted. SO continually reviews all discretionary expenses included in the fees and endeavors to</p>

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<p>without jeopardizing program effectiveness</p> <ul style="list-style-type: none"> ▪ If any costs can be reasonably deferred to subsequent years, or if funds can be sourced from existing reserves, SO should undertake these measures. ▪ Cost containment is always a subject of much discussion by IFOs and Stewards, as such SO should strive to address administration, best practices and other cost drivers within this context, and should be continually examined. 	<p>establish a budget that ensures the program can be delivered in the most cost effective way.</p>
<p>Request to better understand the data used to calculate Steward fees:</p> <ul style="list-style-type: none"> ▪ SO efforts to improve and continually update the cost and recovery data used to set Stewards fees ▪ How recycling rates for gable top and aseptic containers are calculated noting most large municipal programs collect and sort a mixed polycoat product, and small municipalities mix used cartons with other fibre products. ▪ Encourage the use of broader environmental factors including life-cycle impacts associated with packaging in fee formula to provide a holistic view of the full supply chain of a package. ▪ SO efforts to setup 'away-from-home' task force to prioritize and measure potential increased diversion through cost effective channels. 	<p>Cost and diversion data are gathered every year to account for changes and additions to municipal recycling programs. In addition, SO conducts various audits to assess and verify the quantities of materials sold to market in mixed products. Adjustments to recycling rates are made to account for the ability for downstream processors to physically recycle these materials. Stewardship Ontario will continue to work with municipalities and recyclers to determine an accurate assessment of the cost of managing different materials and the associated performance.</p>
<p>Significant difference in fees for paper cups vs. other cup substrates result in incorrect price signals and could lead to market distortion:</p> <ul style="list-style-type: none"> ▪ Request to reassign paper cups to boxboard category because these cups are more than 85% fibre and satisfy the current SO product category requirements. ▪ No evidence of PS foam cups being reassigned to a different fee 	<p>Paper cups generally have a laminated coating which means they have more in common with other paper laminants. Stewardship Ontario will continue to review these categories and the effects on fees.</p>

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<p>category simply because it is a foodservice product.</p> <ul style="list-style-type: none"> ▪ If disaggregation of aseptic and gable top cartons occurs, the subsequent fee increase will only exacerbate the price imbalance. 	
<p>Fully support option to reallocate \$2 million attributed to unidentified Stewards over all printed paper fee categories:</p> <ul style="list-style-type: none"> ▪ According to “Analysis of the Free-Riding Issue in EPR Programs” prepared for the CCME in 2007, there are hundreds of thousands of small business owners and federal departments/agencies who participate in paper based mailings. ▪ A Canadian magazine Steward should not have to pay for unidentifiable Stewards portion of fees 	<p>Noted. SO will consider the merits of spreading the cost attributable to unidentified Stewards across all printed paper.</p>

Organizations that submitted questions and/or comments regarding the preliminary 2011 Blue Box fees:

- Lassonde Inc.
- Agropur (Natrel)
- Amway Global
- Carton Council of Canada
- MeadWestvaco Corporation
- Minute Maid (div. of Coca Cola Canada)
- Parmalat Canada
- PepsiCo Canada
- Refreshments Canada
- Saputo Inc.
- Sun-Rype Products
- Yellow Pages Group