Blue Box Fee Setting Process and Data Inputs

Stewardship Ontario sets steward fees each year for industry to fund their share of the Blue Box Program to recycle printed paper and packaging.

The objectives of the Blue Box Program are:

- To deliver curbside recycling to consumers with the most effective and efficient material management at all levels of the program
- Ensure the widest range of printed paper and packaging is recycled
- Make the stewards' and municipalities' experience with the program partnership as positive as possible

The objectives of the Blue Box Program fee setting process are to:

- Share all of the program costs equitably among stewards
- Provide signals and incentives to increase the diversion of all materials

The principles of the methodology Stewardship Ontario uses to set fees, are based on:

- Fees should meet the policy objectives of the WDA
- All materials will contribute to support the cost of the program
- Fees should reflect the cost of managing each material or group of similar materials in the Blue Box system
- Fees should reflect the recovery rates of each material within the Blue Box system
- There should be no arbitrary cross subsidization of cost among materials
- The fee setting process will be transparent to all stewards

The PIM (Pay-in model) is a proven and effective way to allocate the obligated costs of operating the program to stewards of the various printed paper and packaging materials, and has been in use since the commencement of the program. It has been reviewed and updated periodically to reflect the ever-changing dynamic of the Blue Box Program. It ensures that all materials share the cost of supporting the program and is consistent with the methodology used in Quebec and Manitoba.

The fee setting process contains three main stages, of which the various waste studies (Activity Based Cost Allocation Study, Curbside Material Composition Study and MRF Material Composition Study) form a major part.

The fee setting process has three broad steps:

1. Determine all program costs
2. Allocate costs to individual materials
3. Determine fee rates

Each of these steps depends on key information about the program and recycling system. These are provided by stewards and municipalities, as well as studies undertaken by third parties on behalf of Stewardship Ontario.

1. **Determining program costs** includes:
    i. The cost of municipal BB recycling programs (stewards share responsibility for the net cost of the recycling system) is calculated in the following way:
        i. Municipalities report the volume of each material managed under the Blue Box Program that they collected and marketed through the Blue Box, and also the cost incurred in doing so. This information is reported through an annual on-line survey, the Waste Diversion Ontario (WDO) Datacall
        ii. Representatives from Stewardship Ontario, Association of Municipalities of Ontario (AMO) and the City of Toronto meet to review the data and together determine a 'Best Practice' cost, which is used to negotiate the stewards' obligation to municipalities for their share of the cost of running the Blue Box Program. The agreed amount is recommended to WDO who formally approves the stewards' obligation for a given year
    ii. MOE and WDO charges for program support – The MOE provides support for compliance and enforcement and WDO provides program oversight and administers the municipal Datacall
    iii. Stewardship Ontario program costs for program delivery, including monitoring and data gathering as well as investments in program efficiency and market development if required

2. **Allocating costs to individual materials** is based on the actual cost to manage each material in the municipal Blue Box system and on the recovery rate for each material according to a three-factor formula[1]. These calculations draw on material composition studies, including:

---

[1] - 40% of the cost of the program is assigned to each material category based on how much it costs to manage each material in the system

- 35% of the cost of the program is assigned based on the recovery rate achieved by the material

- 25% of the cost of the program is assigned based on how much it would cost to manage the material, if it were recovered at a rate of 60%

i.   The results of the **Activity-Based Cost Allocation Study** of the cost of managing individual materials in municipal recycling operations

ii.   **Curbside Material Composition Study** of materials put out by Ontario residents for recycling and in the garbage

iii. **MRF Material Composition Study** of the processed recyclables sold by municipalities to re-processors

iv.   Steward reports of sales into the Ontario market

3. **Determining the fee rates** involves two steps:

i.   Spreading the costs allocated to each material over the quantity of materials supplied into the Ontario market, as reported by stewards, and

ii.   Aggregating the fee rates for some materials as applicable:, i.e. for printed paper, some paper packaging and some plastic packaging

The activity based cost allocation study, curbside and MRF material composition studies are critical components of fee setting as they inform the cost to manage each type of material, and their respective recovery rates for the purpose of setting fees.

Curbside and MRF material composition studies are undertaken every year, and the activity based cost allocation study every three or four years. This assures that fees are being set using the most recent and relevant data on municipal recycling operational costs, changes in what residents are recycling in their Blue Box and discarding in their garbage, and changes to the way materials are sorted and sold and shipped to market for reprocessing into new materials.

A description is provided of the methodology for each of three types of waste studies undertaken by Stewardship Ontario. As well, a summary is provided of the main findings for each of the studies undertaken in 2012 that in large part informed the fee setting for 2013 fees.