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Presentations on:

Proposed Changes to 2007 Rules
Preliminary 2007 Stewards' Fees
Revising the Blue Box Program Plan

August 31, 2006



Welcome!

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- ♦ In person (50+)
- ♦ Webcast audience (80+)
 - slides advance automatically
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 - use any time
 - please include name & affiliation
- ♦ Archived webcast available for 180 days



Today's Topics

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- ♦ Proposed Changes to 2007 Rules
- ♦ Preliminary 2007 Stewards' Fees
- ♦ Revising the Blue Box Program Plan (BBPP)



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Proposed Changes
to 2007 Rules

Gordon Day



Summary Comments

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- ♦ Rules reviewed each year to:
 - clarify language (e.g. co-branding 2[5])
 - address annual changes (e.g. dates)
 - "house clean" (e.g. numbering)
- ♦ After this year's court case, address areas raised by legal counsel



Key Changes

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- ♦ Key changes for 2007 Rules:
 - change in data reporting year
 - file Steward's Report on behalf of delinquent stewards
 - penalties for non-reporting



Change of Year

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- ♦ Change addressed in sections:
 - section 1 – defines year for basis of Steward's Report
 - 3(2) – describes reconciliation process
 - 6(4) – exemption process for stewards above & below \$2M
 - Appendix A – Steward's Report Form



Delinquent Steward's Reports

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- ♦ 350 stewards filed in 2005; have not reported in 2006
- ♦ Would allow Stewardship Ontario to file on behalf of stewards:
 - 4(3) – allows Stewardship Ontario to file Steward's Report, if delinquent (after July 31)



Penalties for Non-Reporting

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- ♦ Create penalties for non-reporting
 - 5(3) – 10% penalty based on 2006
 - 5(4) – additional 20% if report filed
- ♦ Provide incentive for filing actual data
 - 5(5) – reduce penalty to 10%
- ♦ Flat fee penalty for stewards <15 tonnes
 - 5(6) - flat \$700 fee for non-reporting for stewards between 0 & 15 tonnes



Comment Period

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- ♦ Please review draft 2007 Rules
 - comment on additions
 - questions on proposed changes
- ♦ Comments due September 14
 - put "RULES" in subject field & email to: customerservice@stewardshipontario.ca



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Questions & Comments



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Preliminary 2007 Stewards' Fees

Liz Parry
Guy Perry



Overview

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- ♦ Status of fee-setting methodology
- ♦ Key components of 2007 fees
- ♦ Net Blue Box (BB) system cost
- ♦ Update on generation & recovery
- ♦ Base fee rates
- ♦ Input requested by board



Status of Fee-Setting Methodology

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- ♦ Review process - began October 2005
 - meetings: 3 Advisory Committee; 2 public stakeholder
 - initial recommendations modified, based on comments received
 - approved by WDO Board March 22, 2006
 - posted on Environmental Registry July 5 for 30 days
- ♦ Currently before Minister for approval
- ♦ Today - presenting 2 sets of fees for 2007
 - revised & previous



Key Components of Fees

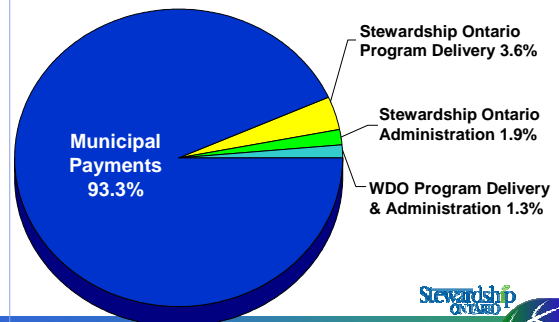
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- ♦ Base steward fees composed of:
 - payments to municipalities (93%)
 - program delivery & administration (6%)
 - Waste Diversion Ontario (WDO) charges (1%)
- ♦ Additional elements
 - adjustments for shortfall or surplus
 - discretionary market development fees



Key Components of Base Fees

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2005 Net Blue Box System Cost

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- ♦ \$138M for 2005; verified by WDO
 - up from \$113M for 2004 ≥ 22% increase
- ♦ Net cost up due to:
 - increase in tonnes recovered (8.6%)
 - previously approved revision of factor for administration (3.6%)
 - cost of living & fuel surcharges (3.7%)
 - new capital (2.4%)
 - adjustments to prior year costs (2.2%)
 - other factors, e.g. contract renewal under revised terms & lower commodity prices (1.8%)



2005 Net BB System Cost for Setting Fees

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- ♦ Net system cost offset by:
 - lag from 3-year average of material prices
 - cost band of \$14M
- ♦ Approved net cost for setting fees of \$124M
- ♦ Stewardship Ontario Obligation
 - 50% of net cost
 - \$62,017,482



Blue Box Waste Generation

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- ♦ Extensive new waste audit data
- ♦ Improved methodology
- ♦ Results in more reliable generation estimates
- ♦ 1,494,000 tonnes for 2005 (2007 fees)
 - compared to estimated 1,501,000 tonnes for 2004 (2006 fees)



Blue Box Waste Recovered

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- ♦ Reported data verified & approved by WDO
- ♦ 861,000 tonnes for 2005
 - compared to 820,000 tonnes for 2004
 - increase of 5.1%
- ♦ Overall BB recovery rate $\geq 57.6\%$



2005 Generation & Recovery

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Material	Quantity Generated (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
CNA/OCNA News	268,224	215,716	80.4%
Other News	128,657	103,380	80.4%
OMB	97,267	73,043	75.1%
OTB	21,121	16,988	80.4%
Other Printed Paper	122,082	47,383	38.8%
Total Printed Paper	637,251	456,519	71.6%
OCC	166,137	115,442	69.5%
Gabletop	15,145	2,110	13.9%
Paper Laminants	37,673	377	1.0%
Aseptic Containers	3,589	458	12.8%
OBH	127,388	67,799	53.2%
Total: Other Paper Pkg	349,932	186,185	53.2%
PET bottles	46,004	23,515	51.1%
HDPE bottles	25,689	13,328	51.9%
Plastic Film	61,616	4,985	8.1%
Plastic Laminants	25,613	256	1.0%
Polystyrene	22,544	394	1.7%
Other Plastics	44,538	3,584	8.0%
Total: Plastics	226,404	46,083	20.4%
Food & Beverage Cans	47,668	31,434	65.9%
Aerosols	3,957	1,040	26.3%
Paint Cans	6,702	1,164	17.2%
Total: Steel	58,327	33,638	57.6%
Al Food & Beverage Cans	22,890	10,842	47.4%
Other Aluminum Packaging	3,648	310	8.5%
Total: Aluminum	26,538	11,152	42.0%
Food and Beverage - Flint	124,073	80,949	65.2%
Food and Beverage - Coloured	71,712	46,787	65.2%
Total: Glass	195,785	127,736	65.2%
Total Packaging	987,114	218,610	22.1%
Grand Total	1,494,297	861,313	57.6%

Proposed 2007 Program Delivery & Administration Costs (1)

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- ♦ Total of \$3.6M (5.5%)
 - program delivery \$2.4M
 - administration \$1.2M
- ♦ Increase of \$0.5M (16%) over 2006
 - subject to review & approval by board



Proposed 2007 Program Delivery & Administration Costs (2)

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- ♦ Increase primarily due to:
 - additional staffing requirements
 - Best Practice costs for fee setting
 - E&E Fund project management
 - compliance & enforcement
 - financial controls
 - Ruling on removal of GST from fees
 - removal of Input Tax Credits

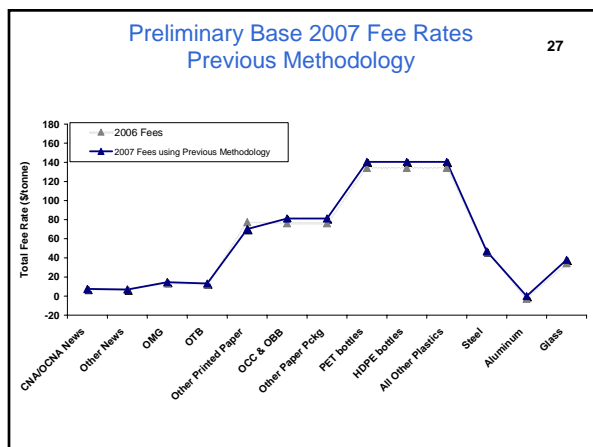
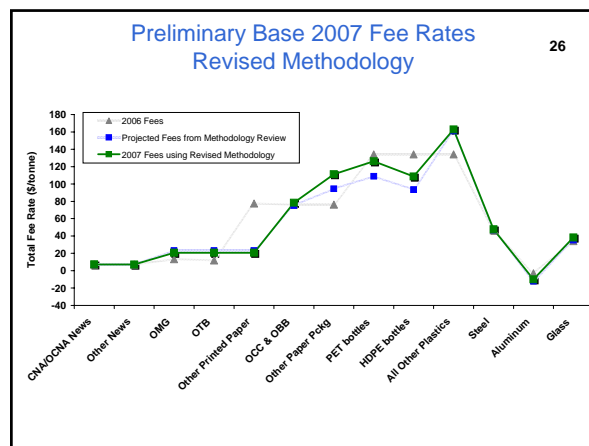
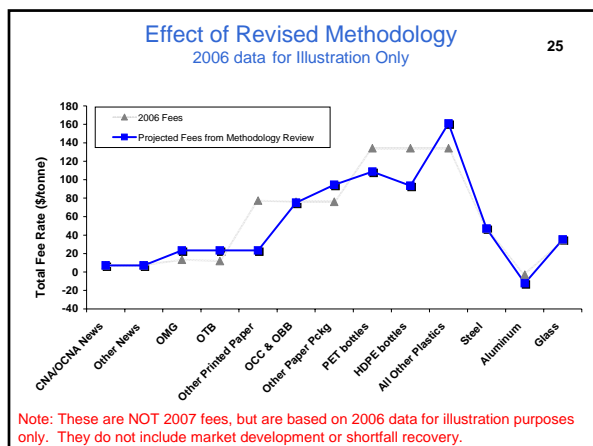


Proposed WDO Charges (1)

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- ♦ Total of \$832,000 (1.3%)
 - WDO direct costs
 - common costs attributed to the Blue Box Program
- ♦ Includes:
 - Datacall, including verification & financial audits
 - board & committee support costs
 - legal & accounting
- ♦ Subject to:
 - future WDO programs
 - WDO Board review & approval





Preliminary Base 2007 Fee Rates

Material Categories	Base 2007 Fees (Revised) (\$/tonne)	Base 2007 Fees (Previous) (\$/tonne)
CNA/OCNA News	7.29	7.59
Other News	7.04	6.91
OMB	20.79	14.62
OTB	20.79	13.21
Other Printed Paper	20.79	70.13
OCC & OBB	78.36	81.25
Other Paper Packaging	111.22	81.25
PET bottles	126.10	140.59
HDPE bottles	108.60	140.59
Other Plastics	162.89	140.59
Steel	47.62	46.83
Al Food & Beverage Cans	-17.15	-6.42
Other Aluminum Packaging	64.07	65.58
Flint Glass	37.51	37.11
Coloured Glass	39.53	39.68


Input Requested by Board

- Board requested stakeholders input on additional elements of stewards' fees
 - allocation of projected 2006 operating surplus
 - market development strategy & fees



Projected 2006 Operating Surplus

- Projected operating surplus of \$4.93M
 - prior year fees
 - penalties & interest
 - savings in expenditures
- Board approved reserve of \$3.5M
 - unanticipated liabilities on revenue collection
 - quick response to program improvement opportunities
 - other contingencies



Allocation of Balance of Surplus

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- ♦ Remaining projected 2006 surplus of \$2.43M
- ♦ Initial staff recommendation:
 - credit remaining surplus against 2007 fees
 - allocate based on relative reporting versus target fees on material-specific basis
 - simple, but fair
 - accounts for under- & over-reporting
 - all materials receive benefit



Board Direction on Surplus

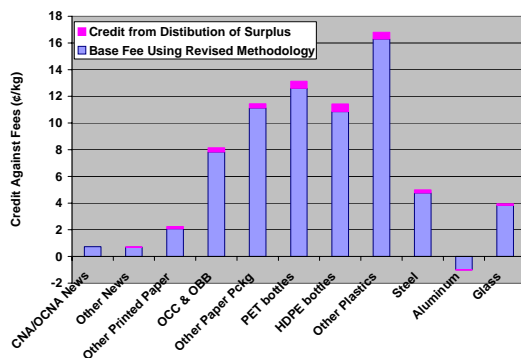
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- ♦ Broader input on range of options
 - simple:
 - equally across material categories
 - based on relative tonnes reported
 - based on relative fees reported
 - same manner as common costs
 - more sophisticated:
 - relative reporting versus target on by material
 - actual over- & under-reporting versus target by material



Effect of Proposed Allocation of Surplus Revised Methodology

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Market Development

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- ♦ BBPP allows for material-specific market development fees to:
 - ensure capacity for recovered materials
 - increase revenue for recovered materials
- ♦ Priority for first years ≥ mixed glass
 - successful investments
- ♦ Now 2 priority areas:
 - plastics #3 to #7 (not PET/HDPE)
 - paper-based composite packaging



Priority 1: Plastics (1)

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Drivers:

- ♦ WDO, AMO, MOE pressure
- ♦ WDO Board directed Stewardship Ontario to commit resources & report progress regularly
 - high visibility in remaining waste stream
- ♦ #3 to #7 grades
- ♦ Current recovery < 6%
 - compared to >50% for PET & HDPE
- ♦ Toronto adding film & polystyrene
 - lack of facilities to process
- ♦ Potential for energy recovery option



Priority 1: Plastics (2)

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Initial Staff recommendations:

- ♦ Accelerate request for EOI
- ♦ 5,000 to 7,000 tonnes of # 3 to #7 plastics over next 3 years
- ♦ Dedicated funding pool of \$250,000
 - paid by stewards of these materials
- ♦ Plan for additional fees in 2008/2009
- ♦ Use reserve fund as necessary for quick response
- ♦ Promote Stewardship Ontario strategy



Priority 1: Plastics (3)

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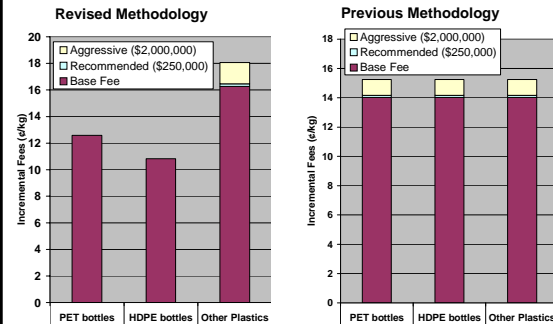
Board direction to explore options:

- 1) Accelerate action-oriented investigation
 - support EOI, preliminary planning & proposal evaluation
 - \$250,000 for 2007 allocated to stewards of plastics #3 to #7
 - anticipate possible additional fees in 2007 & 2008 to support investment in new facilities
- 2) Aggressive:
 - provide investment funds to accelerate immediate investment in new facilities
 - significant additional fees for 2007 to offset risk for quick multi-million \$ investments in new facilities
 - similar to previous investments for glass - \$2M
- 3) Do nothing more (than current)



Fee Impacts in Addition to Base Plastics Fee Rates

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Priority 2: Paper Composites (1)

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Drivers:

- ♦ Collapse of Ontario markets
- ♦ LCBO TetraPak initiative
- ♦ Current recovery rate <14%
 - compared to >60% for OCC & OBB
- ♦ Increasing generation
- ♦ Steward (& supplier) demands for recycling



Priority 2: Paper Composites (2)

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Recommendations:

- ♦ Establish focused task group
 - identify most cost effective options
- ♦ \$100,000 funding pool in 2007
 - paid by stewards of these materials
 - assess alternative options
 - develop detailed business case & initiate negotiations
 - use reserve fund as necessary for quick response
 - promote addition of these materials to existing programs
 - plan for possible additional fees in 2008 & 2009

Priority 2: Paper Composites (3)

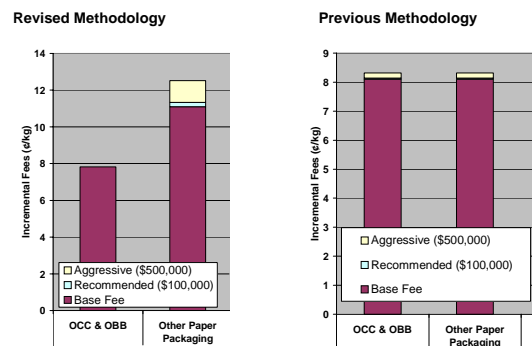
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Board direction to explore options:

- 1) Accelerate action-oriented investigation
 - establish task group to strengthen existing outlets & identify cost-effective options
 - \$100,000 for 2007 allocated to stewards of these materials
 - anticipate possible additional fees in 2007 & 2008 to support implementation
- 2) Aggressive
 - provide investment funds to accelerate immediate investment in solutions
 - anticipate significant additional fees for 2007 to offset risk in multi-million \$ investments in new facilities
 - possible investments of \$500,000 in existing & new capacity in mills
- 3) Do nothing

Fee Impacts in addition to Base Paper Packaging Fee Rates

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Market Development Input Requested by Board

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Do you support?

- 1) Recommended strategies for plastics & paper composites market development involving:
 - modest investments for 2007 by stewards of materials affected, as outlined
 - action-oriented investigation & likely leading to additional material-specific fees to support investments as necessary in future
- 2) A more aggressive approach involving committing significant funds to support identification of opportunities & immediate investment in solutions
- 3) Do nothing more than current activities – involves support for very modest preliminary planning for plastics & nothing for paper composites.

Surplus Allocation Input Requested by Board

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Do you support?

- ♦ Recommended distribution of projected 2006 operating surplus (above that allocated to the reserve fund) in 2007 fees
- ♦ The recommended allocation method based on relative under- and over-reporting by each material
- ♦ If not, what is your recommendation?



Total Fee Rates with Recommended Fees

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Material Categories		2006 Fees (\$/tonne)	2007 Fees (Revised) (\$/tonne)	2007 Fees (Previous) (\$/tonne)
CNA/OCNA News	In-kind	5.47	3.41	6.05
	Cash	1.82	3.88	1.50
Other News		7.33	6.96	6.68
OMG		14.81	19.20	14.21
OTB		11.90	19.20	12.84
Other Printed Paper		79.60	19.20	67.40
OCC & OBB		76.73	75.35	78.56
Other Paper Pckg		76.73	110.39	78.56
PET bottles		135.56	120.91	136.75
HDPE bottles		135.56	102.88	136.75
Other Plastics		135.56	159.79	136.75
Steel		46.01	45.31	44.51
Al Food & Beverage Cans		-4.76	-17.34	-6.62
Other Aluminum Packaging		35.77	63.15	64.66
Flint Glass		33.09	36.13	35.73
Coloured Glass		36.02	38.29	38.44

Timeline for Comments & Approval

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August 31	Presentation of preliminary fees
September 11	Comments due
September 13	Steward consultation meeting on market development
September 15	Consultation: recommended market development & allocation of surplus & presentation of revised preliminary fees
September 22	Stewardship Ontario Board for Approval
October 2/3	WDO Board for Approval of Fees

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Questions & Comments



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Revising the
Blue Box Program Plan (BBPP)

Derek Stephenson



BBPP Revision Consultation Schedule

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- ◆ Commences after 2007 fee setting process completed
 - largely to incorporate all WDO & Minister approved changes
- ◆ Consider additional minor changes to program & Rules
- ◆ Release discussion paper in October
 - include timelines
- ◆ Undertake review of Act “within five years” (July 2007)



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Questions & Comments



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Thank You!

