

METHODOLOGY FOR DETERMINING STEWARDSHIP ONTARIO FEES

The numbers presented in this report are preliminary only and will likely change in response to:

- *comments received during the consultation process*
- *additional data provided by key stakeholders*
- *policy decisions yet to be taken by the Board.*

The key assumptions used to generate the material specific levy examples provided in this report are summarized below.

Overview of Recommended Methodology

Five key principles underpin the funding allocation methodology:

The fee structure should:

1. Reflect the true costs to manage each designated blue box material type
2. Take into consideration the benefits to all stewards from the high recycling rates achieved by some materials
3. Encourage stewards to select materials which can be recycled at lower costs
4. Encourage increased material recycling rates
5. Minimize the total net costs to the members of Stewardship Ontario (e.g., reflect positive revenues of materials, e.g., aluminum cans)

How the Recommended Model Allocates Costs

Step 1 – Determine the total quantities of designated blue box wastes.

This preliminary analysis estimates the total quantity of blue box wastes generated in residential households only (via residential waste audits).

Step 2 – Determine the total costs to Stewardship Ontario in Year One

These costs include:

- (a) Determination of costs for printed paper and packaging streams
- (b) the municipal transfer payments (50% of blue box system net costs)
- (c) required program implementation costs (market development, promotion & education)
- (d) program design and start-up costs (program planning, consultation, WDO & MOE negotiations), and
- (e) Stewardship Ontario administration and management costs.

Step 3 – Allocate these total costs across the designated blue box materials to determine a per tonne/per kilogram levy rate.

The recommended model uses three factors in allocating costs, with a weighting attached to each factor. The cost assigned to each material type is then the sum of the three factors.

Factor 1 is the **current recovery rate** of each material weighted to the total number of tonnes generated, with a weighting of 45%. This has the effect of somewhat lowering fees for those materials with the highest recycling rates and conversely, transferring a portion of these costs to those materials with the lowest recycling rates.

Factor 2 is the calculated **net cost to manage** each material within the overall program, with a weighting of 40%. This has the effect of assigning higher fees to materials with higher costs to recycle while lowering fees to materials with a low cost to recycle.

Factor 3 determines the **costs that would have been incurred** to manage each material type if all materials were recycled at an equal rate, with a weighting of 15%. This has the effect of reassigning some costs from low performing materials to those with higher recycling rates and provides a clear financial incentive to stewards of these materials to promote increased recycling of these materials.

Step 4 – Assigns an assumed “reporting/compliance” rate to each of the designated materials to reflect the fact that not all materials (and stewards) will be captured by Stewardship Ontario levies given the requirement for a *di minimus* provision and some anticipated non-compliance. Assuming 100% compliance would have the effect of lowering all projected stewards fee rates but would leave the corporation vulnerable to a shortfall in revenues and a subsequent failure to meet its obligations under the WDA.

The “fee methodology consultation spreadsheets” (webcast reference document #3 on the Stewardship Ontario website) provides:

- an estimate of the total quantity of blue box materials in the residential waste stream
- an estimate of Year One Stewardship Ontario cost
- a simplified example of fees for two materials
- estimates of the cost implications for a range of product types