

Slide 1



Recommended 2007 Stewards' Fees & Rules

November 2, 2006



Slide 2

Welcome

- ♦ In person (50+)
- ♦ Webcast audience (60+)
 - slides advance automatically
 - enlarge slide
 - email box for questions/comments on left-hand side of webcast console
 - use any time
 - please include name & affiliation
- ♦ Archived webcast available for 180 days



Slide 3

Overview of Today's Presentations

- ♦ 2007 Revised Rules
- ♦ Key developments since August 31 affecting 2007 stewards' fee calculations
- ♦ Recommended 2007 stewards' fees
- ♦ Other BBPP updates



Slide 4



Revised Rules for 2007

Gordon Day



Slide 5

Remarks today include ...

- 1) Proposed changes presented August 31
- 2) Comments received
- 3) Changes to Rules resulting from comments
- 4) Penalties
- 5) Data reporting year
- 6) Reconciliation



Slide 6

Proposals Presented on August 31

- ♦ Proposed 3 changes to Rules:
 - penalties for late filing & non-filing of Steward's Report
 - changing data reporting year from 2 year to 1 year lag
 - reconciliation process in following year to match 2007 obligation with 2007 generation of Designated Blue Box (BB) Waste



Slide 7

Comments Received

- ♦ Support for changing data reporting year from 2 year to 1 year lag
- ♦ Concern over less time to file Steward's Report & new penalties that may be incurred for late filing
- ♦ No comments about reconciliation process



Slide 8

Summary of Revised Rules for 2007 Approved by Board

- ♦ Penalties remain for late filing
 - proposed penalties reduced
- ♦ Change in reporting year from 2 year to 1 year lag remains
- ♦ Reconciliation process postponed
- ♦ Additional clarifying language & housekeeping



Slide 9

Penalties for Late Filing (1)

- ♦ 5(3) – 5% penalty against previous year report if filed 30 days after deadline
 - reduced from 10%
- ♦ 4(1) – allows Stewardship Ontario to file Steward's Report, if > 90 days late
- ♦ 5(4) - penalty of 10% of fees due in 2007 applied if filed > 90 days late
 - reduced from 20%



Slide 10

Penalties for Late Filing (2)

- ♦ Flat fee penalty for non-reporting for stewards who previously reported < 15 tonnes
- ♦ Flat fee charged: \$500
 - reduced in August from \$700
- ♦ 5(6) - Stewardship Ontario also included right to waive penalties



Slide 11

Data Reporting Year

- ♦ Stewards to use 2006 calendar data as basis of 2007 Steward's Report
- ♦ Deadline for filing remains March 31, 2007
- ♦ 'Data Year' added to Rules to clarify scope of obligation
- ♦ 'Data Year' means January 1, 2006 to December 31, 2006



Slide 12

Reconciliation Process

- ♦ Defer implementation of reconciliation process
- ♦ ÉEQ not in position to implement for 2007
 - going forward in Ontario & not in Québec would be confusing to stewards
- ♦ Will revisit issue with ÉEQ next year



Slide 13

Clarifying

- ♦ Other clarifying & formatting initiatives:
 - fee table moved to Appendix D
 - revised wording in 3(1) allows removal of old section 10
 - re-order Appendices



Slide 14

Comments/Questions

- ♦ Submit comments/questions by November 17
- ♦ Send email to:

customerservice@stewardshipontario.ca

Please put "Rules" in subject line.



Slide 15



Questions & Comments on Proposed Rules for 2007



Slide 16



Key Developments Affecting 2007 Fee Setting Calculations

Derek Stephenson



Slide 17

Wine & Spirit Container Deposit Announcement

- ♦ Sunday, September 10 Premier announced as of February 1, 2007:
 - all wine & spirit beverage containers subject to deposit
 - consumers return containers to *The Beer Store* for redemption
 - no information re: potential impacts on Blue Box Program Plan (BBPP)
 - no further operation details released since



Slide 18

Implications of Deposit Decision (1)

- ♦ Key decisions not yet taken:
 - regulatory mechanism for implementing deposits
 - whether wine & spirit containers remain subject to Stewardship Ontario's fees
 - responsibility for costs of managing beverage alcohol containers remaining in BB system
- ♦ Consequences - uncertain of continued delay in 2007 fee setting



Slide 19

Implications of Deposit Decision (2)

- ♦ 2005 WDO approved municipal costs surrogate for setting 2007 fees - includes costs of managing beverage alcohol containers - approved in August
 - included in 2006 for 2008 fee calculations
- ♦ If can't levy these containers, Stewardship Ontario can't pay municipalities for management costs
- ♦ No accurate basis for projecting tonnage & financial impacts of implementing deposit program as of February 1, 2007
 - AMO projected cost savings of \$19M to \$23M/year



Slide 20

Implications of Deposit Decision (3)

- ♦ Stewardship Ontario Board decisions:
 - request that WDO re-calculate Stewardship Ontario's 2007 obligation to municipalities
 - complete fee setting process as soon as possible & before December 31



Slide 21

WDO Board Decisions October 18 (1)

- ♦ Approved methodology for re-calculating Stewardship Ontario's financial obligation to municipalities as a result of deposit announcement
 - apply average cost/tonne of managing BB wastes against total wine & spirit container tonnage calculations (for 11 month period)
 - apply WDO rolling 3 year average revenue calculation per material
- ♦ Result:
 - reduces municipal gross system cost by \$18.8M
 - reduces 3-year average revenue by \$4.8M
 - reduces net financial obligation by \$7M for 2007



Slide 22

WDO Board Decisions October 18 (2)

- ♦ Direct Stewardship Ontario to modify remaining 2006 waste audits to track quantities of all beverage alcohol containers in BB system subject to deposits
- ♦ Request that MOE identify appropriate mechanism/source of funds for tracking remaining containers in BB system in 2007 & 2008
- ♦ Direct Stewardship Ontario to submit 2007 fees for consideration at December 13 WDO Board meeting



Slide 23

Approval Received for Revised Fee Setting Methodology

- ♦ Extensive review completed between September 2005 & March 2006
- ♦ Approved by WDO Board March 22, 2006
- ♦ Minister's approval received October 18, 2006

As of this year, authority to approve annual fees now rests with WDO unless further changes to fee setting methodology occur in future years.



Slide 24

Remaining Unknowns

- ♦ Regulatory mechanism for implementing wine & spirit container deposits
- ♦ Any related implications for treatment of LCBO as steward under BBPP
 - exempted as a steward?
 - exemption for containers on deposit only?
- ♦ Whether & how municipal costs for remaining beverage alcohol containers will be treated



Slide 25

Final Approval Rests with WDO

While it is possible a resolution of these issues will affect 2007 fees, the following calculations represent the most likely/highest cost scenario . . .



Slide 26

Summary Timetable of Key Events

Aug 31	Stewardship Ontario presents preliminary fees
Sep 10	Premier announces container deposits as of February 1, 2007
Sep 12	Stewardship Ontario requests WDO re-calculate 2007 financial obligation to municipalities
Oct 18	WDO Board meets Minister approves fee-setting methodology
Oct 26	Stewardship Ontario Board meets
Nov 2	Stewardship Ontario presents 2007 rules & fees
Nov 30	Stewardship Ontario Board: approval of 2007 fees
Dec 13	WDO for approval of 2007 fees



Slide 27



Questions & Answers on Developments Affecting Fee Setting



Slide 28



Recommended 2007 Stewards' Fees

Guy Perry



Slide 29

Stewardship Ontario Board Meeting September 26

- ♦ Reviewed revised fee calculations based on:
 - revised WDO cost calculation
 - approved fee setting methodology
 - updated estimate of Stewardship Ontario's 2006 operating surplus
 - revised approach to handling surplus
 - including/not including market development fees



Slide 30

Stewardship Ontario Board Decisions September 26

- ♦ Key decisions:
 - credit 2006 surplus (above \$3.5M reserve) to reduce 2007 stewards' fees
 - use simpler approach to allocating surplus across stewards' fees
 - no additional market development costs in 2007 fee calculations
 - present revised 2007 fees November 2
 - seek WDO final approval at December 13 Board meeting



Slide 31

Effect of Deposit Decision on 2007 Stewards Fees (1)

- ♦ Projected removal of 74,366 tonnes of wine & spirit containers from BB recovery totals
 - calculated 2005 recycling rate on average, ~69%
 - higher per tonne municipal net operating cost
 - smaller base for stewards' common costs



Slide 32

Effect of Deposit Decision on 2007 Stewards Fees (2)

- ♦ Revised net municipal cost calculation for 2007 - \$110,096,332
- ♦ Revised stewards' 50% share - \$55,048,166
- ♦ Net reduction from August 31 presentation - \$6,969,316
- ♦ Reduction in LCBO payments in 2007 - \$4,390,505
- ♦ Difference largely due to 3-factor fee-setting formula



Slide 33

Board Decisions on Allocating Operating Surplus

- ♦ Projected surplus above approved \$3.5M reserve
 - August 31 projected excess surplus of \$2.43M
 - current projection of \$3.41M
 - continued recovery of fees from delinquent stewards plus additional penalties & interest in 2007
- ♦ Credit \$3.41M surplus above approved reserve to reduce stewards' fees in 2007
- ♦ Credit to each steward as % of fees paid in 2007
 - simple & fair – all stewards receive credit



Slide 34

August 31 Recommendation on Market Development Fees

- ♦ Presented proposed strategies for plastics (#3 - #7) & paper-based composite packaging markets:
 - described pressures for Stewardship Ontario action
 - range of options – i. nothing, ii. moderate & iii. aggressive
 - paid by stewards of these materials
 - level of investments similar to those required for successful mixed glass initiatives



Slide 35

Stewardship Ontario Board Decision on Market Development

Given:

- No clear industry consensus on capacity of existing markets to absorb additional quantities
- Stewardship Ontario/Unical market development investment uncertain due to wine & spirit containers decision
- Concerns remain about unilateral government action in removing materials from BB & AMO support for integrated BB program

Do not include additional market development costs in 2007 fee calculations.



Slide 36

Summary of Key Differences from August 31 Fee Rate Presentation (1)

- 1) Revised fee-setting methodology
 - more accurate allocation of revenue
 - threshold for equalization factor reduced to 60%
 - partial aggregation of printed paper
 - dis-aggregation of plastics: PET, HDPE & other plastics
 - dis-aggregation of paper packaging – OCC, OBB & other



Slide 37

Summary of Key Differences from August 31 Fee Rate Presentation (2)

- 2) Reduced obligation to municipalities after removal of costs of wine & spirit containers
- 3) Increased surplus available for credit
- 4) Simplified allocation of surplus credit
- 5) No market development fees



Slide 38

Recommended Printed Paper Fee Rates

Material Categories	Approved 2006 Fee Rates	Preliminary 2007 Fees (Aug 31)	Revised 2007 Fees	Change	
				2006	31-Aug
	(\$/tonne)	(\$/tonne)	(\$/tonne)	(%)	(%)
Printed Paper					
Newsprint - CNA/OCNA (cash)	\$1.82	\$2.00	\$1.98	8.8%	-1.1%
Newsprint - CNA/OCNA (in-kind)	\$5.47	\$5.29	\$5.03	-8.0%	-4.8%
Newsprint - Non-CNA/OCNA	\$7.33	\$6.96	\$6.74	-8.0%	-3.2%
Magazines and Catalogues	\$14.81	\$19.20	\$18.40	24.3%	-4.2%
Telephone Books	\$11.90	\$19.20	\$18.40	54.7%	-4.2%
Other Printed Paper	\$79.60	\$19.20	\$18.40	-76.9%	-4.2%

Slide 39 Recommended Packaging Fee Rates

Material Categories	Approved 2006 Fee Rates	Preliminary 2007 Fees (Aug 31)	Revised 2007 Fees	Change	
				2006	31-Aug
	(\$/tonne)	(\$/tonne)	(\$/tonne)	(%)	(%)
Paper Packaging					
Old Corrugated Containers	\$76.73	\$75.35	\$71.66	-6.6%	-4.9%
Gabletop	\$76.73	\$110.39	\$100.55	31.1%	-8.9%
Paper Laminants	\$76.73	\$110.39	\$100.55	31.1%	-8.9%
Aseptic Containers	\$76.73	\$110.39	\$100.55	31.1%	-8.9%
Old Boxboard	\$76.73	\$75.35	\$71.66	-6.6%	-4.9%
Plastic Packaging					
PET bottles	\$135.56	\$120.91	\$116.44	-14.1%	-3.7%
HDPE bottles	\$135.56	\$102.88	\$99.29	-26.8%	-3.5%
Plastic Film	\$135.56	\$159.79	\$147.20	8.6%	-7.9%
Plastic Laminants	\$135.56	\$159.79	\$147.20	8.6%	-7.9%
Polystyrene	\$135.56	\$159.79	\$147.20	8.6%	-7.9%
Other Plastics	\$135.56	\$159.79	\$147.20	8.6%	-7.9%
Steel Packaging					
Food and Beverage	\$46.01	\$45.31	\$43.98	-4.4%	-2.6%
Aerosols	\$46.01	\$45.31	\$43.98	-4.4%	-2.9%
Paint Cans	\$46.01	\$45.31	\$43.98	-4.4%	-2.9%
Al Packaging					
Al Food & Beverage Cans	-\$4.76	-\$17.34	-\$18.63	-291.0%	-7.4%
Other Aluminum Packaging	\$35.77	\$63.15	\$58.63	63.9%	-7.2%
Glass Packaging					
Flint Glass	\$33.09	\$36.13	\$35.96	8.7%	-0.4%
Coloured Glass	\$36.02	\$36.29	\$40.77	13.2%	6.5%

Slide 40

Implications for Future Fees

- ♦ 2008 fee setting likely to require similar re-calculation of municipal costs
 - wine & spirit containers included in 2006 municipal tonnes & costs survey
- ♦ Significant upward fee pressures expected after 2007, given:
 - 2007 last year with agreed cost band
 - higher per tonne municipal management costs due to removal of significant wine & spirit container tonnage
 - new municipal investments to expand programs
 - wider inclusion of higher cost-to-manage materials (e.g. wider range of plastics & composite materials)



Slide 41

Primary Mechanisms to Control Future Fees

- ♦ 3 key mechanisms available to moderate future cost increases:
 - steward selection of BB materials
 - setting fees on basis of municipal 'best practice' costs
 - market development investments



Slide 42



Questions & Answers on Recommended 2007 Stewards' Fees



Slide 43



Further Updates on Blue Box Program Plan

Derek Stephenson



Slide 44

Revising the BBPP (2003)

- ♦ Revisions delayed until key alcohol beverage container deposit decisions made & impact on Stewardship Ontario known
- ♦ Likely to resume in Q1 2007
- ♦ Careful consideration given to potential changes resulting from 'best practice cost' calculations



Slide 45

New Board Advisory Committees

- ♦ Approval to initiate 2 new Stewardship Ontario Board Committees – October 26
- ♦ Purpose:
 - additional conduit for input for key stakeholders not directly represented on Board
 - support program development & BBPP implementation
 - review existing/proposed BBPP policy & program elements
- ♦ Meet as required – 2 to 3 times/year
- ♦ Membership reviewed at each AGM



Slide 46

Policy Advisory Committee (1)

- ♦ Provide advice to Stewardship Ontario primarily on matters related to meeting stewards' obligations under WDA & BBPP
- ♦ Initial priority issues include:
 - evaluation & recommendations related to proposed financial credit for use of recycled materials
 - actions to reduce materials generation & costs of recycling, as outlined in report to Minister
 - steward reporting procedures



Slide 47

Policy Advisory Committee (2)

- ♦ Co-Chair: John Coyne (Unilever)
- ♦ Second Co-Chair to be selected by PAC
- ♦ Target invitees include:

▪ other printed paper users	▪ Aluminum Association
▪ Ontario Food Processors	▪ AMO
▪ EPIC	▪ RCO
▪ PPEC	▪ academia



Slide 48

Technical Advisory Committee (1)

- ♦ Provide advice to Stewardship Ontario primarily on matters related to effectiveness & efficiency of municipal recycling programs
- ♦ Initial priority issues include:
 - review & update as required in BB waste cost allocation methodology
 - implementation issues related to recycle content credit program (if adopted)



Slide 49

Technical Advisory Committee (2)

- ♦ Co-Chair: Lyle Clark (LCBO)
- ♦ Second Co-Chair to be selected by TAC
- ♦ Target invitees include technical experts drawn from:
 - end-use markets
 - materials processors
 - waste management companies or OWMA
 - municipalities
 - manufacturers
 - retailers



Slide 50

Timeline for Comments & Approval

Nov 2	Presentation of recommended rules & fees for 2007
Nov 17	Comments due
Nov 30	Stewardship Ontario Board for Approval
Dec 13	WDO Board for Approval of Fees

Submit comments/questions by November 17 to:
customerservice@stewardshipontario.ca
Please put "Rules" in subject line.



Slide 51



Questions & Comments



Slide 52

Further Announcements

- ♦ ÉEQ session in this room on Monday, November 13, 2006
 - 9:30 a.m. to noon, only a few places left
- ♦ Ontario Recycler Workshop (ORW) workshop to follow in afternoon
- ♦ Looking for support for 'best practice' study



Slide 53



Thank You!

