

Appendices - Discussion Paper # 3
Impacts of the Blue Box Program on Small Businesses
& Incentives for Small Business
to Improve Diversion of their Blue Box Wastes

Appendix A
Background Information

The following background information includes key sections of the Blue Box Program Plan (BBPP) that outline the process for a small business to determine if they are an obligated steward.

The issue of *de minimis* is addressed in the Minister's September 23rd Program Request letter to Waste Diversion Ontario (WDO):

(5) "The proposed funding rules under the program will designate and define as stewards under the program, brand owners and first importers into Ontario of products that result in Blue Box wastes under the program. The program will include a rule to exempt stewards under subsection 30 (1) (e) of the Act based on de minimis criteria."

The purpose of the *de minimis* threshold is addressed in the draft Operating Agreement between the Ministry of the Environment and WDO under *Schedule E - Guiding Principles for Fee Setting Criteria: Waste Diversion Ontario*:

"In accordance with subsection 15.01 of this Agreement, Waste Diversion Ontario shall have regard to the following guiding principles when establishing the amount of fees to be charged: Exemptions from fees should be based on clearly stated criteria relating to the volume or size of operation so that small businesses can be excluded."

Stewardship Ontario, through the support of Data and Reporting Advisory Committee has established a sales-based *de minimis* threshold which includes a two-tiered process for determining if a designated Steward is required to register and pay fees to Stewardship Ontario. A flowchart to assist with determining if a company is obligated is provided on page v of this appendix.

Level 1 - 2002 Ontario Sales of Less Than \$2 Million

Stewards of Blue Box Wastes with 2002 Ontario gross revenues from sales of less than \$2 million are exempted from paying fees to Stewardship Ontario and furthermore are not obligated to register with Stewardship Ontario in the first year of the program.

In subsequent years of the program, if and when Ontario sales grow beyond \$2 million in any calendar year, these Stewards will be required to register with Stewardship Ontario and file a report to determine their financial obligations.

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Stewardship Ontario designates the franchisor as the obligated party on behalf of their franchisees. With respect to any business operated wholly or partly in Ontario as a franchise, the \$2 million threshold applies to the aggregate gross revenues of all franchisees and corporately-owned stores comprising the franchise system, notwithstanding that some individual franchisees or subsidiaries fall below the \$2 million threshold.

This *de minimis* level is intended to meet the requirements set out by the Minister for consideration of the administrative burden on small businesses while maintaining as level a playing field as possible for all Stewards of Blue Box Wastes.

In addition, this *de minimis* level will reduce the administrative burden on Stewardship Ontario by reducing the total membership base of the corporation while still capturing the significant majority of Blue Box wastes generated in Ontario. Preliminary estimates indicate that approximately 30,000 to 34,000 companies in Ontario will be exempted at this *de minimis* level¹, representing an estimated 2%-5% of total Blue Box wastes generated in the province.

Level 2 – 2002 Ontario Sales over \$2 Million

Stewards with 2002 Ontario gross revenues from sales over \$2 million are above the *de minimis* threshold and will be required to register with Stewardship Ontario. However, following registration with Stewardship Ontario, Stewards that generate less than 15 tonnes of Blue Box packaging and printed paper materials in 2002, are also exempted from the first year of the program. There is a separate weight exemption of 75 tonnes for small newspaper generators. In subsequent years of the Program, if Blue Box wastes generated by a Steward exceed 15 tonnes in any calendar year, these Stewards will be required to pay fees to Stewardship Ontario.

¹ In a November 28, 2002 letter, the Canadian Federation of Independent Businesses (CFIB) indicated that, of their total Ontario membership of 40,000, approximately 30% of manufacturing and wholesale members, 10% of food service and 12% of retail members would be obligated to file with Stewardship Ontario under the Level 1. If these estimates covered all members, approximately 30,000 to 32,000 CFIB members would be exempt under the Level 1 *de minimis*. At a Data and Reporting Advisory Committee, on November 14, 2002, CFIB provided information that 85% of CFIB members have sales of less the \$2 million which would equate to 34,000 members. Together, the two sets of information provided by CFIB indicate that between 30,000 and 34,000 of their Ontario members would be exempt under the Level 1 *de minimis*. Additional members would also be exempt under the weight threshold discussed in Level 2.

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For Stewards that are not commercial entities (e.g., such as municipalities, provincial agencies, etc.) but are designated as Stewards for such material as printed papers distributed to households, the 15 tonne threshold limit will apply.

The rationale for this *de minimis* level is to ensure that Stewardship Ontario will not be expending more effort and costs to register and discharge the obligations of Stewards than the corporation is likely to receive in fees. Fifteen tonnes of a mix of packaging material was determined to be the most appropriate level at which administration costs would be likely to equal fees received from the Steward.

The objective of the weight threshold is to ensure that those Stewards that have high dollar sales per unit of product but relatively low packaging generation (e.g., jewellery, watches, crystal, etc.) are not disadvantaged. However, it is difficult to estimate the number of businesses that will be exempted under this weight threshold. The following table presents a estimate of the quantities of various packaging and printed materials that equate to 15 tonnes.

**Examples of Packaging and Printed Materials
 That Equal 15 Tonne Weight Threshold**

Product	Material Description and Total Weight	Number of Units Equal to 15 Tonnes
Retail Flyer	Newsprint; 20 grams (g) in total	750,000
Municipal Parks Calendar	Newsprint, 168 g	90,000
Credit Card Statement	Statement, with inner and outer envelope, 18 g	834,000
Light Bulb	Paper laminant card and PVC blister; 7 g	2,143,000
Shampoo	355 ml PET Bottle, 37 g	406,000
Mouthwash	1000 ml PET Bottle; 64 g	235,000
Baby Wash Soap	450 ml HDPE Bottle, 44 g	341,000
Perfume	50 ml Glass with outer boxboard, 232 g	65,000
Deodorant	85 gram Rigid Plastic; 45 g	334,000
Facial Cleanser	150 ml Polypropylene Tube; 15 g	1,000,000

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Cheese	350 gram Plastic Laminant Wrap; 3 g	5,000,000
Blueberries	1 Pint in PET Tray, 18 g	834,000
Sour Cream	250 ml in Plastic Tub; 22 g	682,000
Canned Soup	284 ml Steel Can; 40 g	375,000
Milk	2 Litre Gable Top Carton; 63 g	239,000
Apple Cider	3 Litre HDPE Bottle; 91 g	165,000
Frozen Meat	1130 grams in a Boxboard with liner; 106 g	165,000
Specialty Jam	250 ml Glass Jar	86,000
Eggs	Dozen eggs in Moulded Paper; 65 g	231,000
Curling Iron	PVC blister card with guide; 102 g	148,000
Television	27 inch, box, film, guides; 5800 g	3,000

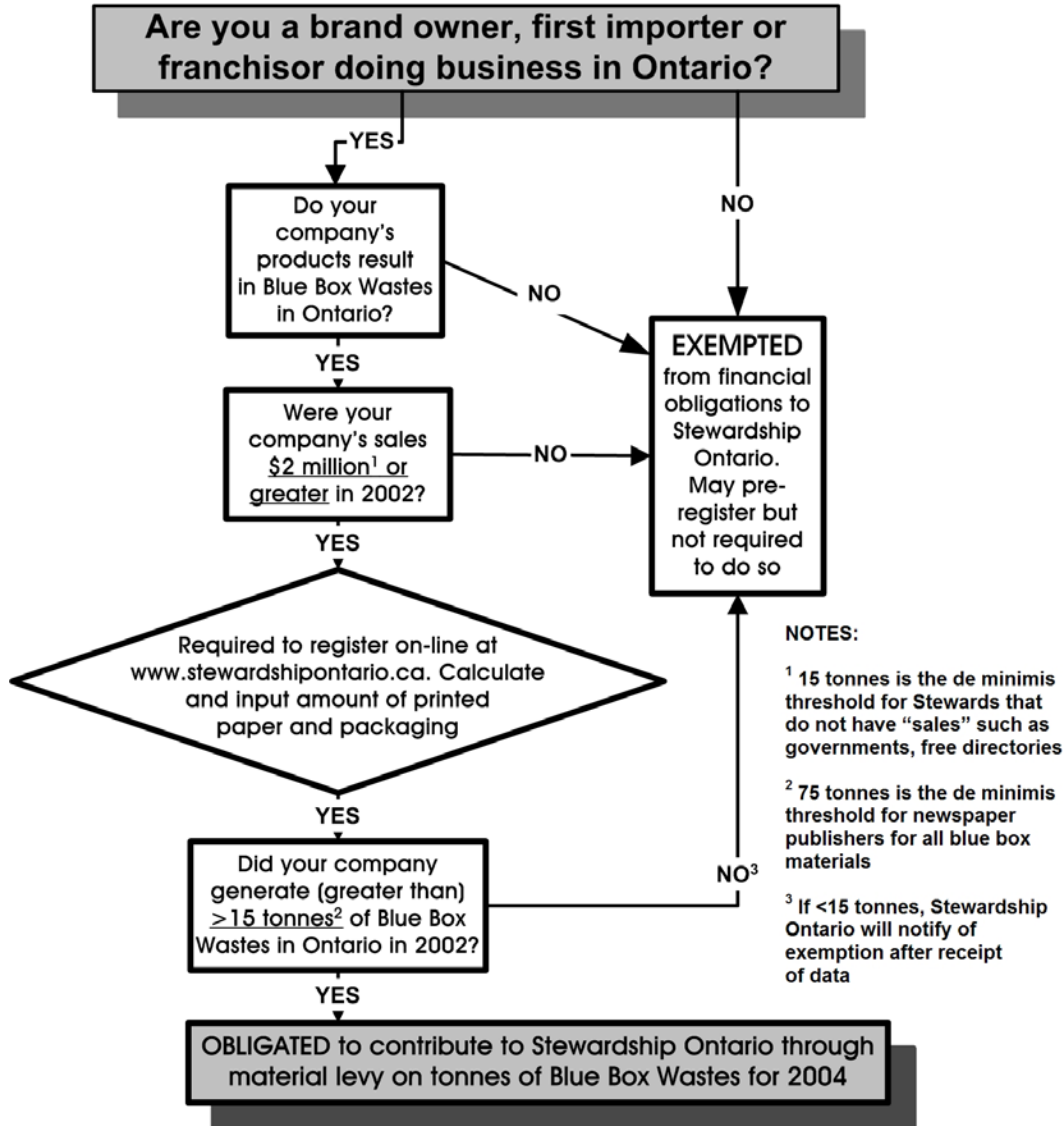
As a subset of this *de minimis* rule, the publishers of newspapers sold in Ontario that generated less than 75 tonnes of printed paper in 2002 are also exempted from year one of the Program. About 108 companies own the 265 newspapers represented by the OCNA, and approximately 81 owners each generate less than 75 tonnes of newsprint entering the residential waste stream. This group contributes an estimated 1,639 tonnes in total (average is 20 tonnes) or 0.3% of the total newsprint generated in Ontario for the residential waste stream.

Stewardship Ontario will review the *de minimis* levels, Level 2 weight thresholds and reporting procedures annually. The procedures for amending the *de minimis* levels will be consistent with the requirements for making changes as outlined in Section 9.18 of the BBPP.

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Flowchart: Is your Company Obligated?

By working through the flowchart below, you will be able to determine if your company is obligated to register with Stewardship Ontario under the *Blue Box Wastes Regulation (ON Reg. 273/02)* of Ontario's *Waste Diversion Act, 2002*.



Exempt Stewards may pre-register but are not obligated to do so. Stewards who are exempt because they produce less than 15 tonnes of Blue Box Wastes must register and report their Blue Box materials data to qualify for an exemption.