

Official Transcript

Stewardship Ontario Industry Consultation Workshop I New Ontario Waste Diversion Funding Obligations

**Tuesday, December 3, 2002, 10:00am – 12:00pm
International Plaza Hotel, Plaza A&B
Toronto, Ontario**

Questions?:

questions@stewardshipontario.ca

Official Comment - by January 17, 2003 to:

Email: comment@stewardshipontario.ca

Or write: Stewardship Ontario
26 Wellington Street, Suite 601
Toronto, Ontario M5E 1S2
Tel: 416-594-3456, Fax: 416-594-3463

Speakers:

Joe Hruska – Stewardship Ontario Membership Services

Keith West – Director of Waste Management Policy Branch, Ontario Ministry of the Environment

Tim Moore – Chair, Waste Diversion Ontario, and President & General Manager, The Clorox Company of Canada Ltd.

Derek Stephenson – Stewardship Ontario Program Manager

Damian Bassett – Stewardship Ontario

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WELCOME

JOE HRUSKA – Good morning, everyone. Welcome to Stewardship Ontario's first industry consultation workshop. I am your host, Joe Hruska. I am responsible for Membership Services at Stewardship Ontario.

I would like to welcome today many of you from the industry and municipal sectors. We have people from the government sector, consultants working on behalf of industry. We have non-governmental organizations here who are very

interested, and some businesses who obviously work in the recycling area.

This is the first of three consultation workshops, one a webcast on the web, and we hope you can participate in all.

Today I would like to let you know what we are going to go through to help answer some of your questions. First of all, we are going to have a message from the Ministry of the Environment of Ontario. Your agenda sheets are in your package if you picked it up when you registered.

We would like to introduce Waste Diversion Ontario and Stewardship Ontario. The key part of the program which many of you are interested in is the development of the Blue Box/Blue Bag program and the approvals required to get that program through.

Then everyone will look forward to this. We have a break at about 11:45 if everything stays on time. During that break you can make your phone calls, and we will start the light lunch Q&A at 12:00 noon.

We have a number of guest speakers today from the government and industry sectors: Mr. Keith West, Mr. Tim Moore, Mr. Derek Stephenson and Mr. Damian Bassett. I will introduce them further in the show. Their bios are in the agenda which you have in your package.

Of course, we would not have a program without objectives. These objectives hopefully will answer some of your questions today.

We hope to introduce and explain the Waste Diversion Act and its implications for industry – this is an industry workshop, so we are very focused on that; some history and a look at the players behind the new law and the new organizations that have come out of this; a look at the ongoing WDO and Industry Funding Organization; the development work which is happening – and it is happening at a furious pace because the program will start in 2003; how you can begin to prepare to meet your obligations in 2003 – and that is a question that many of you have asked me over the phone or through e-mails; and then what to expect from the December 17 Webcast and the January 16 workshop which will present the business plan.

We need your co-operation today because this is a very complicated subject, and we would like to have everyone feel comfortable with this.

We do have veterans and rookies in the audience, so please have patience.

Some of us are starting here and some here. Some have been involved for 10 or 15 years; some have been involved in the last few months, so your co-operation will be appreciated. Please be patient. This is a three-part industry consultation process.

We really need your comments. What we would ask you to do is not ask questions during the presentations this morning. As you get questions, write them down, and they can be asked during the Question-and-Answer period.

This is your chance to input into the planning process. Just like getting married, they ask the question, "Are there any objections or forever hold your peace." Some of us have gone through that.

The session is being recorded. We have a court reporter. Again, it is a consultation process, and we would like to get everyone's comments and record them accurately.

Lunch will be at 12:00 noon. During the break time, please do what you have to do. You can pick up your light lunch and then move to the tables to the right of us where we will have a panel discussion, and that is where the questions can be asked.

We have evaluation forms in the kit. Those are green sheets, and that is where we would like to get some feedback on how this session went for you. If there are any ways we can make this better, we would love to have that from you and we would appreciate it.

These proceedings will be posted at Stewardship Ontario's web site. That web site will be your area for getting all information and updates. Just so you know, any numbers you see today, any processes, are not locked down. That is why we have a consultation process. We want to get your input so that we can make the process better and make the numbers better.

I have the pleasure of introducing our first guest, Mr. Keith West. I have known Keith for a very long time. He is Director of Waste Management Policy Branch at the Ontario Ministry of the Environment. I and others who have been involved in this field know Keith as a true professional. He has to deal with many stakeholders and has handled this difficult issue over the last six or seven years – and I know he has been in the MOE a lot longer than that. Industry and municipalities alike appreciate Keith's leadership on this recycling issue.

Please welcome Keith West.

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A Message from Ontario's Ministry of the Environment

KEITH WEST – Thank you, Joe.

I want to speak for a very few minutes about the *Waste Diversion Act*, to give you a brief history regarding the Act and to talk a bit about some of the Minister's and the Ministry's responsibilities, and talk a bit about the Waste Diversion Program that has been requested from Waste Diversion Ontario regarding Blue Box designated waste, and talk a bit about the Operating Agreement that the Minister is looking forward to signing with Waste Diversion Ontario.

For those of you who have not been involved in the history of the *Waste Diversion Act*, the *Waste Diversion Act* was given royal assent on June 27 of this year. It has been a process that has been ongoing for some time. It went through a fairly lengthy legislative and committee process. We have been working on this concept for some five years now, as Joe indicated, and it came to fruition on June 27 of this year.

As we moved forward with the concept of setting up a not-for-profit corporation called Waste Diversion Ontario, we did a bit of a trial situation where we set up a one-year organization called the Waste Diversion Organization. Some of you may have heard of that. We tried out some of the concepts on a trial basis prior to coming with a more formalized piece of legislation.

The legislation is enabling legislation. It is very simple in its concept, and I will try to explain a little bit about how that works. I know that during the day you will hear more about how programs come to be or evolve through the legislative process.

The legislation itself creates Waste Diversion Ontario. Waste Diversion Ontario, as I have mentioned, is a corporation without share capital. It is a not-for-profit corporation. Its main work is to develop, implement and operate waste diversion programs for designated

materials.

The Minister is given certain authorities under the legislation. Some of those authorities relate to the designation of waste materials under the Act. There are specific requirements related to the designation of those materials, and in each instance they are placed on the Environmental Bill of Rights Registry for public input prior to being finalized.

One of the differences within this legislation from other normal pieces of legislation that you might deal with is that these are Minister's regulations. These are not Lieutenant-Governor in Council regulations. That is a different concept that we have introduced within this Bill.

The Minister has the authority, once a material is designated under the Act, to require Waste Diversion Ontario to develop programs. In its simplest form, this is what this Bill is all about. You designate the material; you ask Waste Diversion Ontario to develop a program; and there are a number of requirements around how that program is to be developed.

Then the Minister has the authority to approve the proposed program. It is a fairly simple decision point for the Minister. It is approved or not approved; there is no approval with conditions to take it back and re-work it. It is either approved or it is not approved, so it is very important that we get the program right as it is submitted to the Minister in order for him to make a decision.

One of the other things that the legislation does – and this is very specific to this event today – is that it sets a Blue Box funding requirement at 50 per cent. You will see that in the legislation. I encourage those of you who are involved today to read the legislation. It is not that long and it is not that complicated, but I think it is important for you to understand what it is all about whether you have been involved in it historically or whether you are new to the process. Read the legislation and get familiar with the concepts that are in it.

There is a Ministry oversight role involved in the legislation. I have talked a bit about it, but I want to give you a brief overview about that

role.

The Minister has the authority – and most of these authorities are directly related to the Minister, not to staff directly. The Minister has the authority, as I indicated, to designate materials.

The Minister has the authority to request that waste diversion programs be developed by Waste Diversion Ontario.

The Minister has the authority to approve or not to approve a waste diversion program that is submitted under the legislation.

The Minister may require – and I will talk about this later on in my presentation because he has required. The Minister under the legislation may require that an Operating Agreement between the Minister and Waste Diversion Ontario be put in place. That is just to guide the relationship or to set out the relationship between the two parties as they work through the waste diversion programs and implement the *Waste Diversion Act*.

The Minister has authority at any time to give policy direction. This is a fairly general requirement. The Minister can give direction to the Board of Directors at any time if he thinks something is important from a policy perspective to give to the Board of Directors.

The Minister also has the authority to appoint a non-voting member to the Board of Directors. At this point in time, that is me. There is no vote involved in this. This is an arm's-length corporation, and we work very hard to keep it as an arm's-length corporation, so I have no voting privileges on the Board. My basic role on the Board of Directors is to give guidance related to the request that the Minister has made at any given time of Waste Diversion Ontario as it relates to a waste diversion program.

One of the things that the Act sets out is that, once a program has been requested from Waste Diversion Ontario, there are very specific requirements around the set-up of Industry Funding Organizations that would be required to pay the fees related to any particular program and, in effect, to pay for the program. There are requirements around what we call rules, and that is nothing more than the fee requirements related

to any particular program.

In the event that the Minister asks for a program to be developed and for whatever reason those fees or those rules cannot be developed by the Industry Funding Organization in co-operation with Waste Diversion Ontario, the Minister retains the right to set the rules himself – something which we hope we will not have to do under any of these programs, but that authority exists.

The Ministry – and this was very much part of the consultations that we had on *Bill 90*. There was very clearly a request that the Ministry have enforcement responsibilities under the Bill. There are enforcement provisions under the Bill related to meeting the requirements of the Bill itself, and the Ministry is the authority to enforce. It will not be Waste Diversion Ontario and it will not be an Industry Funding Organization; it is the Ministry that has enforcement responsibilities.

That is just a general overview in terms of the oversight role that the Ministry of the Environment plays in this legislation.

Some of the materials that we see being designated under the Act – for those of you who have followed this process and have heard me speak on this issue previously, you will know that we have indicated that there are nine materials that the Ministry has an interest in designating. That does not mean that there will not be others but, as we have been through the consultation process, we wanted to signal very clearly as to what could be expected under the *Waste Diversion Act*.

Used oil is very specifically on that list, along with household special waste, organic waste, tires, batteries, fluorescent tubes, pharmaceuticals and electronics.

There is one draft designating regulation that is on the Environmental Bill of Rights process for used tires, and I expect that by the end of the week you will see a re-issuing of a used oil designating regulation as well. So there are two that you need to be paying attention to if you are not aware of it. Check the Environmental Bill of Rights Registry.

In total there are nine. You are only seeing eight on the screen here because the Blue Box waste materials have already been designated,

and I want to speak about that for a moment.

As I indicated, the designated wastes are done by a Minister's regulation. Those are very simple regulations and the intent of the Ministry is to keep the regulatory requirements associated with these programs very generic, very broad and very simple to understand.

The Blue Box waste designating regulation was passed in September of this year, shortly after the Act itself was passed. It is *Ontario Regulation 273-02*, so it is in force. It, in effect, designates Blue Box waste.

On the right-hand side of the screen you can see the actual regulation. It is: "Waste that consists of any of the following materials or any combination of them is prescribed as Blue Box waste for the purposes of the Act." That includes glass, metal, paper, plastic and textiles.

You will note from all of the designating regulations that you will see under this program that they will be very short, very simple and, we hope, very easy to understand. They will all be in a similar premise to this. The designating regulations that you will see this week are also very short and very simple in terms of understanding them.

As I indicated, the Minister, once a waste material is designated – for example, the Blue Box waste designating regulation – has the authority to request Waste Diversion Ontario to develop a waste diversion program. The Minister has the authority, as he asks Waste Diversion Ontario to start to develop that, to give guidance or to put a framework around the work that Waste Diversion Ontario and the Industry Funding Organizations will be doing.

As a result of many discussions, because the Blue Box obviously has been under discussion for some years in this province, there are some requirements that were set out previously and there are some requirements that are set out in the legislation. The Minister wanted to be very clear in terms of the requirements related to the program that he was going to request for Blue Box. I want to go over those briefly with you.

The Minister wanted to have – and this event today is very much in recognition of the Minister's request. He wanted to make sure that there was a public consultation plan associated with the development of the waste diversion program for Blue Box. The program is to support all Blue Box waste which is managed by or on behalf of municipalities. At a minimum – and those of you who are involved in the municipal recycling issue will know that we have a regulation that prescribes the materials that we require municipalities to collect under Blue Box programs under Regulation 101.

We want to make sure as to who we indicated under the Act the stewards would be. In this instance, it is brand owners and first importers that have been indicated as stewards. The Minister has not defined those. That is for Waste Diversion Ontario to do.

The Minister also asked for *de minimis* exemption. There are requirements under the legislation, if the Minister sees fit, for *de minimis* requirements to be set out. Those are essentially who would be exempted because of their low volume of sales or whatever the *de minimis* rule is that is determined, who would not be required to pay fees under the legislation. The Minister has asked Waste Diversion Ontario and the Industry Funding Organization, in this case Stewardship Ontario, to come up with a reasonable approach around who would not be required to pay the fees because of the size of the company, the volume of sales or whatever.

Because this is all about waste diversion and this is all about the three R's in Ontario, the Minister wanted to make sure that this was not just about developing a funding formula to sustain the municipal Blue Box program, while that is very important. The Minister also wanted to make sure that there was an increase in the total quantity diverted. There is a requirement for a target to be set related to the total quantity of materials to be diverted under the Blue Box program as we know it in Ontario.

There is also a requirement for targets to be set around specific materials within the Blue Box program.

The Minister's letter also requires Waste Diversion Ontario to calculate the total net municipal costs in the system. It asked for a municipal payment formula to be put in place that respects north and south variations. There are very clear variations in collection costs and things of that nature and urban and rural variations. The Minister wanted to make sure that, in fact, the funding formula was reflective of the true costs that municipalities are actually paying.

There are funding-for-performance incentives that the Minister is looking for under the program. There are also commitments that have been made under the negotiations and discussions that we had in getting the Bill forwarded for the LCBO. The LCBO is making a commitment each and every year for a five-year period to put in \$5 million toward the payment toward municipalities under this program.

There are requirements also – and I think you have a copy of it – related to the Canadian Newspaper Association and the Ontario Community Newspaper Association in terms of contributions-in-kind and other formulae that will be set out under the program.

There is a requirement for a fund and a program related to research and development.

There is a requirement for a fund and a program around developing and promoting recycled products by e-market development.

There is a requirement for a fund and a program related to education and public awareness.

Those are some of the things that the Minister has required for the development of the Blue Box program and has asked Waste Diversion Ontario specifically to address each of those points in the program that is submitted to him.

That same situation would occur as the Minister requests any other program in the future. They may change; there may be different requirements depending on the program that the Minister is requiring, but that will be the general direction that the Ministry will take. Where the Minister thinks there needs to be some guidance, we will set that out in the letter that is sent to the Board asking for the program to be

developed.

The last thing I want to point out is the Operating Agreement. As I indicated, the Minister has requested and has given a draft Operating Agreement to the Board of Directors. We are negotiating that with the Board at this point in time. We gave them that in the September 24 meeting, and we expect it to be signed by the end of 2002. This is new to both Waste Diversion Ontario and to the Ministry of the Environment. Whether or not we meet the end of the year time requirement I am not sure, but I hope to have it done shortly thereafter.

This is an agreement that will set out the relationship between the Ministry and Waste Diversion Ontario. It is signed by both parties. It sets guidance as to how they will work with each other. Once both parties have a draft that they are both comfortable with, it will be put on the Environmental Bill of Rights Registry for review by the public and input by the public, and then it would be forwarded back to Waste Diversion Ontario to have them sign and then the Minister would sign.

I am going to end on that note. I know you are going to get a lot more information during the day. I thank you for your time.

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JOE HRUSKA – Thank you very much, Keith, for that presentation. I hope everyone now has a better understanding of the *Waste Diversion Act*.

I now have the pleasure of introducing Mr. Tim Moore. Mr. Moore is WDO's first Chairman. During his day job he is President and General Manager of the Clorox Company of Canada. I have had the pleasure of working with Tim through CSR, as he is Chair of Corporations Supporting Recycling.

Tim is an industry leader in recycling. He also is an industry leader on many other industry associations where he brings his expertise.

Please welcome Mr. Tim Moore.

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Introducing Waste Diversion Ontario and Stewardship Ontario

TIM MOORE – Good morning. I am very happy to be here this morning, with you to celebrate a milestone on what has been a fairly lengthy journey. The dirty little secret is that we are not here because we want to be here; we are here because we have to be here. This meeting is part of the process, and all of you are participants in this meeting, not just the audience. I really do encourage you as you hear from each of the speakers to pay close attention to the information that is provided and to generate questions. We do need your input. It is a vital part of this process, so I really do encourage you to do that.

Keith talked a bit about how we got to here. The Bill received final reading on June 13 and royal assent on June 27. There were some delays as this was moving along, so quite frankly we have now ended up with some very tight time lines. If you look at the bottom of this list of bullet points, there is a plan due on the Minister's desk by February 28. Starting from a dead stop on September 5, have a complete plan for the Blue Box together by February 28. We have been moving very quickly. A lot of people have put a lot of energy into this.

We created the permanent Waste Diversion Ontario, and our first meeting was on September 5. The first designated material was the Blue Box. Stewardship Ontario was created as the first Industry Funding Organization to look after curb-side recycling. We had CSR appointed as the secretariat to that IFO on October 2.

Things are moving very quickly, and we are feeling a lot of momentum on this as we move along.

There is a bunch of different players and a bunch of different acronyms. The first one I am going to talk you through is the WDO Board and what they do.

First of all, they manage the planning process for the designated

materials. Just a reminder that curb-side recycling, the Blue Box, is only the first one. We know that tires are coming over the wall, as is used oil and the other seven materials or however more may be coming.

We have to determine the cost of recycling, develop the targets and initiate these IFOs. Think forward. Potentially five years from now there may be nine IFOs, Stewardship Ontario being only one of them. Then we will review and approve those IFO plans and monitor and review the programs. As these programs evolve, the needs of the various stewards will also evolve.

Who is on this Board? What does the WDO Board look like?

The legislation articulates a 15-member board with each of the major steward groups identified here. You can see the list; I am not going to read it to you. There is a bunch of different organizations that are represented. It is a very broad-based board representation. We currently have one board member outstanding, the non-public sector. We have one vacancy and we are awaiting direction from the Minister on populating that last board member. We expect that to happen soon.

Moving to another part of the process, what is the IFO responsible for? Remember that the IFO is specific to each designated material. What Stewardship Ontario does will be very different from what the used tires IFO will do or what the used oil IFO will do or what the fluorescent tube IFO will do. What is generically similar about all of them is that they develop and implement the programs. They determine the costs. They come up with the financing mechanism. They set the *de minimis* – and that will vary for each of the designated materials. Is it relevant to have a *de minimis* and where do you set that *de minimis* to make sure that you are not spending too much effort to chase materials that are inefficient to collect? They have to recruit the members, collect the fees and allocate the funds.

For some of these IFOs, that is going to be thousands of members, many of whom have no idea that somebody is looking for them as a steward for their material.

They implement the cost effectiveness programs and the efficiency

programs for the municipally-run programs. They do market development and promotion and education.

Each IFO has to develop a dispute resolution mechanism and do the reporting of the results so that the WDO can monitor the results and appropriately report those to the Ministry.

Specifically with Stewardship Ontario, our first IFO, the mission has been defined as "to discharge its members' obligations at the lowest possible cost." Derek Stephenson will talk in great detail about this later.

Remember that it is an obligation. This is not a voluntary action; it is an obligation. The IFO's mission is to discharge its members' obligations at the lowest possible cost.

We got into a bit of a chicken-and-egg situation with our first IFO. How do you develop a plan until you know who the members are? We kicked it off by having founding members for what was described as printed paper and packaging materials. You can see here who the founding members of the Industry Funding Organization were: those associations most closely linked to the materials that end up in the Blue Box.

We do expect the Board of the IFO to be expanded potentially to 20 or more members as the stewards are eventually identified and their representatives populate the board, based on the amount of money that is collected from each of those stewards. This will be an evolving board over the next number of months and into the next year.

As the Stewardship Ontario group has been putting together their IFO plan, there has been very broad industry input – obviously from the WDO Board of Directors, from an IFO Working Group, from the Stewardship Ontario Board of Directors, from the Corporations Supporting Recycling who have done a lot of spade work in this area over a number of years, the Material and Packaging Advisory Committee, the Printed Paper Sub-Committee, and the Data and Reporting Advisory Committee. We have had input through the web site, and the reason we are here today is the Consultation Program.

This is all part of the input into developing an IFO plan that will be

finalized and on the Minister's desk by February 28.

The consultation will continue. You can continue to participate by visiting the web site to be brought up to date on what the next steps are.

You can see when the upcoming meetings are. We are here today. The proceedings from this meeting that are being recorded will be posted by December 12. There is a Webcast coming up later this month. The documents for that Webcast will be posted several business days in advance so that you and others can review them and be prepared to participate in that Webcast. On January 16 the draft plan will be reviewed at another Workshop.

All of those are very important milestones on this journey, and the journey ends for this IFO plan on February 28. We will have a completed plan, and things will start moving from there.

Derek will now come up here and tell you how that plan is evolving and where we are headed after February 28.

Thank you very much.

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JOE HRUSKA – Thank you, Tim. I hope the program is becoming clearer for everyone.

I now have the pleasure of introducing Mr. Derek Stephenson. He is the Program Manager for Stewardship Ontario.

Derek has a very long history in this area of public policy, the recycling and solid waste issues. Derek helped to establish the original Blue Box and actually was on a truck helping to collect that one time, from what I understand. That is a big history. Derek is recognized world-wide for his stewardship initiatives, policy initiatives, helping industry put in place very efficient programs, and I know the Ontario program reflects that.

He is a key player in formulating this plan. This is the meat of the program, so make sure you take your notes down.

Please help me welcome Mr. Derek Stephenson.

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Development and Approval of Required Blue Box Program Plan

DEREK STEPHENSON – Thank you, Joe. Good morning.

First of all... the health warning. The numbers you are seeing today are for consultation purposes only. The numbers are not locked down. They are the best available estimates we have for planning purposes, on which we can get input from you and for the Board of Stewardship Ontario to make decisions.

After the consultation programs are complete, after the program plan has been developed, it goes back to the Stewardship Ontario Board before these numbers are locked down. Those are your opportunities for input, and we welcome it through this process.

Keith has outlined the required elements of the Blue Box plan. They fall into the two parts. There is paying municipalities. The law says 50 per cent of the net cost of the sum of the Blue Box Program, and there must be a formula which has been developed and reviewed by the WDO and approved in close association with the municipalities to distribute that money in such a way that it accomplishes the Minister's request for regional variation and to provide incentives to increase recovery and operate at lower cost. That is well under way.

The program does not just require collection of money and distribution of money. There are some very specific elements that Keith has enumerated, and I will mention them again because they roll into the cost estimates.

A funded R&D program outside of that municipal funding formula to continuously improve recovery rates and cost effectiveness is an essential element of the program.

There must be a funded program to deal with market development. There are significant market issues in the marketplace today with glass –

how to move it, how to process it, how to clean it up. There will be other issues having to do with paper and plastics in the future. This program must address those.

There is a requirement, not yet specified, for public education and public awareness, not yet defined. We are developing that within the plan, and you will see it in the January Workshop and, of course, how you collect that money fairly to meet all those costs.

You have seen the legal definition of Blue Box waste. Here is Stewardship Ontario's interpretation of those definitions. This is the basis for the rules that will be written for the corporation.

Printed paper will include those materials which flow into the household that end up coming into the Blue Box, attracting costs which must be shared. That means newspapers, community newspapers, magazines, catalogues, flyers – all that stuff delivered to your home that you faithfully put out in your Blue Box later must be included. The stewards for those, as enunciated earlier, are brand owner or first importer.

Then you have all the packaging elements: paper packaging; corrugated board boxes; bags; anything that is a package. Detailed rules on all this will be included in the plan.

Glass containers for food and beverage.

Ferrous packaging; aluminum packaging; sealed food and beverage, but also flexible and semi-rigid foils. Obviously, beverage containers and also aluminum trays that are used to package food. All plastics packaging, including films.

Our designation for laminate packaging in the case of the Stewardship Ontario program plan – that is, where you have two or more materials bonded together that cannot be easily separated by the householder. That is not a packaging definition, but a rule-making definition for Stewardship Ontario.

Then textile packaging where that is included in the program.

For brand owner or first importer that is the legal obligation. Whether there will be rule-making arrangements for partners to contribute to

funds is open for discussion, but legally that is who is responsible and who the MOE will enforce.

As Keith said, read the legislation. There is some very important information in there. There are, in fact, two options. If you are a steward for Blue Box materials, you can join an approved stewardship organization – an approved one, not a self-declared one – and through that organization discharge your legal obligation by collectively contributing 50 per cent of the cost of the Blue Box system. Alternatively, a steward could seek approval from the WDO to implement a program to recover their own packaging and printed paper so long as that plan will achieve or exceed the performance of the collective plan, that the performance be reported and monitored, and that both the WDO and the Ministry of the Environment may charge fees to evaluate and monitor an industry stewardship plan, an ISP as it is called in the legislation.

It is very important that people understand that, when the program plan goes in, all stewards of printed paper and packaging are obligated. You are in until you are exempted out. This is not something where a steward can say, "I am on my own; I will do my own thing."

After the plan is set and approved and the Minister approves that plan, you then apply for an exemption by going through this process. That has to follow after the stewardship plan is submitted and received by the Minister, and then you will know the goals. An example of this would be a Beckers milk jug program where they have on some of their packaging a deposit and you bring it back to the store. That is the kind of thing that would likely make that grade.

I am going to walk you through where we are in the development process and how we got to the decisions that we have made to date.

First of all, one of the key things that the Board did was approve a process that included having Stewardship Ontario on behalf of industry negotiate with the essential funding partners, the municipalities of Ontario represented by the Association of Municipalities of Ontario, to negotiate key technical and financial issues before this plan hits the

WDO. Tim pointed out clearly how short the time lines are, so it was essential to negotiate some of these numbers which I will show you today.

The process was only approved by the WDO on September 24, and a detailed working plan is available through the WDO or through the Stewardship Ontario web site.

One of the first things we did was establish three key committees. In your package there is an outline of members of boards and committees so that you know who has been doing the heavy leg work.

What these committees have done, with a considerable amount of effort, is that they have had to tackle all the implementation issues. They have had to wrestle through policies and rules. Their job is to then formulate consensus positions as best they are able, where that is possible, and to make recommendations to the Board of Stewardship Ontario. Those committees have been very effective, and I will show you some of the outputs today.

We have the Materials and Packaging Advisory Committee, a subgroup of that being Printed Papers and then, importantly, the Data Reporting Advisory Committee and what stewards will have to do to meet their obligations under this law. You will see the membership listed in your package.

There are three consultation programs under way simultaneously, all funded by Stewardship Ontario. You are part of the industry one. There are no barriers. There are municipal people here and interest groups here, as there have been in the other streams.

The Association of Municipalities of Ontario has completed a consultation process with municipalities throughout the province about their requirements under this plan and the financial numbers that have been negotiated.

There is a third stream that involves consultation with the general public and with engaged public, interest groups, non-profit organizations and environmental groups who have been close to this file throughout its whole development.

I emphasize again that one of the most useful tools for you to continue to stay up on this program is the web site. It takes your calls and questions 24 hours a day. If you don't get your answer today, use the web site. We will track everything that comes in, and we will deal with everything that we can.

We are committed, as you will see in the outline of key timetable on your desk, to make this process as transparent as possible. Look to the web site. Call the office. We will keep you as informed as we can.

Perhaps the most heroic effort so far has been by the Board of Directors of Stewardship Ontario which has had to meet weekly and only recently is starting a bi-weekly schedule to keep this process on track and to make key decisions and to bring you the information today for consultation. They have approved the information in your package today to get your response.

We are on a schedule to table a draft plan on January 21. The Board of Directors of WDO will then meet on or about February 18 to review that plan to give us time to finalize it by February 28. Those are your additional opportunities for input.

Let me walk through our planning assumptions.

This is the best available estimates of the total quantities of Blue Box material found in the residential waste stream in Ontario. If you take newspapers and other printed papers together, approximately 48 per cent of the total quantity generated is found in that residential waste stream. These are different numbers from the total quantities of these materials generated in the province of Ontario. These are calculated by sorting out what is in people's household garbage and what is in their blue box so that you know what hits the residential waste stream – not those quantities that got used and disposed in a hotel, in a school or in your offices.

When you see these numbers against your own professional estimates of total generation of newspapers in the province of Ontario, which will be different from what is reaching the households. This is the sum of the residential waste stream in the households plus that found in

the blue box, 1.6 million tonnes. That is the denominator.

As to the key elements of this program, most importantly and most significantly, at least 90 per cent of the costs will involve transfer payments to municipalities. It is calculating their gross costs, negotiating a net cost number, and transferring funds to them. That is not the only cost of the program. We need to define, pay for and deliver the market development program for materials for which markets are problematic or may become problematic. We must fund the promotion and education program over and above those that local municipalities do already for their citizens.

The Bill allows the Ministry of the Environment to recover its enforcement cost. We will build that into the plan, so that we ensure that we have the capacity should it be necessary to have the Ministry charge companies who are not complying with the Bill with the penalties as outlined in the Act. The Ministry has the right to recover those costs from the Industry Funding Organization.

The program design is a start-up cost. These consultation programs and the analyses of these meetings are being covered by Stewardship Ontario through the founding members of Stewardship Ontario, and those costs need to be built into the plan and recovered through the fees.

There will be the ongoing program implementation and administration costs. There are significant requirements for data collection, analysis, negotiation, cost-effectiveness, program development, education and reporting.

Also very important for stewards, particularly for all those companies represented here who are likely to fall into other designated materials in the future, is that at present the costs of the WDO are currently met by a one-time grant of \$1 million from the Liquor Control Board of Ontario. When that money is gone, the additional ongoing costs of WDO fall to the stewards through their Industry Funding Organizations. There is at this point only one. This is an important issue, and I will come back to it at the end of my talk – this ongoing requirement to fund the cost of the

WDO itself.

Now the order of magnitude, bottom line.

Do you recall my first slide? These numbers are not yet final. We had to make a choice of coming here and saying, "Let me tell you in general terms what this is going to cost," and have you feel frustrated, or of coming here and giving you some numbers and have you feel frustrated! We decided to take the latter course. These numbers have been reviewed and approved for consultation by the Board of Directors.

The one that is the hardest number here at this point is the first one. \$31,250,000 is a negotiated first full-year cost to industry, to Stewardship Ontario, for funding 50 per cent of the Blue Box Program. It was a very difficult, serious and effective negotiating process that was completed with the Association of Municipalities to define this cost. This is if you are operating for the full year of 2003 – and I will touch on that later.

This number will change every year. It has to. It changes with the amount of Blue Box material recovered at any time. It changes with the number of households that get added as the population grows. It changes with the revenue received from the materials that are recovered and sold.

When you work this formula through, you really are talking about beginning to internalize the cost of those Blue Box materials. If the material you put on the marketplace sinks in value, that number goes up, and the converse is also true. This program is designed to have a steward personally and deeply engaged with what happens to their material after the consumer is done with it.

You will note the second line. Program development, start-up, implementation and administration is a 15-month number. The reason for that, of course, as Tim outlined the schedule, is that all the heavy lifting is being done on this planning now and is being paid for by the founding members of Stewardship Ontario and will need to be recovered in the fees. That is what constitutes the second number.

At this point our planning assumption is that we will have a first full 12

months, if we are operating for a full 12-month period, of \$34.5 million. We have a generous, as Keith has outlined, ongoing contribution for a period of five years of \$5 million from the Liquor Control Board of Ontario. In addition to that, the direction of the Minister requires that we take into account and give credit to in-kind advertising that will be provided by the daily newspapers represented by the Canadian Newspaper Association and by the Ontario Community Newspaper Association to a value of \$1.3 million.

In the negotiations with AMO, this is one of the items where they were convinced that we could deduct that cost at least for the first year from that net cost calculation.

That leaves us with a cash requirement for planning purposes at this point of something over \$28 million. That money will have to come from the stewards of those materials designated as Blue Box waste for Year One.

The issue then becomes: How does one raise those funds? How are you going to raise the money to meet that kind of cash requirement?

Our primary task has been to work on a cost allocation model, a methodology by which you can fairly distribute those costs among the thousands of stewards that produce printed paper and packaging materials.

Let me say up front, because it has been a source of considerable angst and confusion, that it will not be a sales-based formula. They will not be based in any way on a percentage of sales of your product. It will be a material-specific cost allocation formula that takes into consideration how much of each material category is put on the market in Ontario. It will be based on the actual recovery rates being achieved by each of those material categories.

It will take into consideration in calculating the levy the cost to manage each of those materials. Significant effort has gone into how one calculates those costs. They will be done on a very sophisticated, activity-based costing system that has been reviewed *ad nauseam* by virtually every material supplier in this room, at great effort – and it is

remarkable that some of you are still in this room, still coming out to the sessions, which I appreciate.

Then to meet the requirement, there will be an incentive for continuous improvement, to build in an incentive for stewards to increase recycling of materials.

I see people writing furiously, and I just want to emphasize in case you missed the point the first time around that the information that you are seeing on the screen will be posted on the web site tomorrow. You will see the actual proceedings when they are done. All this information will be available on the web site all the time. If you missed some of the points, we can come back to them.

An issue that affects our costing assumption is: What is the date of industry's obligation? All the numbers I have shown you so far assumed a 12-month operating period as if you were obligated on January 1. That is not likely to happen in that, as you recall, the plan must be submitted on February 28 and it must go into the Environmental Bill of Rights, and then it must be approved by the Minister who must then give the authorization to Stewardship Ontario to assess fees.

Our recommended current planning date – our advice to you for budgeting is to assume a May 1 obligation date. Decisions have not yet been taken on when invoices would go out. That date may come sooner or later. That is the best available planning estimate we have.

The *de minimis* provision?: It is a good rationale to have a *de minimis*. At a certain point it costs more money to find a steward of a very small quantity of material, to educate them, to sign them up, to send them an annual report, to send them an invoice and to collect a cheque.

At some point it costs more money than you are going to collect. Significant effort has gone into determining what that *de minimis* should be for Blue Box material. As Tim pointed out earlier, it will be a different *de minimis* for each material that comes into the system.

For Blue Box material a preliminary position has been established and approved by the Board of Stewardship Ontario for consultation purposes only that that *de minimis* should be set at \$2 million of Ontario

sales or a second tier test which would be minimal tonnage threshold, the amount for which we have not yet settled.

The process is likely to go like this. If you are a steward of Blue Box material in Ontario, you look first at: Which materials do I have that are obligated? Second, are my sales greater than \$2 million in the province of Ontario? If so, you will have to register and you will have to go through a step of calculating what quantity. If you fall below the threshold set by Stewardship Ontario, you will be exempted.

The intent, particularly for small companies, is: Don't even have them registered. Get them out of the system. They're done.

If you are in a small band of a tonnage yet to be determined, you will have to register, but will be exempt from fees until such time – there will be a renewal period of probably every two years when you look at it again. Mergers, acquisitions, growth of a business or a number of things could affect that.

We would welcome your views on this approach and, in particular, on this proposed \$2 million threshold.

Stewards who are above the *de minimis* threshold will have to report the quantities of Blue Box material they put on the market in Ontario. We recognize that this is a difficult challenge for some companies.

We are looking at three options. The first preferred option is that stewards take the time and quantify what Blue Box materials they put on the market – audit it, count it, measure it, send it in. "That is what I put on the market", times the fees that will be set, and that is what you owe. For some companies that is difficult to do, obviously.

A second choice that will be acceptable is to file your actual national data. Quantify the total quantities of materials you put on the Canadian market, and Stewardship Ontario will set a rule, likely population-based or best estimates of share of market, of how much of that is likely to flow into Ontario. We are trying to relieve some of that administrative burden, so long as there is a fair equation likely to be in Ontario.

A third option is that the Ministry of the Environment in its wisdom has come to appreciate that, certainly for the first year – if we are talking

about an obligation date of May 1 – it would be very difficult for many companies to quantify what their sales were in the province of Ontario for the first year. They have agreed in principle that Stewardship Ontario can develop a quick calculator that would allow companies voluntarily, who will agree to sign off and say, "I accept that this methodology is a fair approximation of my tonnage." There will have to be some assurance that you are using it with the full understanding that you are doing it because it is administratively simpler for you and that the quick calculator, which will be vetted quite closely by the Ministry of the Environment and by all members of Stewardship Ontario, will give you an approximation.

We also understand that we will have an opportunity to develop sector-specific quick calculators. Some sectors, in particular non-prescription drugs, have already done some detailed work on the quantity of material they generate in their sector. It looks like very good data and very acceptable. We believe that we should be able in that case to develop for them a sectoral quick calculator so that their members may not have to go through the detail of doing individual audits.

We are trying to get a close nexus with the waste generated without burdening people unnecessarily with administrative costs. This is something that, so long as there is a commitment to a continuous improvement on the data, I think is a good program alternative for this province and one that we think the Province will continue to support so long as we continuously improve the quality of the data.

That is the definition of how one gets a share of the costs among all the stewards who now report that reflects what those quantities are.

It is a four-step process. One, what quantity of material is generated? What is that denominator that we are spreading these costs over? I have already indicated to you that is 1.6 million tonnes.

Step two: Take the total costs of Stewardship Ontario. That is the bill we are trying to divide among stewards who generated that tonnage.

Step three: Allocate these costs across all Blue Box material to get it

to a per-tonne or, for illustrative purposes today, a per-kilogram fee for each of the materials. The methodology has been adopted for doing this, which will be the focus almost exclusively of the Webcast following the next step of this process which is how this funding formula works. In its simplest form, it takes into account three weighted factors.

First of all, what is the recovery rate for a particular material? What is the recovery rate for glass? What is the recovery rate for newspapers? We give that a weighting in the methodology of 45 per cent. The reason for that?: I think Keith enunciated clearly that the purpose of the party is to improve recovery rates, to meet the Minister's requirements, to show a total uplift in the quantities of recyclable Blue Box material and to show material-specific recovery targets. Therefore, the greatest weighting on the cost-sharing formula takes into consideration what are the recovery rates that have been achieved by the material category and what will be the targets for these built into the plan that the Minister must see on February 28.

The second element of the funding formula is that it takes into consideration the net cost to manage each of those materials. There are radically different costs associated with collecting, processing and shipping to market one tonne of newspapers versus one tonne of plastic bottles. They are completely different.

On this factor we have given it a weighting of 40 per cent, almost equal to the importance that the formula puts on recovery rates. At the end, we are sharing the cost of the total Blue Box system, and it is the cost combined with the recovery rate that determines what the total cost of the system is.

The third element is an equalization factor which seeks to share fairly the cost incurred of the Blue Box system across all obligated stewards. It logically goes like this:

Some materials in this province are recovered at a rate as high as 67 per cent. Some materials are 1.0 per cent or less. Yet, collectively, all stewards are obligated to meet the recovery target and to continuously improve those recovery targets. You want to ensure that the cost of

achieving that is met fairly by everyone. We have put a weighting of 15 per cent – and we will talk about this in quite a bit more detail in the Webcast. It says: What are the costs that would have been incurred by a material if all materials had been recycled at the same rate?

Why do we do this? We want to have a funding formula that seeks to reward and provide incentive for greater recovery, using materials that have a lower net cost but also that collectively municipalities would be “incentivized” and industry would be “incentivized” to get to those higher targets by collecting the next least-cost unit. It makes no sense to have everyone go out and collect all materials at a certain rate. There are no environmental benefits to that necessarily, and there certainly are extraordinary costs.

Rather than create a system with all materials regardless of their environmental profile, we have an arbitrary recovery target and share the costs fairly among all stewards.

This is the focus of the Webcast. We will have material for you in advance, as well as we can within that medium to work this through. This is now being looked at intensively by the working groups that I mentioned earlier and that are outlined in your report.

Step four is that you have to put in an additional factor for each material category. What is the likely *de minimis* impact on each material stream? For how much of each material stream are you exempted from *de minimis*? How much may not be included in the plan because that sector may put in an industry stewardship plan and, therefore, they will not be in there? How long will it take us to find everyone to collect the fee so that we don't come up short of funds at the end of the month?

We will put in a factor against each material essentially to ensure that the fees are conservatively set so that the organization does not fall short of money and so that its members can still meet their legal obligations under the law.

I will pause for a long drink of water while you look at the title that says "Preliminary." I remind you that these are not locked down. These are best available planning estimates for consultation purposes only, but

based on the research to date, looked at intensively by our committees, not yet approved by the Board of Stewardship Ontario. These are order-of-magnitude estimates of what the per-kilogram levies may look like.

I will emphasize that these are cents per kilogram. You are looking at a fraction of a cent in the newsprint category.

We will have worked examples for you in the Webcast that translate what this means for a 350 ml plastic bottle, what this means for a can of peas. If you want to start doing your own preliminary estimates, this is a reasonable order of magnitude to look at.

These will vary by a number of factors. On the previous slide I showed you the weightings that are assigned to each of those categories. That is a planning estimate. That is taken by Stewardship Ontario from one of a wide range of scenarios that have been run, sensitivity analyses. This is what we are putting out for your review today, but that decision has not yet been taken by Stewardship Ontario. You could change those weightings. Changing those weightings inevitably changes those levies.

You will notice that there is only one material for those close to this issue that's not on this list, and that would be aluminum beverage cans. That is because it is the only material in this analysis whose revenues significantly exceed the costs to collect and recycle.

I am trying to sound like a broken record for you today, and I hope I am accomplishing it. The levies are not yet set. I cannot tell you how often people tell me what the levies are on this file. They are not yet set.

We will give you worked examples through the Webcast. We hope, if we can master the technology, to be able to put on in advance of the Webcast a working model, a spreadsheet, that will allow you to play around with the sensitivities yourself and that will have some open boxes where you can input estimates of your quantities of material and make your own projections so that you can understand how it works. We will try to give you more scenarios with the impact of going to different weightings. We hope to have that material on the web site, as much of it as we possibly can, by the 12th, and we encourage each of you to work

with it and to understand it so that in the Webcast format we can deal with your questions and concerns.

Another reason that we cannot lock down the fees, besides wanting to have input through the consultation process, is – and you have heard the expression "rule-making" this morning – that there is a lot of rule-making that has to be done about what constitutes a package, printed paper, et cetera.

One of the other issues is: How does one calculate the total quantity of obligated Blue Box material? The heart of the issue here is that, while the program is intended to manage that material which goes into the residential waste stream and ends up in the Blue Box, those same materials end up in industrial, commercial and institutional accounts and are not managed by municipalities. However, some of those materials do leak out of those programs and end up in municipalities, or consumers buy a beverage in a facility like this and take it home and put it in their Blue Box. It is an imprecise ability to measure where they flow.

No policy decision has been taken on this yet, but there are two possible approaches under consideration on how one would define by rule the basis by which stewards have to contribute their fees.

One option is that stewards would declare and report only those quantities of printed paper and packaged products sold directly to consumers through retail stores, vending machines, direct sales, hot dog stands. One option is that printed paper and packaged products sold into non-residential – restaurants, office buildings, schools – would not be included. That has the benefit of keeping a tighter nexus between the Blue Box system and that quantity generated. However, it brings with it, particularly with some materials, considerable administrative difficulties in trying to track that. Many stewards don't know where it ends up.

There is an obligation for the survival of the corporation and to meet the Act that there be a close auditing of what companies put in the waste stream and what fees they send. There needs to be an audit capability within Stewardship Ontario.

Therefore, we have to make this trade-off between how much effort

you put into tracking precisely where the material goes versus the cost of ensuring you have the right number.

Therefore, an alternative option to obligate all those materials regardless of the distribution channel. Unfortunately, that would not be fair for all product lines. If you took products that one would variously describe as fast-moving consumer goods, quick turnover products, those consumables, they vary quite a bit. Sealed beverage containers have a high significant sale in industrial, commercial and institutional counts. Others don't. It is an option to be considered by the Board – and we would value your views on this – to make a trade-off between administrative simplicity and fairness and simply say, "Report all printed paper and packaging products designed primarily for consumer use, regardless of whether that sealed beverage can went to a Costco, a Loblaws, a vending machine or a school." The possibility exists that it ends up in the Blue Box system; in fact, you want it to end up in the Blue Box system. Obligate it all.

That would be a challenge for some other sectors, particularly for the information technology sector, for example, where some stewards have been much more able to say, "I know what percentage of my sales go into office computers or mainframes or whatever" – to only track those that go into the household, those that go into ICI, and deduct those. For example, in the ICI sector, a common example is companies like Dell which specialize in selling direct to the consumer, and therefore the packaging goes in. Other companies have virtually none of that consumer market.

One option under consideration is to simply obligate all packaged consumer products and pay on that basis versus a separate rule for semi-durables and durables.

Those two options are not yet decided. Take on the administrative challenge and the audit requirements to check on how they actually flow or trade that off for administrative simplicity and obligate a wider quantity.

I want to emphasize that in no way is this program designed to deal

with shipping and transport packaging that was never intended for the home. That is different from a consumer package that may flow into the channel. Shipping boxes, pallet wraps, transportation packaging that is not specifically designed to go home with the consumer would not be levied.

Similarly, those very large packages, such as 50-pound bags of flour for institutional use, would not be levied.

I won't spend much time on this other than to say that the other specific investment that has been made is a Web-based data management system, taking on board the best lessons we can from other jurisdictions, to achieve the administrative simplicity and high security for data. This is just an internal sheet for how our administrators will handle data when it comes in.

The other thing we are spending significant effort on is to make reporting as simple as possible. There is a great deal of technical work and analysis that is behind how one sets the fees and how you calculate costs. What we want the majority of stewards to be able to do is to get on line, have a screen pop up populated with the quantities of materials that you generate, have definitions there so that you can read them and be sure that you know what we are asking for, give you the option of a national filing or an Ontario filing or give you an option of going to the quick calculator. We think this effort is going to pay dividends for years to come, to allow stewards to get through this system as cleanly and efficiently as possible at the lowest cost and keep the data secure.

I want to wrap up my comments with a couple of issues not specifically related to the fees.

The legislation as drafted – its greatest strength and one of its greatest problems is that it gives considerable flexibility. One of the issues that has surfaced and needs to be resolved over the next month or so is: What is the role of the WDO, which Tim Moore described to you, versus the IFO, which in the case of the Blue Box is Stewardship Ontario? What do each of those bodies do?

We continue to have that discussion among the board members of

the WDO. Not surprisingly, there are some significant differences between the views of municipalities and the views of some industry members.

I want you to be aware that the Association of Municipalities of Ontario at the last WDO Board meeting tabled a specific proposal to try to cut through that fog. They have suggested that there are at least eight functions that should be housed within the WDO. This becomes an important issue because, while the functions would be housed there, they would be paid for by Industry Funding Organizations. It is a significant issue.

The issues that they have proposed be housed in the WDO include:

- measuring and reporting on progress toward targets;
- consultation on the plans;
- that public education and awareness activities be housed there;
- that calculation of funds due to individual municipalities and how one distributes them be housed there;
- that the WDO distribute funds to municipalities as opposed to industry directly;
- that that organization be charged with conducting and interpreting data calls related to material coverage and conducting and interpreting data calls related to the financial net cost calculation; and,
- that the function for promoting effectiveness and efficiency be housed in the WDO rather than the IFO.

No decision has been made on this yet. We would welcome your views and input on this key point.

You have on your desk a list of key dates, other opportunities for consultation input. The key ones are:

Plan on the Minister's desk on February 28. It will not surprise you that I think the first request of the WDO was: Can we change that date? The answer was: No. That question has come up continuously, and the answer is unwavering. We are charged with meeting that deadline. That is why we are on this fast-track schedule.

When the plan is received by the Minister, it must be posted on the

Environmental Bill of Rights for at least 30 days. We don't know when the Minister will approve it, but we have every indication that he will want to move this along quickly. That is the date of obligation at which time we will calculate all of the obligations to prepare for sending out invoices.

What you can do to get ready – and let me make it clear that this is no longer a voluntary program. This is not an option. This is the law of the land. You need to identify in your businesses which Blue Box materials you put on the market, either directly as a brand owner or as first importer. You need to quantify what those materials are.

We hope to alleviate the significant burden that will put on some companies through the use of the quick calculator being developed.

Importantly, you need to budget based on, I would suggest, your estimates of quantity generated and, as a starting point, those fees which we have posted today which will be revised. Every time there is a change, it will be posted on the web site. They will be the basis of the Webcast. Then, before they are locked down in the plan, you will see that in the third Workshop where the Board of Stewardship Ontario has made its decision on what its first-year fees should be. Then it must still be subject to the Minister's decision.

We are going to be strongly recommending early filing. We will have the data management system up early so that you can work with us to quantify your obligations, and we can then ground truth our planning assumptions.

Thank you very much.

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JOE HRUSKA – Thank you, Derek.

As usual, we are being very efficient, so we are ahead of schedule. While Derek is catching his breath, I would like to thank all our speakers – Keith West, Tim Moore who did yeoman's duty to get here from another event just to be with you. He has left the room and I don't see him here, but I thank him very much. He is under great demand from

other parties.

I think they did a great job in explaining this program from the *Waste Diversion Act* to Waste Diversion Ontario to Derek's extensive presentation of introducing the Blue Box Program. I hope it has provoked some questions.

Please use those sheets that you have in front of you where you have written your questions at the Question-and-Answer light lunch period.

I have to take care of a bit of housekeeping. We ask that your questions for the Q&A period pertain to the program because we need your input on that. You are being recorded. If you can, introduce yourself, your affiliation, who you work for or the organization you are with.

Mark on your calendars right now December 17 for the Webcast and January 16 for the next Workshop. They will be very key dates.

You have an evaluation sheet in your folder. At the end of the Q&A period please leave this on the tables over there where you will be having your lunch and where we will do the next session. Staff will collect these documents.

If you have any questions, Stewardship Ontario is here to help you. Feel free to call us. We will try to get the answer for you. Feel free to call me directly. All of us have our contacts on the web site. Some of you I have been talking with extensively. I invite your questions, and we want you to feel comfortable with this program. I know there was a lot to take in this morning.

Because we have been so efficient, the break will start at 11:30. We will begin the lunch Q&A period at 11:45 sharp, where we will have our guest speakers answering your questions while you eat.

I want to thank all of you for your great cooperation. You are a fabulous audience. We will now adjourn this portion of the presentation, and we will see you back here on this side of the room at the round tables.

Thank you again.

BREAK

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LIGHT LUNCH Q&A

DAMIAN BASSETT – Hello, my name is Damian Bassett. I work for Stewardship Ontario, and my role this afternoon is to help you ask questions of the various distinguished guests from this morning.

At the head table with me are Keith West from the Ministry of the Environment, Derek Stephenson for Stewardship Ontario, and Tim Moore who is the Chair of the WDO.

We invite you to use any one of the microphones that have been set up in the room. As Joe mentioned to you earlier this morning, these proceedings are being transcribed, so it would assist us if you would identify yourself, both your name and your affiliation, before you ask the question. The rules of Jeopardy apply; there should be a question mark at the end of your question. We are not necessarily discouraging comment, but it would be more helpful if it could be phrased in the form of a question so that it would solicit a response from one of our participants here.

We will try to keep this as light and informal as possible. We continue to have lunch available. If you have not had a chance to grab something, please don't feel restricted to your seat. You are welcome to continue to enjoy your lunch while the proceedings go on.

May I ask for a volunteer to come forward and ask the first stimulating question.

Q: CLARISSA MORAWSKI (CM Consulting) – Derek, I would like to know how you are going to be treating the issue of franchises.

A: DEREK STEPHENSON – We have retained legal counsel to develop

a draft rule with the intent of having the steward be the franchise house and to allow the franchise house to roll up the obligation for all the franchisees.

The process, after we have that initial legal language, is that the Stewardship Ontario Board will review and, if they are in agreement with that, we will send it to the Ministry of the Environment, Policy and Legal, for review. The intent is clear, to have the franchise house be the steward on behalf of the franchisee.

Q: PETER EFFER (Shoppers Drug Mart) – I would like to ask a question with respect to the definition of "brand owner." I am thinking specifically of our "Life" brand products. They are manufactured by third parties; yet, we are the owner of the trade name. Is it the intent that the definition of "brand owner" be referenced back to the trade mark owner or to the manufacturer?

A: TIM MOORE – That specific issue has not been finally resolved yet. I think you are correct in assuming that the owner of the trade mark "Life" will ultimately be accountable, irrespective of who manufactures it. Some of those goods could be manufactured offshore or outside the country, and it would be difficult to trace down the manufacturer. We can generally easily identify the brand owner, so it is going to be a matter of what is the expedient process for identifying the steward.

Q: ROGER MILLER (R.A. Miller & Company) – We are a specialty consulting firm in the industry.

Can you help us understand the *de minimis* rule regarding sales? Is that wholesale value or retail value, particularly as it would apply, for instance, to a small importer who may not know what the ultimate retail sales value is?

A: DEREK STEPHENSON – I wonder if Gord Day could deal with this issue. Did you deal with the wholesale/retail issue in the committee that

developed the *de minimis* level?

A: GORD DAY (Stewardship Ontario) – That issue was debated, and we did not come to any clear definition as to whether it is the wholesale sales figure or the retail sales figure. Obviously depending on who was at the table, they did have differing opinions. That is something we still have to finalize and pass forward for the Board's approval.

A: DEREK STEPHENSON – We will have that on the agenda for the Webcast, and we will request an opinion from the Board before the Webcast.

Q: SUSAN PETERSON (ICI Canada) – I have a question about the enforcement charges. Is it envisioned that the enforcement will be brought back to the brand owners ultimately or, if you go ahead with a charge and there is a bill afterward, will there be an actual department set aside that the charges will come through that will deal with enforcement? Will it be a standing charge or an individual charge when you actually do enforcement?

A: KEITH WEST – Once we know whom it is that the Ministry needs to enforce against, it may vary depending on who is required to pay the fee. We would likely go after the company. We have to work that through. Once we see the program, then we will be able to meet with our enforcement people to say, "Okay, how is this going to work?" Once we know who is required to pay the fee, whoever has that requirement would be whom we would enforce against.

Q: SUSAN PETERSON – And the payment has been worked out, exactly who would pay for that?

A: KEITH WEST – The payment regarding our enforcement – first of all, we have to sort through it at the Ministry. I should say to you that the Bill

does allow us to recover our costs related to all activities. At this point in time we are only going to be recovering our enforcement cost. I don't see that as a huge bill, but we have not yet started those discussions within the Ministry.

The way that it will work is that, as the program is being developed, we will try to tell the IFO and Waste Diversion Ontario what that cost is as we expect it. If it turns out to be different, then we will give that more final cost into the program to be added in at a future date.

A: DEREK STEPHENSON – I would like to add a comment. I believe the legislation allows for and certainly the plan being developed that will be submitted to the Minister will specify, in addition to whatever penalties under the law, that, if a steward has not been in compliance and therefore is required to come into compliance, they will be subject to back fees and interest as well. There will be the extra incentive to get a high degree of compliance.

A: KEITH WEST – I think that is an important point. From the Ministry's perspective, we think that the majority of the enforcement will rest with IFO. That is not what we would call in the Ministry of the Environment where one of our investigators shows up. That is where there are a number of incentives to have people comply with the legislation before we even become involved.

We hope that our involvement, quite frankly, will be fairly minimal. That is certainly our intent.

Q: STEPHEN BODI (Clorox Canada) – My question is with regard to cost efficiencies at the municipal level. Within the scope and mandate of the WDO, what mechanisms will be put in place that will keep the municipal costs of recycling efficient or stop inefficiencies from creeping in as they see a pool of money that is being generated that will help subsidize potentially those inefficiencies?

A: TIM MOORE – That is a good question. The legislation actually envisions some issues around making sure that there are some incentives for cost-containment and cost-reduction. In addition to the requirement for programs for increasing efficiency and for developing the markets to improve the value of the goods that are recovered, there is also a financial incentive for the municipalities. The IFO can hold back a portion of the funds to be used as a financial incentive to those municipalities that are the most efficient. The contrary point of view is that the least efficient municipalities are not going to be receiving 50 per cent funding; they are going to be receiving something less than 50 per cent funding.

There is an incentive there for the municipalities to meet a benchmark efficiency level and to improve their aggregate system costs.

A: DEREK STEPHENSON – To add to that, I think there are several layers that help the situation.

First and foremost, municipalities must continue to pay 50 per cent. They have an automatic incentive, as industry would, to reduce costs.

Second, the law requires 50 per cent of the net cost of the Blue Box system in total. That does not mean that every municipality gets a cheque for 50 per cent. There has been a funding allocation model developed, led primarily by the Association of Municipalities of Ontario, that is an algorithm that takes that pool of money and distributes it to individual municipalities in response to a couple of factors. One is the range of materials and amount they collect and the cost. Some municipalities in the testing of this model will get substantially more than 50 per cent, and some will get less.

As Tim has described, there is this effectiveness and efficiency fund which was negotiated in the development of the voluntary WDO and the legislation itself, where 10 per cent of the pool of money that Stewardship Ontario will be responsible for can be dedicated specifically to cost-effectiveness and efficiency.

That is one of the issues that with my second-last slide I discussed

about where that should be housed. It has been the view of industry participants in the development of the plan that that should be housed within Stewardship Ontario so that they can focus that fund to drive down costs. That is an issue that the municipalities had raised, that that function could alternatively be housed within the WDO. That is one of those issues that I wanted to flag for people and that we value your input on.

Q: PHIL DIAMOND (Nestlé Purina) – For the purposes of budgeting, we have been using a three-to-one ratio versus our voluntary contributions. Given the rates that we saw this morning, if we still use three-to-one, do you have a feel for that?

A: TIM MOORE – I don't know that we can give you a firm number. Three-to-one would be kind of an average example. The dilemma is that each manufacturer's situation will vary, and it will vary on a few dimensions. First of all, what specific materials do you generate? What is the weight of your packaging? If you have very heavy plastic packaging that has not been engineered to be light-weighted, you are going to have a different factor.

There is also an issue that some manufacturers are going to go through a more rigorous process of calculating their amounts now and have better coverage of their Ontario sales. A rough benchmark was around three times the voluntary CSR fees, but the range could be from less than three to substantially more than three times.

Q: DEAN MILLER (Shoppers Drug Mart) – I actually have two questions. The first one is that the program expands to include pharmaceuticals. Currently, I don't believe that plastic pharmaceutical vials are included in any Blue Box program in Ontario.

Is that going to be a responsibility of a pharmacist, including the little corner independent pharmacist, to provide an independent program of recycling at his or her pharmacy?

A: KEITH WEST – For those of you who have been involved in this process previously, you know that we look at the nine materials that we have listed in groupings. Pharmaceuticals are not in the early grouping. Just to give you an indication as to when you might see something around pharmaceuticals, it will be later in the process, probably over the latter part of a two-year process when you will see it designated.

Obviously, the way the legislation works is that the Minister will put out a designating regulation as to what he thinks is required from the waste perspective. Then it is up to the WDO and then the IFO directly to determine how in fact the program would be set up and how it would be implemented.

There are many models around stewardship programs related to pharmaceuticals, and we think it is important for the industry that is affected and that will be paying to determine how in fact that material will be collected and how it will be processed.

I don't have an answer for you only because we think that is part of the process.

Q: DEAN MILLER – The second question is: Speaking of franchise owners, a lot of our smaller franchise owners purchase product from company X, a small company in Saskatoon let's say. Would they be responsible for the waste generated from that company? We are not purchasing from a large manufacturer, but a very small manufacturer. What would be the case there?

A: KEITH WEST – I think the simple answer is: It depends. If that small Saskatoon manufacturer had sales in Ontario of greater than \$2 million, they would be accountable for the goods that they were selling in Ontario. If it was less than \$2 million, then it likely would not meet the test. If there is some obscure product that is sold at one Shoppers store in Bowmanville and he happens to get it from an obscure manufacturer in Saskatoon, it will basically get into the curb-side recycling program

without having attracted a stewardship fee.

A: DEREK STEPHENSON – A good way to look at the obligation – when you step back, a province can only regulate businesses that operate in that province. For a manufacturer in Saskatchewan, Keith and associates have no jurisdictional authority. What they can regulate are companies which are in business in Ontario or which import into Ontario.

You always go back to who is the first importer. If that company ordered that product from Saskatchewan and had that shipped in, they would be the first importer and they would be obligated.

Q: TIM WOODS (Nestlé Canada) – I would like to ask a point of principle.

Will brand owners be able to claim a dollar credit for printing of messages in support of recycling on their packaging, in-kind or not?

A: KEITH WEST – I hope we will see a rule related to that in the program, so maybe I should hand it off to Derek. I won't do that.

In our negotiations around the Bill we obviously came to some agreements with CNA and with OCNA regarding contributions-in-kind. I think you would have a reaction from the municipal side if that contribution-in-kind continued on a grander scale.

There are provisions within the Bill where WDO and IFO can look at that kind of thing if they so choose. I would suggest very strongly that municipalities, especially around the Blue Box program, are looking for actual dollars rather than contributions-in-kind.

Q: TIM WOOD – But this is a principle here.

A: DEREK STEPHENSON – You will notice that Keith emphasizes that he does not have a vote on the board, and he does not. But he often speaks very clearly and precisely about expectations of the Minister.

A: KEITH WEST – That is my job, so I have been told!

Q: ELWOOD DILLMAN (Scotia Group of Companies) – My question is to Derek, and it has to do with the funding formula.

I thought I heard you say this morning that many in the room had had an opportunity to have input into some of the elements in the funding formula. Maybe I didn't hear you right. My question is: Is there a process by which a manufacturer or a brand owner in Ontario or even outside Ontario has an opportunity to have input into the funding formula and, if so, what is it?

A: DEREK STEPHENSON – If I said that this morning, I misspoke myself. This is the first wide open “send anybody you can identify to come” meeting to hear about the process.

Put it in the context of the whole Bill first. The people who have worked on the funding formula have been primarily staff reporting to the Board of Directors of Stewardship Ontario. It was only approved by the Board of Stewardship Ontario for release for consultation last Wednesday. There was a Board meeting last Wednesday. We have also advised the Ministry of the Environment throughout its evolution about the mechanics of it to see if it meets their test for constitutional fairness – there is a number of tests that the Ministry always has. We carefully worked with Ministry staff so that it meets the law.

The second thing we did with the Board of Directors of Stewardship Ontario – and the reason those founding associations are on the Board is that collectively they represent among their associations more than 90 per cent of the obligated material, so we considered that a fairly good starting point. They are not the detailed mechanics and modellers.

We have now been going through the three advisory committees that have been established, and the list of the people there is outlined in your program today. Those people are working at this in a very in-depth sense to find out if there are any logic flaws or to give options about

things like ratings, and things like that.

This meeting was designed to make everyone aware that that work is under way. What we want to do is post for the first time for everyone's eyes the most complete methodology, having been ground-truthed by all the representatives from material suppliers and the majority of the brand owners on the hook for the fees, and to dedicate the Webcast almost solely to an examination of that. My comment was to try to post on the web site the actual model with some flexibility to allow everyone to play with it and to ask questions. Then we will work it through. Then we will take the consultation from those two, take it back to the Stewardship Board and say, "We have heard this about fairness, viability, workability, slope, *de minimis*, the whole ball of wax." That board will be charged with making the difficult decision of saying, "You have to make these policy decisions."

Then we will bring that out for the third Workshop to say, "Now we are against the wall. This is our best guess. This is all the input we have had. Here are the reasons for the decisions we have taken." One last crack for the stewards. We will take that back, tell the Board what we heard in order for them to make a decision on the formula, and then it goes to the Minister.

That is the process. We are trying as much as possible to get as much of that information out into everyone's hands whom can possibly be affected by it.

Q: ELWOOD DILLMAN – With respect, Derek, it is pretty hard for a manufacturer to have input into the funding formula if he doesn't know what the formula is.

A: DEREK STEPHENSON – Everybody has an interest in this. There are people in the room here who are neither manufacturers, nor brand owners, nor importers, but public interest groups, and they have an interest in it as well.

We have not been able to start with a clean sheet and get together

220 people and say, "What do you think about a formula?" We thought the best methodology was to take what has really been about 10 years worth of work in Ontario in various forms, where people have struggled with roles and responsibilities and fairness, plus the requirements of the Act which spell out the things that a funding formula must include.

As the arms and legs of the Board of Stewardship Ontario, we developed a methodology, taking into account the best information we could steal from other jurisdictions, from the extensive work done by people in the organization, and put forward the people who are often closest to the file – representatives from PPEC, from tinplate, from glass – to get them in there to say, "On behalf of your manufacturer members, work through this. Tear it apart. Give us your best advice."

It will not surprise you that, if you put glass, metal, paper, steel and aluminum in a room and get them to come to a consensus, they all like the methodology; they just want to move the numbers just a little bit to the other guy.

I would say this. The process has worked well to come to consensus on methodology. Roll up your sleeves and get ready for the fight about the weighting, but we are comfortable now to get it into the marketplace so that there is something substantive and detailed for everyone to get a kick at.

A: KEITH WEST – Further to that, in anticipation of the Act, there was a lot of heavy lifting that went on with a lot of industry groups on the kinds of things that would need to be considered to come up with a funding formula. When we finally had the Act and we knew what the specific requirements were, we were able to narrow the scope of that discussion down even further.

There were principles such as, if I am a manufacturer that only introduces a very efficient material into the waste stream, I don't want to have to pay the same rate as someone who only introduces a very inefficient material into the waste stream. That presented a concept of different rates for different materials. Eventually that works into the

formula, but the concept was agreed upon with input from a lot of different groups and, as Derek said, groups that in aggregate represented over 90 per cent of the materials that end up in this designated stream.

We think we have had pretty good involvement from a broad base of companies representing a significant portion of the materials to get to the concepts that are now playing out in the algorithms.

A: DEREK STEPHENSON – Let me add one more detail – and I see some faces over here who are a lot closer to the actual numbers than even I am.

There is a detailed methodology, an activity-based costing methodology, for which I will get the numbers approximately right, which representatives from virtually every material supplier group has wrestled through. If I recall correctly, there is something like 17 different variables in the collection element – how you assign a cost for a glass bottle versus a cardboard box in the collection function. How much of the gasoline consumption versus how much of the maintenance versus insurance does that go to?

I think on the question of the intermediate processing there is something like 40 different factors. How much of a conveyor belt that takes mixed materials do you assign to the pop can versus the cereal box – infinite detail that, thank goodness, I don't have to spend a lot of my time on. Some people in this room have spent a lot of time on it, and the process they followed was to come to consensus on the methodology. They did not come to consensus on the number, and we didn't ask that.

Until the Board approved the methodology and we ran the numbers, everybody got a look at them at the same time. It will be very interesting how everybody's opinion feels now that they see the numbers for the methodology that they agreed on.

Q: MICHEIL JENNINGS (Polytainers Inc.) – I have a question with

regard to the Blue Box program currently and as it will go forward.

As it stands now, if I am not mistaken, municipalities have the choice as to whether or not certain materials will be collected within their municipality. An example would be wide-mouthed plastic containers. Some municipalities do allow them for inclusion in the Blue Box program; some do not currently.

As brand owners going forward would be charged for material like that, will it be mandated that all municipalities include all products within the Blue Box program? Otherwise, a brand owner may be paying for something that they are not getting.

A: KEITH WEST – The requirements for the municipal curb-side program are set out in *Regulation 101*. We had quite a considerable discussion around this internal to the Ministry and as part of the whole consultation process on the Bill itself.

There will be no changes to those requirements which effectively require municipalities to collect five specific materials, and they have a choice on another two. Those requirements will not change as a result of this.

What we want to see throughout this – and that is why there are targets for overall quantities and specific material targets – is more diversion to take place under the Blue Box program. That is a choice that municipalities will make. We have a fundamental "Here is your minimum level that you are required provincially to do." We want municipalities to make those decisions, and we want funding to be provided related to those decisions, and that will remain in place.

We are always open to review these matters, but that decision has been made up until this point in time.

Q: MICHEIL JENNINGS – Going forward, if certain categories are not included within the Blue Box program, the brand owner still has to pay into it?

A: DEREK STEPHENSON – First of all, in this province there are 400-odd municipalities which are organized into about 190 municipal programs. Some municipalities collect the minimum required under the law, and some actually run what we call a wet/dry program, where they collect everything that is dry material – all packaging and all paper all in one stream. In effect, they are collecting everything.

You are absolutely correct. It varies from program to program.

It is also, I think, a societal good choice to not expect every municipality in Ontario, wherever they are located, to collect all materials. While I appreciate the point about fairness, I think there is some question about whether you should collect some of this material in northern Ontario and send it at great economic and environmental cost to a market quite far away.

The way the funding formula is balanced – and, again, this is open for the weightings we have put on it – is: Recognize that all brand owners – and most brand owners are not in a single material. Tim's company is not in a single material. He is not looking for a program to manage each of his product lines. He is looking to meet his obligation under the law.

The way the formula is designed is to take into account those three factors.

The recovery rates are different. Some recovery rates are higher than others, not simply because municipalities have chosen to include a particular material, but because the users and producers of those products have invested a lot of time and money in the markets and in the development of those recovery systems. There are materials represented in this room who poured a lot of money for a lot of years to make sure that the recovery rate was high and there was a market for it. The formula tries to account for that fact.

Second, on the cost, some of the materials that are obligated under this law are god-awful expensive to pick up and some create a profit and that falls to the benefit of the system. We should make sure that we are trying to get it as efficient as possible.

Third, if you require that every material is recovered at the same rate, the cost of this program would be extraordinary. If the cost of picking up blister packaging was at the same rate that cardboard boxes are picked up, the cost of that system-wide would make your head spin.

What we are looking for is a model which says, "Let's be reasonable here. Meet the Minister's objective of greater recovery. Make sure there is some fairness, but use a funding formula that recognizes that a brand owner doesn't have each one of his materials picked up at the same rate, nor should it be." How do you balance that cost, continuous improvement on recovery and reasonable cost fairly shared?

Q: DAVID DOUGLAS (Clorox Canada) – For those companies that interact directly with Ontario municipalities and provide resources, whether it is in-kind product or financial support on program launches or other resources toward research and program launches, will they receive a credit toward the overall obligations for financial payments?

A: DEREK STEPHENSON – That sounds like a rule, not a legislative question. That is a very good question. It has not been addressed. You are the first one to bring it to our attention.

Speaking without fact or knowledge in this matter – and that has never stopped me before – I would be inclined to say "no", as a personal opinion. I think material suppliers and packaging suppliers need to compete in the marketplace. There is a direct benefit for some companies to go out and promote markets, recovery, et cetera, for their products, and they should do that.

Nor do I think it is fair to try to manage that within a stewardship organization that has to represent all its members. There will be some 5,000 to 10,000 members in this organization.

I would be pleased to take that item back. Our normal process would be to take it through an advisory committee as an issue, to let that bubble up to a recommendation and take it to the Board. It is a good question. There is no decision, but you have my personal leaning on

that.

Q: VAUGHAN ADAMS (Unilever Canada) – Under the funding formula to what degree will registered stewards be bearing the burden of costs that would otherwise be borne by brand owners who, for whatever reason, are not in compliance?

A: DEREK STEPHENSON – Roughly speaking, I would say about 100 per cent in round figures. Let me sharpen that point because it is an excellent one. This comes to the question of fairness and how fees are done.

The first decision that the Government of Ontario has made is that you will exempt some companies by *de minimis*. There is no equal exemption that would happen since they are not paying a fee. They make the same tin can, the same cardboard box, as the bigger guy. It flows through the system and it gets recovered and it tracks cost.

It is a function of the law that says there must be a *de minimis* and it is a function of the law that you must pay 50 per cent. Therefore, you are carrying the burden of the *de minimis*.

The second part is that, if any company does not comply, cheats and gets away with it, that cost is being spread over the rest. Therefore, a great deal of energy has to go in on the Stewardship Ontario side to minimize that. We are going to do that by certain techniques like – we are hoping that one of the greatest things we can do is post a listing of all the companies that are registered so that companies like you might look at it and say, "Who do I know that is not registered?" It is a tyranny of the system that, if anybody avoids paying the fees, the cost falls to the remainder of the good stewards who did sign up.

We have done very careful calculations on what we think that will be, and we are trying to minimize it, but we will have to allow for some provision for that and the cost will flow to you and the other companies.

A: TIM MOORE – That calculation is being done on a material-specific

basis because it will vary. To take a couple of extreme examples, if you think of aluminum soda cans, we can all pretty quickly list the companies that sell pop in Ontario, so we think they are going to pay their bills. If you think of a plastic container that somebody puts honey in, there are a lot of places on the side the road that sell honey and we are not necessarily going to find all of them, even if they are above \$2 million in sales.

A: DEREK STEPHENSON – It takes a while to understand this program. We were at a WDO board meeting the other day, and people said, "You make sure you get all these stewards." I took the opportunity to point out to the people on the Board, "That includes anybody who sends out a utility bill or a tax bill. All you municipalities out there, I am looking forward to giving you your bill. Ministry of the Environment, I am looking forward to all that paper." Any government department – they are all stewards, and it is going to take us some time to get everybody into the net.

Q: LEE TALBOT (3M Company) – I don't think I understood the funding per cent or that the WDO was funded by stewards and IFOs funded and some Ministry activity. Is there a per cent or a cap or an amount that you used in your estimate?

A: KEITH WEST – No. The Bill allows for costs to be calculated related to any specific program. The bill to the Ministry will be directly related to what it costs us for enforcement purposes under the Bill, and that may change. We expect that to be fairly minimal.

The bill as it relates to the IFO is directly related to how much it costs the IFO to actually run and implement a particular program.

The costs associated with the WDO are directly related to their responsibilities related to a particular program and what it costs to administer that. The fund has to come to a conclusion around that.

It is completely open as to how that is to be set. As Derek pointed

out, there are some discussions around the Blue Box program, as to who is going to be administering what under that program. Until you come to that conclusion, it might be difficult to determine what the costs might be related to how much the program will be funding for the WDO.

What we did do as a Ministry was to ensure that the WDO could be functioning as soon as possible. That is why we asked and the LCBO volunteered \$1 million to the set-up of WDO. We are not sure how far that will go, but we hope it is enough money for them to get set up, started doing their work, implementing whatever responsibilities they have until all the programs come in place and in fact can pay the bill towards WDO.

Q: WAYNE HIBBERT (USANA) – I have a two-part question for some clarification.

The first question is: If I heard you correctly, you said pharmaceuticals are exempt. Will you draw a distinction between pharmaceuticals and natural health products such as supplements, or would they fall in the same group?

A: KEITH WEST – I don't believe I said that pharmaceuticals were exempt. I think I indicated that pharmaceuticals at some point in time will fall under the Act and the waste products from that will be designated. That is probably going to happen over a two-year period.

If you look at any of the regulations that come out that designate materials, they are fairly broad and fairly general. The reason for that is to provide the industry sector that is going to be required to have a waste diversion program to have as much flexibility as possible as to how they see the materials being considered under a particular program.

No determination has been made on that, nor would we likely be that specific within our designating regulation to even come to a conclusion on that. We will let the industry sector determine whether or not those products that you mentioned would fall under a program, and we will factor that into the decision that the Minister would make around that.

There are no conclusions and no decisions. It has not even been designated at this point in time.

Q: WAYNE HIBBERT – For your deadline for May 2003 that is not on the table at this moment.

A: KEITH WEST – There is a very clear distinction between the packaging associated with any of your products versus the residues that come out of a household or whatever. We would distinguish it in that way.

A: DEREK STEPHENSON – For greater certainty, when Keith put up that slide and said, "These waste streams will be obligated at some time," that had nothing to do with the packaging or printed paper. Printed paper and packaging are obligated now. It is only management of the residual part. If you sell computers and they are not in the system as a product, their packaging is still obligated.

Q: WAYNE HIBBERT – If I buy my paper from a company and I use it as an insert to put in my packaging, I would be obligated to pay for the amount of packaging and inserts I put in a package.

A: DEREK STEPHENSON – If that material flows down to the household in the residential stream that will be captured. The paper bag you put it in, the plastic bag – all of those things will be obligated.

Q: WAYNE HIBBERT – The plastic that my product is in also.

A: DEREK STEPHENSON – Correct.

Q: WAYNE HIBBERT – Would that be double charging because at the same time you will be charging the people who manufactured these products.

A: DEREK STEPHENSON – There will be no double charging. It will go to the brand owner. In this case, if your company's brand is on it, you would be the steward, not the manufacturer.

Q: WAYNE HIBBERT – So it is not the person who makes the paper that I am going to use?

A: DEREK STEPHENSON – It is the brand owner or first importer of that paper into the province of Ontario, not the manufacturer.

Q: WAYNE HIBBERT – Maybe I am not being clear here. For instance, the stuff that you put in your package, like bubble plastics – will the companies that manufacture these products be paying into this process?

A: TIM MOORE – It is going to come down to the stewards reporting what their packaging composition is. If you imagine packaging that has a glass jar inside a cardboard box in a velvet bag, all of those pieces are going to attract different rates. We are going to ask you how many kilograms of glass, how many kilograms of paper. If you put an information insert in there to tell them how to open the jar, that piece of paper is also going to attract it. If the whole thing is surrounded with Styrofoam beads, that is packaging as well.

Q: WAYNE HIBBERT – I know I will be able to get it for that, but the person I am buying this product from, the manufacturer in Ontario, would they be obligated to pay for this also?

A: TIM MOORE – If you are buying and reselling it, you will not be a steward. The brand owner is going to be the steward. In a very simple business model of a retailer who buys branded product from an Ontario company and sells it to consumers, they are not going to be a steward. They will not be the brand owner or first importer. They will owe nothing.

A: WAYNE HIBBERT – My paper that I bought in Ontario to put printed materials on to put in my box – I will be obligated to pay according to how much paper I put in my box. My question is again: The company in Ontario who I bought this paper from, will they also be obligated to pay into the system?

A: DEREK STEPHENSON – I think the question is: Does the printing company that prints that information circular pay?

Q: WAYNE HIBBERT – No, the manufacturer of the paper that I am going to use.

A: DEREK STEPHENSON – The manufacturer or the printer of that paper, providing it is your brand that carries that information piece with it to retail, is not required to pay. The onus is on the brand owner to remit for each and every packaging and printed paper component that he is in charge of.

Q: WAYNE HIBBERT – If I make paper and I sell it to whomever in Ontario, I am not obligated to be a part of the program?

A: TIM MOORE – Not until the paper becomes packaging material. If somebody produces rolls of cardboard and some of that cardboard gets converted into packaging material and some of it gets converted into other things, the manufacturer of the cardboard is not going to be a steward. The brand owner who uses that cardboard for their box to put Corn Flakes in it is going to be the steward because they have now changed that from a material into a packaging material.

A: DAMIAN BASSETT – I think we have had enough back-and-forth on this. We can carry this on afterward if you want to stay around.

Q: OKSANA LAPIERRE (Novartis Consumer Health) – We will be sharing in the cost of recycling in Ontario, but are we to expect in the future that other provinces will implement this sort of program and at that point should it be more federal so that we don't have to customize to each province's program?

A: DAMIAN BASSETT – Maybe I can jump in here. That is a very appropriate question.

Quebec is in a legislative process very similar to what Ontario was in about a year ago at this time. We have at least one representative from Quebec in the audience here. They have *Bill 102* which has received second reading; it will subsequently receive third reading after consultation and then the equivalent of royal assent. It obligates stewards in the province of Quebec almost identically to the obligation that is carried in Ontario.

The first answer to your question is: Yes, you are going to see similar initiatives in other jurisdictions. It is complicated, though, because eight of the other jurisdictions at least have stewardship initiatives that are more product-specific, such as a deposit return on certain beverage containers. The playing field in those other jurisdictions is not as open and as unfettered as it is in Ontario.

We expect that there will be interest at the provincial level to secure similar sorts of support to what Ontario is offering through *Bill 90*. Whether it ever gets knitted together into a federal program – I would suggest that that is probably right behind education and health and everything else that this country tries to integrate at a federal level. There really is not the manpower at the federal Ministry of the Environment devoted to this particular issue that you see at the various provincial levels.

A: DEREK STEPHENSON – Let me add to that.

First of all, it is important to understand that jurisdictional responsibility for waste management rests at the provincial level, not

with the federal government because they don't have the jurisdictional authority to do it. You are going to have in this country, provincial regulations no matter what.

That does not mean that industry could not organize itself to discharge its various obligations through an industry stewardship organization of its own choosing. You just cannot ask the federal government to do it for you. That has been tried, and there has been a lot of wasted time on that. The responsibility rests with the provinces, and they will exercise it.

You have to step back from that and say, "How can I discharge my obligation at the lowest possible cost so that you don't have 12 little WDOs, each with their own little IFOS, and drive us all crazy?"

A: TIM MOORE – We could pursue constitutional reform!

A: DEREK STEPHENSON – We could complete the Constitution. I should have thought of that! That is an excellent point.

Q: LYNNE MACK (Logic Box Systems) – Nothing was mentioned about electronics, and I am just wondering when the Blue Box program is going to kick in for electronics.

A: DEREK STEPHENSON – There will be a stewardship requirement.

A: KEITH WEST – As I mentioned previously, these decisions are the Minister's decisions to make; let me be very clear on that. As we have had discussions around the legislation and the roll-out of the different programs, we have seen them in different groupings. I would suggest to you that the first four would very highly likely be Blue Box, which is currently in play, the used oil program and used tires and then household special waste.

The next set might very well be electronics and possibly organics. I don't know yet because we have not made that determination. Then a

separate grouping later on around pharmaceuticals and fluorescent tubes.

I look at it this way. We expect over a two-year period all the materials to be designated; that would certainly be our intent. Then it is up to the Minister as to when he would require a program to be implemented.

I cannot say exactly when the electronics program will come through. We are working very hard on the first four. I would suggest to you that over the next two years you will see it designated and possibly put forward as a program. I cannot give you any more certainty around that. It comes back to the last question. There are those within the electronics sector who are looking at developing a program. All I can say to you is that the development of that program has not been initiated by the Ministry of the Environment. We do expect the program to come at some point in time; I just don't know the timing of it.

Q: DEAN LEEDER (Black & Decker Canada) – On the issue of first importer or brand name, Black & Decker has sold the rights for our name to various companies across Canada to produce and use our name on their packaging. Who would ultimately be responsible for that packaging hitting the Blue Box?

A: DEREK STEPHENSON – Stewardship Ontario would probably knock on the door of Black & Decker and say, "It seems to be your name." You would inform us that you sold the rights to someone else, and we would have to notify retailers who would be the first importers of the product that they assume that obligation.

It would not be beyond the realm of possibility that retailers, those kind and gentle folks that they are, might work with the suppliers to organize a way to discharge it in an administratively different manner. That would be a commercial issue between the retailers and their suppliers.

Q: DEAN LEEDER – So for the time being I should not include that product packaging in my calculation formula?

A: DEREK STEPHENSON – How are you getting along with the retailers?

Q: DEAN LEEDER – Pretty good, really.

A: DEREK STEPHENSON – I would work it out with them. The logic of it starts with that. We don't know those commercial arrangements that have been made but, by default, if the brand owner is not obligated, then it is the first importer which is most often the retailer.

A: DAMIAN BASSETT – Have you sold that brand name to a company that is domiciled in the province?

Q: DEAN LEEDER – No, I don't believe they are in this province.

A: DAMIAN BASSETT – The logic would be that, if they are outside the province, they own the brand name. Somehow the product with the brand name gets into the province, so it is the first importer rule.

Q: DEAN LEEDER – We have a lot of product that we ship out. We know our packaging weight and our sales for Ontario, so we can come up with that calculation. Do I reduce on the amount that I take back into my building on returns and that I recycle through my own facility?

A: DEREK STEPHENSON – Yes, I think that would make sense. Exports, returns, damaged goods – basically, you do not want to include in the calculation things that did not end up in the municipal waste stream.

Q: DEAN LEEDER – Can I do that calculation on all goods coming back

from across Canada or only the goods that came back in Ontario?

A: DEREK STEPHENSON – We are still Ontario-focused.

Q: PETER EFFER (Shoppers Drug Mart) – This is an issue that came up, I believe, when Alberta was introducing their program, and it had to do with introducing a distribution centre into the distribution chain. The example was a manufacturer in, say, Ontario who sells their brand name product – let's say Kraft peanut butter – to a Toronto distribution centre, and that Toronto distribution centre ships it out to Quebec. The brand owner would be Kraft in that example. They sell it to Toronto and they are assuming that it is being utilized in Ontario. We then ship it out to Quebec.

Has that been contemplated in your funding formula with respect to end distribution sites?

A: TIM MOORE – I have not seen the rules around that yet, but it is an issue where you ship to a central warehouse, to a customer who has a centralized distribution centre, and it goes to other parts of the country. I am assuming we are going to see a rule that is going to provide us with a method for determining what actually ends up in Ontario.

It comes back to what is the intent. What ends up in the Ontario waste stream? Whether you are using syndicated data like A.C. Nielsen or that customer's point of sale information on what they send to which locations, the intent will be: What enters the Ontario waste stream? The intent is not just what gets shipped into an Ontario warehouse because that ends up being an accident of how that distribution network is set up.

Imagine a distribution centre that is in Hull, Quebec that ships into Ontario stores. The intent is to capture the volume that leaves Hull and comes into those Ontario stores.

I don't know how that rule is going to work or if Derek has anything to share with us on that. That is the intent.

A: DEREK STEPHENSON – To protect the fiscal integrity of the organization, it is likely to come with requirements that stewards go through that calculation, put reasonable data forward, have an attestation from the CEO or from their auditors that this information is correct so that we can minimize the administrative requirements on Stewardship Ontario. That is done by an audit. The organization has audit powers to check on the quality of the data being submitted, and it is highly likely that we will have some ongoing audit role, just to get the data better and better.

Q: PETER EFFER – Maybe I will forward an e-mail on what happened in our situation in Alberta, which had to do with discussing with manufacturers who should be paying for the particular product.

A: DEREK STEPHENSON – I will say that on our Reporting Committee we have a number of well-known companies like Wal-Mart who are familiar with the same kind of issue. Anything for that advice, Gord Day of Stewardship Ontario is an excellent person to send it to.

Q: CHRIS KOSMALA (ICI Paints) – What about the point-of-purchase material, if you have coloured brochures or any type of point-of-sale material where a consumer can take something off? Are you responsible for that material?

A: DEREK STEPHENSON – Yes.

A: TIM MOORE – If the intent is for the consumer to take it home. Point-of-sale materials fall into two groups. If you think of fixtures in the store that are going to stay in the store and ultimately go somewhere else, that is not going to be a designated material. If there are coupons or information like recipes that they are going to take home and that they eventually will throw in the trash at home, that would be printed material that will be introduced to the waste stream that would attract them.

A: DAMIAN BASSETT – My sense is that we have practically exhausted the questions. Unless anyone else comes up, this will be the final question.

Q: DAVE DOUGLAS (Clorox Company of Canada) – Knowing that one of the factors in considering efficiency of a diversion program is comparative cost of disposal, if you look at it in Ontario with Keele Valley closing in 28 days and potential issues with Michigan and who knows what with the Adams Mine, should disposal fees down the road, whether it is a year or two or three or five or ten, substantially increase, say, to two or three times what they are now, that would make diversion programs that are at X at double X look just as efficient down the road.

Are there any checks and balances that you are looking at with comparing disposal fees and potential caps on what our fees could be from the Ministry's point of view?

A: DEREK STEPHENSON – The legislation makes no reference to caps. It makes a reference to a very specific 50 per cent of net cost. It then leaves to the plan to define how you calculate net cost. There is a very active group, AMO/Stewardship Ontario negotiating group, to define the rules by which costs and revenues will be determined so that you can come up with that net cost figure. This is an issue that has been addressed somewhat in that area.

It is important to realize that, as this process unfolds, the methodologies have to be defined by which these costs can be calculated year on year. We will address that one within the funding formula for the municipalities, but you would know better than anyone that it is a hotly contested issue from a philosophical and a cost point of view. It is highly likely that the plan will be based upon continual revisiting of the formulas. Perhaps for no less than a two-year period you will need to come back to the table and look at it and say, "What has changed in the world since we started this process?"

We would always welcome your input on that. I think municipalities would less likely welcome you on that point, but I understand it completely. We will make the methodology transparent in the plan and we would welcome your views and any advice you would like to give us when you see what that rule looks like.

Q: DAVE DOUGLAS – Are the haulers and those with landfill capacity in Ontario in dialogue right now through all of this? Are you in discussions with them?

A: DEREK STEPHENSON – One of the observers on the Board of WDO is the Ontario Waste Management Association. They are participants wherever they can be. They bring their views forward forcefully. I think Rob Cook is here in the audience. I think they are quite apprised of this process.

Q: CLARISSA MORAWSKI (CM Consulting) – My question is about recycled content. Is there a provision within the funding formula to reward brand owners who have chosen to use recycled content in their packaging or printed materials?

A: DEREK STEPHENSON – No.

A: TIM MOORE – There is implicitly, in that that is developing the market for the material downstream and reducing the net cost to the system and, therefore, reducing the fee that you will pay for it. If you are using recycled materials in your packaging, there has been a developed market for your materials downstream. It is not explicit, but it is implicit.

Q: CLARISSA MORAWSKI – We have seen other stewardship programs all over the world after year one, especially in a year where we don't really know how much our costs are, amass more funds than were necessary through the levying of fees. It is highly unlikely that you are

going to hit it right on. You may have a deficit situation or you may amass surplus funds.

If you are in a situation where you have amassed surplus funds, (a) what would be required as an operating surplus fund and (b) how would you reduce those surplus funds in the next year if that situation were to occur? Would it be done by material or as a whole?

A: DEREK STEPHENSON – It would have to be done on a material basis because all the fees are calculated on a material-specific basis. What is most likely to happen in Ontario is that you won't get an across-the-board; you will get a material-specific, some high and some low. While the Board has not faced this issue yet, I would likely recommend that you would rebate by reducing fees in subsequent years and, therefore, it goes back across all stewards fairly.

Q: CLARISSA MORAWSKI – It would be by material?

A: DEREK STEPHENSON – Yes, because everything in the entire formula is based on material.

Q: JEFF JOHNSON (Colgate-Palmolive Canada) – I have a question regarding shipping materials such as corrugate shippers. If the intent is that it not reach the consumer, but the retailer such as No Frills or Basic decides to make that available to the consumer, how do we capture that?

A: DEREK STEPHENSON – The generation numbers that we showed that underpin the calculation of the formula are based on actual auditing of what is in the residential waste stream. Some of that material that you talk about with discounters is not intended for but ends up going to the consumer. There is a significant amount of other board that comes around the television, the refrigerator, the computer, that is delivered straight to the home.

Because of the methodology we use, we are actually in there sorting it out – not calculating the total quantity of corrugated board sold in the province but what is showing up in those waste audits. That is how we get there.

Q: JEFF JOHNSON – I have apparently missed your answer. The answer to the question would be that I do capture it as a packaging material or that I do not because it was not intended for consumer use?

A: DEREK STEPHENSON – It would depend on the kind of business you are in. If you are in the business of selling computers to households, that quantity is in. If you are in the business of shipping auto parts to GM, that is not in.

Q: JEFF JOHNSON – The second question is related to laminate packaging. If the nature of the product is that it is contaminated and hence is non-recyclable, does it still need to be paid for from a levy point of view?

A: DEREK STEPHENSON – Yes. There is no distinction. It is packaging as defined. As a container product, it is in.

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CLOSING

DAMIAN BASSETT – Before we wrap up, I would like to introduce Dennis Darby, the Chair of Stewardship Ontario. Dennis was not able to be at the earlier session. He is here now. Take an instant photographic picture of him in your mind. He is certainly available, as are all of us.

I would like to thank our panel: Keith West, Derek Stephenson and Tim Moore. Please join me in giving them a hand.

The whole point of today's exercise was to put this issue on the table

in front of you and to ask for your feedback. Hopefully we have answered some of your questions today. I am sure you have many more. Please take advantage of the vehicles we have in place, the Webcast on December 17 and the second Workshop on January 16. Contact us either through e-mail or telephone or in person. We really need your input in order to make this plan go forward.

Thank you, and enjoy the rest of your day.