

**January 8, 2018 - Phase 2 Consultation on the Draft
Proposal for an Amended Blue box Program Plan**

Mr. David Pearce: Good afternoon. This is David Pearce speaking. And welcome to Stewardship Ontario's webinar on the key components of the draft Blue Box Program Plan.

I'll be your host today. We do have several speakers with us, and I will name them now and introduce them as they come forward and speak to you. So, with me is John Coyne, Chair of the Stewardship Ontario Board, Usman Valiante, and Geoff Rathbone with the authority.

Let's just take a moment and review how the webinar works. We will advance the slides for you, so they will move automatically.

You can send your questions in to us at any time. You'll notice on your screen that there is a button that says, "Ask a question." If you use that, then you can send in a question. We'll get that. We will be stopping periodically to take questions and to answer them. So, if you get those into us in advance, we'll be able to get those to the appropriate speaker and they will be addressed at those times. In addition to the periodic question times, we will have a--sort of an open Q&A towards the end.

If you have any technical issues, use the "Ask a question" box as well and we'll be in touch with you to help resolve those issues. You've got a sound slider marked with the number one. You can use that as well to adjust your volume.

And this is the agenda for today. There's a lot of material that we're going to cover. I imagine many of you have had the opportunity to review the draft plan that's been posted. The intention of today's webinar is to go through the key components of the various sections of that plan.

We will not be doing a page turn. So, we don't have enough time to go through all of those details, but we're going to be doing a review of each of these sections that you see on the screen today. If you have questions about things that were not covered in the webinar, feel free to provide those questions to us as well.

So, in general, we will have an introduction. And that will be provided by John Coyne, the Chair of Stewardship Ontario's Board, and then Usman and I will tag team and review the key components of the plan. I'll discuss briefly the rules for stewards and the fee methodology. And then Geoff, on behalf of the authority, will speak to the program agreement. And we'll talk at the end about next steps.

So, with that, I'd like to invite John Coyne for some introductory remarks.

Mr. John Coyne: David, thank you very much. And to everybody who has joined us for this webinar, thank you. On behalf of the Board of Directors of Stewardship Ontario, thank you for your participation, for your engagement and obvious keen interest in what it is that we are seeking to accomplish with the revised Blue Box Plan.

There are hundreds of you signed up for this webinar, which I think reflects not only the value of the Blue Box to those of us who live in this jurisdiction but also the importance that we place on making sure that this plan is developed in the most appropriate manner to suit the economic, environmental, and social needs of the citizens of the province of Ontario.

As you will have seen, the draft Blue Box Program Plan has been a collaborative effort from start to finish. This is not a program that is owned by one particular individual or two. This is everybody weighing in appropriately in a collaborative way with our regulators, with stakeholder groups, with First Nations communities to come up with the most appropriate Blue Box Plan for the long term future of this province.

It has involved a substantive investment of your time, for which we are exceptionally grateful. Your participation, your engagement, your feedback all has been engaged in this plan to come up with a draft that is our blueprint for the future.

I think this plan also represents--as is your interest, it represents our collective desire to be leaders in this area. Ontario has been and we believe will continue to be a leader in this area, and will enable us to be innovators as we build out the infrastructure for the future of this particular plan.

This plan also though reflects, as the legislation commands, a joint vision for a gradual transition to full producer responsibility, a matter of some engagement and conversation, but one which I think needs to be reflected in the plan.

This draft plan responds to all of the requirements of the minister's request letter, a very important first step in determining the legitimacy of what it is that we're asking you to provide feedback on. It also respects the Charter of Interests and the Accord that Stewardship Ontario and municipal representatives negotiated and presented to the minister to increase the steward financial obligations in relation to how this plan should operate and what kinds of operational controls should be put in place.

This plan is consistent with what I said earlier, a gradual transition. And operational stability considerations are paramount in how it is that we present this plan for your consideration. We've incorporated stakeholder feedback from the early rapid fire framework of consultation that took place back

later in 2017. And most importantly, this plan sets the stage for us to move to a full transition to individual producer responsibility under the RRCEA.

Those phase one consultations had to happen in a very, very short space of time. And while I appreciate there has been a great deal of pressure to get the kind of feedback that we needed to have in this space, that has not diminished the quality or the engagement for that feedback, for which, again, we are extremely grateful.

Twenty in person meetings and webinars focused on developing this plan, over 1,500 participants participating in this, over 80 submissions from various stakeholder groups from the steward community to packagers to waste management companies, NGOs, and indeed from our First Nations communities.

We have launched phase two of the consultation with the posting of the draft plan that we are seeking feedback on. And we look forward to that feedback as we go through this process to come up to the deadline of February 15, which is when we are required to submit this plan to the authority.

We're going to review today each of the key components of that plan. Thank you, David; thank you, Usman; and thank you, Geoff as we go through this. We need your written feedback by the 15 of January. You can supply it sooner than the 15th, but that is the timeframe that we need to have in place in order for

the Boards to consider the feedback and to consider the revisions to the program plan in order to submit this to the minister.

In addition to the program plan, there is a program agreement that will exist between the authority and Stewardship Ontario. It will be appended to and form part of this plan. Now, that--the authority has posted that program agreement. Geoff, you will be commenting about that in greater detail towards the end of this, but I invite participation and engagement and questions relating to the program agreement, not just the integral--other integral pieces of the plan itself.

So, I want to end by thanking you all for your participation. We welcome your feedback, written, oral, questions. We provide as many answers as we possibly can. And again, we have a very tight timeframe that we need to meet, but we welcome your participation in this very worthwhile endeavor.

So, David, with that in mind, back to you. Thank you very much.

Mr. David Pearce: Thanks, John.

So, the next section of the webinar, we will review the different key components of the draft plan. The minister made a number of requests for changes in the letter that was issued, and we've summarized those on the next two slides.

So, we'll be talking today about the definitions of obligated printed paper and packaging. We'll be talking about the definition of stewards, including the approaches to the newspaper obligation and small business exemptions. We'll look at how payments are made to communities that have not yet transitioned and remain under 50 percent under section 11.

We will talk about the criteria for transitioning local governments to full producer responsibility, as well as the approach that is being proposed for how Stewardship Ontario will procure collection and post-collection services in a way that is fair and open. We'll look at some of the collection and management standards that will be used to determine service levels and how it is that the materials that are collected will be standardized and expanded across all communities.

We'll also talk about material specific targets and how it is that Stewardship Ontario will seek to reduce the amount of waste and increase the amount that is being collected. Finally, we'll talk about the expansion of Blue Box services.

So, with those now listed, I want to get into the definitions of obligated PPP and stewards. And I'll talk briefly about program financing as well.

In phase one of the consultations we came out to stakeholders with a definition of PPP that included paper products, primary packaging, convenience packaging, transport

packaging, ancillary packaging elements, and packaging-like products. There have not been any changes to that proposed definition from phase one to what is now in the draft plan that has been provided to you. So, all of the definitions that we spoke with you about have carried forward into the draft plan.

As well, the definition of steward remains unchanged from what it is that we discussed with you during the phase one consultation. Stewards continue to be Ontario resident-based brand holders and first importers. They are defined through the rules for stewards to further specify the types of businesses that fall into those categories. As had been discussed in phase one, there have been no changes to the small business exemptions. Those remain status quo.

We did hear some concern raised from the steward community about nonresident e-commerce companies and how those would be obligated. The e-commerce issue is a priority for all PPP programs across the country, and Stewardship Ontario will be working with CSSA on research to explore potential solutions going forward.

For the newspaper publishers, CNA/OCNA, the in-kind lineage provision will continue into this plan, and will be allocated to non-transitioned communities and Stewardship Ontario for their respective uses on a proportionate basis using households serviced as the metric for allocation. So, Stewardship Ontario

will receive in-kind lineage for households that have transitioned, and communities that have not transitioned will continue to receive in-kind lineage for their use.

Speaking about program financing, we heard from stewards concerns about looking for clarity about when steward fees would begin to increase. We did note in the steward consultation on October 25th that the 2018 fees will not change. Fees will begin to change in 2019 in preparation for transition. And on this slide and in the draft plan, we have listed a number of the items that fees will be raised to cover the cost of such as reserve accumulation, the transition and implementation items, and then ultimately the actual cost of the communities that have transitioned.

This slide shows the expected year-over-year pace of transition by households. Each house listed represents one million households. The gray houses denote the non-transitioned households and the blue houses represent those that have transitioned. We anticipate that about 20 to 25 percent of households will transition each year, and the program budget and the steward fees will grow at a pace that represents that household transition.

We anticipate that the transition to full producer responsibility will begin in 2020, as outlined in the plan. As it does now, Stewardship Ontario will publish the annual budget

and fees in Q4 of each year to enable stewards to prepare their budgets for the upcoming year.

Before I hand things over to Usman to take you through the sections concerning the transition, we have a moment here to pause and take any questions on any of the material that's been presented thus far. I know there is at least one question that's being brought to me right now. If there are others, you can send them in at the moment.

The question is when would the expanded definition of PPP take effect? What year would stewards first have to report based on this expanded definition?

Well, if we assume that the plan is approved in 2018, the first reporting period would be 2019. And that would impact the 2020 fees.

I'm just pausing to see if there are any other questions. There aren't any at the moment, so I'm going to hand things over to Usman, who will begin walking through the process for transitioning communities. Usman?

Mr. Usman Valiante: Thanks, David. I'm going to cover in the next session the status and process for non-transitioned communities, in anticipation of talking about the process for transitioning communities to producer responsibility and the mechanism by which that will happen.

So, the first thing I want to cover is payments to non-transitioned communities under section 11 of the Waste Diversion Transition Act, which requires payments to be made at a percentage. And that percentage currently is 50 percent of verified eligible net costs.

The graphic that you see on the screen talks--moving from left to right, the actual amount is the operating cost plus P&E cost plus capital cost, calculated administrative costs minus the three year rolling average for gross revenue.

This is not anything new. This is typically how things have been calculated in the past, though it's been simplified in a manner where this formula will apply without any adjustments or any cost banding so that 50 percent is 50 percent for municipalities across Ontario based on this formula.

The costs that will be included are eligible costs, and the costs that will be excluded are ineligible costs. Those have been traditionally defined in the authority's data call document. And appendix A of the plan sets out eligible and ineligible costs for calculating payments.

As a result of the transition, this is a transitory mechanism. There are some costs that have been identified that will be ineligible, so the costs related to transition itself, things like preparing contracts or evaluating contracts, anything that's specific to preparation of transition. And

there'll be lots of activities that I will talk about during the section where I describe the actual transition mechanism that are going to require internal effort. Those costs are not eligible.

Cost related to service level changes approved after August 14th; we know that there's been a concern amongst non-transitioned communities that they won't be able to continue and invest and upgrade their programs. And the intention here is that there is sufficient level of investment that would have been made in due course of operating the program, so there is no intention to diminish the operation of--the status quo operation of the programs.

What this refers to are investments that are made to make wholesale changes to the nature of the delivery of curbside recycling in non-transitioned communities. So, you know, we've--we are--we're trying to maintain a balance here between ensuring robust continued operations and preventing wholesale changes to be made in the interim period.

And then costs related to contract operations and management deficiencies; so where there is a situation where the program incurs a penalty, let's say from service providers associated with some deficiency in operation, those costs would be ineligible for payment.

So, that kind of covers eligible and ineligible costs. Again, appendix A lays that out for your reference.

The payment and timing format for making payments remains unchanged. The payment--the majority of payments will be made in cash. The balance is paid in the form of advertising space provided by CNA/OCNA. It shouldn't be CAN but CNA, Canadian Newspaper Association, OCNA, which is now known collectively as News Media Canada.

So, they'll be through--the payments for their portion of their obligation will be made through in-kind fee payments. And the payments will be made in equal quarterly installments, Q1, Q2, Q3, Q4, on the indicated dates.

The program agreement transfers the responsibility for administering the in-kind program to Stewardship Ontario from the authority. And certainly how in-kind is provided in transitioned communities, that will be administered by Stewardship Ontario as well. So, I may have an opportunity to talk about that or answer questions about that in a little bit.

The proposal for managing the continuous improvement fund, again, is a transitory arrangement. In the interim, the CIF will continue to operate for a period of time to close down existing project grants. Communities that want to use the CIF to support transition activities such as calculating the value

of assets or developing business case for transition, there'll be support for that.

Stewardship Ontario will continue to manage the money in the fund, which is essentially a deferred payment from past payment obligations. And the authority will continue to oversee the CIF committee, including its governance.

The CIF will be wound up and the remaining funds distributed no later than the day the last community is eligible to transition, though it could be earlier. Current estimate is there is about 10 million in uncommitted funds within the continuous improvement fund.

I'm now going to talk about the transition process. And I guess this warrants a bit of a preamble. Today the--and this is really where this plan has required some real thinking and some real back and forward dialogue, because it is this mechanism that I'm going to talk about that is effectively going to transfer the obligation for the collection and management of paper products and packaging in Ontario to Stewardship Ontario in anticipation of future regulation under the RRCEA.

And so, today there's about 400 contracts held between municipalities and their service providers, and it's those contracts--it's by those contracts that we deliver recycling in Ontario today.

And for Stewardship Ontario to assume that obligation, those contracts over time will be replaced by contracts that it will hold with private service providers and with municipalities that exercise their right of first refusal to act as collection contract managers on behalf of Stewardship Ontario and continue to participate in recycling as a partner and service provider to Stewardship Ontario.

The transition is designed to allow for those that--those contractual obligations to be assumed by Stewardship Ontario in an orderly manner, in a predictable manner, in a manner in which the market can respond and make investments especially with regards to the post-collection management of material that have been collected, which is going to effectively result in some significant changes to how we move and manage materials in Ontario towards delivering them to end markets, which is how Stewardship Ontario is going to discharge its obligation to meet the environmental performance targets that have been set for it.

So, if we can just go to the next slide; so, we have developed a catchment-based approach to transition which looks at aggregations of municipalities that would become eligible to transition based on their catchment opening up. This catchment-based approach is one that we iterated to after early discussion on alternative approaches to transition municipalities to EPR in a manner that would provide them with some predictability.

And some of the earlier discussion that we had and proposals that we put forward such as a lottery process did not provide that in the municipal perspective. And it also didn't provide--meet some of Stewardship Ontario's objectives in terms of predictability of how municipalities would transition and how catchments would evolve into the post-collection mechanism for procuring recycling services.

So, a lot of back and forward, very productive back and forward, and we iterated to a solution that involves establishing or defining catchments that will transition. The slide that shows you these catchment diagrams I think is worth taking a pause on and having a bit of a discussion about.

The process to define the catchments, the process to sequence the catchments is going to be a process of interaction between Stewardship Ontario and communities, First Nations communities and Ontario municipalities. It is really the mechanism by which communities are going to determine their desire to transition to producer responsibility, how they want to transition to producer responsibility, meaning how they're going to manage their contracts.

And that information is going to inform Stewardship Ontario on how the catchments get designed, the amount of material in those catchments, the potential for those catchments to be viable for post-collection procurement. And then that will be

fed back to municipalities who will then have an opportunity to finalize and confirm their intention, at which point based on how those catchments have been prioritized by Stewardship Ontario.

And so, there's going to be a lot of back and forward during this process to define the catchments and prioritize their transition. And I think over time, as those catchments transition, fundamentally the contracts that operate the recycling system will be held by Stewardship Ontario, and the traditional costs that have been borne by municipalities will now be borne by Stewardship Ontario.

And so, David talked earlier about the transition windows or the anticipated rate of transition. And that's the rate of transition that Stewardship Ontario will assume operational responsibility and financial responsibility. And that's predicted to be anywhere from 15 to 25 percent of households per year.

Again, the desire to transition--a municipality's desire to transition is discretionary. It's up to the municipality to decide if it wants to transition or not. And municipalities will have an opportunity through this process to determine what's the best mechanism to manage their contracts. And there's a number of different approaches to managing contracts that are in the plan.

And so, the transition timeline to full producer responsibility is, at a high level, two plus five years, so the two years being the time to plan for the transition. And there's, you know, a tremendous amount of activity that's going to incur--occur in those two years; the defining of the catchments, the prioritization of the catchments, municipal work internally to figure out if they want to transition and, if so, how they want to transition, the approvals of the approach to transition from municipal governance, from municipal councils, creation of procurement instruments.

And certainly, one of the first things that's going to happen in the two years is municipalities are going to get to see the procurement instruments that Stewardship Ontario is proposing to use to procure collection services and post-collection services, and that will inform them about what it means to be a service provider to Stewardship Ontario.

And it's in that time that those documents and tools will be developed in consultation with municipalities so they can figure out what they want to do. So, the first two years are an extremely busy time in developing all the procurement tools and all of the other mechanisms that are actually going to allow the--allow municipalities to transition to producer responsibility in the subsequent five years.

So--and a lot of this activity is concurrent. I mean, this is a simplified chart, but really the entire transition will have been completed--is expected to be completed by 2025. So, it is a--two years to prepare and five years to execute to full producer responsibility by 2025.

So, I want to talk about some of the assumptions here because these are important. The ministerial approval is received by June 1st, 2018. Stewardship Ontario has cooperation of municipalities and First Nations communities and the waste management sector in order to design catchments and contract rules within 120 days.

And that speaks to all of the things I've talked about in terms of tabling draft procurement tools, draft statements of work, pro forma tender documents, pro forma operating standards, and having a discussion about those documents, at the same time an assessment within municipalities about their desire to transition and then an assessment of geography to draw the catchments; 120 days.

Municipalities and First Nations communities will need to require--will need to achieve final council approvals on transition plans within 90 days subsequent to that. Post collectors are able to respond to Stewardship Ontario's request for proposals within 90 days. So, a request for proposals will be put out with a 90 days turnaround, and then are able--the

winning proponents are able to actually implement a logistics network within 180 days, six months, of having been awarded the work.

These activities--these particular activities don't overlap. They must happen sequentially, not simultaneously, because each step builds on the previous step. So, this is a linear timeline as a result of that.

Again, this is all going to be very tightly choreographed. You know, folks have raised an issue about two years. I think when you do an assessment of all the things that have to happen, it's going to be a very, very busy two years to get to a position where we can start to transition and actually begin the actual transition in 2020.

I guess I'm going to stop here and take some questions.

Mr. David Pearce: I've got a couple question as well, Usman, so maybe while you're getting a pile I'll just go through a couple of the questions that came in--.

Mr. Usman Valiante: --Sure--.

Mr. David Pearce: --For me.

One question; many stewards accrue for fees based on the year of product sales, not the year the fees are payable to Stewardship Ontario. Also, we try to estimate costs for future years for planning purposes. Can you please provide a numeric estimate of the expected annual fee increase?

Well, the plan proposed that municipalities and First Nations communities will transition at a pace of 15 to 25 percent every year. And with that would come a bit of an increase in the Stewardship Ontario costs.

But based on the information that's available and what's in the plan, that's the guidance that is able to be provided at this point in time. And then those numbers will be firmed up before each budget year and we'll be able to come out with actual costs predicted for the following year as we come out to stewards in the Q4 meetings to talk about fees.

Another question; are the bills of residential customers going to go down in relationship to this transition? So, I assume that this is speaking to the issue of property taxes or other assessments on households.

And that's really something that each municipality is going to determine, how it is that they're going to deal with that. There's some language in the minister's letter that I would point you to. But in general, you know, what we know is there is a net savings to communities as a result of this proposal that's being put forward. And there's an opportunity there for each community to consider how it is that they make use of that net cost savings and communicate to their residents what it is that they're doing with that.

Is it expected that Stewardship Ontario will be wound up in 2026?

We don't know the date of windup. The minister has the ability to issue a letter requesting a windup plan be developed by an IFO. And so, it would only be once the minister issues such a letter to Stewardship Ontario that we would have some visibility to that.

I'm going to turn things back to Usman, who I see now has a few questions in front of him.

Mr. Usman Valiante: I've got a question here. How many catchments not already being established by the open market and where materials flow presently? How will this be taken into consideration so the economies of scale are either maintained or achieved?

That's a--it's a great question. And certainly the flow of materials in Ontario today, the existing of--existing infrastructure to transfer and process materials, the geographic boundaries that exist today and the logical boundaries that would be created as aggregations of municipalities are all going to take into account what's on the ground today. That'll be part of the assessment exercise in designing catchments.

So, as much as possible. Both Stewardship Ontario and all the parties that have installed capacity in Ontario want to

harness as much of that as efficiently as possible. So, certainly what's been on the ground will be assessed.

Next question; when will municipalities know when catchments will be defined?

That first period between 2018 and June 2020 is in that period. The catchments will be designed through this iterative, collaborative process that we're talking about. And it's in that period that the catchments will be designed, early on in that two year window.

The next one; what about communities with less than 15 and 25 percent of the households?

So, that's a great question because how this should be thought about is that any number of catchments can transition in a given year. So, catchments can open based on their prioritization.

And the objective here is not to transition households within communities, but that the aggregations of communities will comprise between 15 and 25 percent of the households in Ontario. So, at--in any year, the number of households across Ontario that are transitioning is between 15 and 25 percent. So, this is not a community-based 15 and 25 percent. It's a province wide number.

Does the catchment system mean that Stewardship Ontario will be in a position to notify ahead of time stewards'

communities how catchments will be sequenced, or at least which catchment is next for transition?

Yes. The answer is yes. We want to do that as early as possible because these catchments are going to be large aggregations. The solutions for providing post-collection consolidation, transfer, processing, and marketing of materials, the planning of a proposal to do that by proponents is going to require a lot of lead time and a lot contractual negotiation between parties. And we want to do that as early as possible, so catchment design is top, top order priority under the plan.

Under the revised plan, when is the earliest possible date that a municipality can transition?

And that would be June 2020. So, if that municipality is selected to be transitioned in the first tranche of communities, the earliest it could go is June 2020.

How will the transition processes plan lead to a rational individual producer model?

So, the objective here is for Stewardship Ontario to effectively assume operation of collection and management under prospective regulation under the Resource Recovery and Circular Economy Act. Individual producers will be responsible. And I can't predict what that regulation is going to look like, but they will have the discretion to interact with the system that's

being built in some fashion and assume it or to do their own thing.

So, the question here is what happens if a plastic bottle producer decides they want their product returned to retail later. I can't speak to what a regulation in the future would look like, but I would expect that, from what I understand of the RRCEA, they would be allowed to do that. And the system that's being built today would give them discretion to use what's on the ground and to add and append new things as they see fit as producers.

For clarity, how does this catchment concept apply to the following, City of Toronto, region of Peel, Durham, Halton, and York? These represent the majority of volume generated in Ontario. How do you see the catchments divide?

Good question, and it's these kinds of things that we're going to have to sit down and work through when we go through catchment design. I can't say--I doubt there'll be lines drawn through these regions, but how these regions may or may not be aggregated is going to be the subject of some debate.

Of course, you want to have catchments that are large enough to provide you volume and economies of scale, but you also don't want to consolidate out the entire province. So, you want to have a competitive market. You want to have a market

that moves materials efficiently and processes material efficiently.

So, that's all going to be subject of discussion. And I'm going to talk a little bit about competition in the next section, and that needs to be something that we keep in mind as we design these catchments.

Do you have a sense yet of which of the timing assumptions have the highest risk level?

Well, you know, politics is always the--introduces the greatest amount of risk, and the decision for municipalities to transition and how they transition is going to be an inherently political exercise. And I would suspect that that's where there's going to be some risk.

And I also think that the timelines that we've set forth for post-collection solutions to be provided is quite an aggressive one. Certainly, executing an entire post-collection system for a catchment in six months is a very aggressive exercise. So, I think those are the two areas that we sense there is some risk.

One last question; does transition within a catchment area have a sunset timeline? Once a catchment area is open, does it remain open indefinitely until all municipalities are transitioned, or is there a closure date that municipalities must work to meet?

Once the catchments defined in the prioritization-- catchments have been prioritized, the prioritization will have taken into account how municipalities within each catchment are going to manage their contracts towards Stewardship Ontario being able to assume their obligation. So, the window of municipalities transitioning within those catchments is going to be known at the outset, and that timeline is going to be followed.

There won't be any hard date mandated. It'll simply--be simply that everyone in that catchment knows when they're going to go as a precondition of that catchment transitioning. So, that's how that's going to work.

I've got a couple more here. Do we have time for them or two more? I'm going to take two more here. The plan allows for 100 days for developing a post-collection logistics network. If this might include the construction of a MRF and/or transfer station then the timeframe is too narrow. Is my interpretation correct?

It is. And again, talking to the earlier question on risk, certainly building greenfield facilities within 180 days is going to be a challenge, to say the least. But again, we expect a lot of repurposing and reconfiguring of things that are on the ground today with a view to long term investments in facilities.

So, the 180 days is to get us going on a post-collection system, recognizing that over the long term there's going to need to be some investment. So, yes, we appreciate this 180 days is a very tight timeframe to be doing major recapitalization of the system.

When is the latest date by which a community must transition, and how long can a community act as a contract manager for SO?

There is no latest date per se. There's what a municipality anticipates based on its ability to manage its contracts. And how long can a community act as a contract manager for SO? If the arrangement's mutually beneficial to both parties, indefinitely.

So, you know, again, that's going to be based on the discretion of the parties. There's no desire or no objective in this plan to limit how long municipalities can act as contract managers. There are some distinct benefits from having municipalities do that, given their relationship with communities and their ability, their long proven track record in managing those contracts.

So, I think that's it for questions for me, so I'm just going to--I'm going to carry on with procurement of services. So, I think it's important to preface this next section with some discussion of some concerns that have been raised.

And given the nature of the plan and Stewardship Ontario as the operator, Stewardship Ontario will be the sole purchaser of services under this--under producer responsibility for paper products and packaging. And as a sole buyer, I mean, it has the ability to shape markets and affect markets.

And so, the approach that's been taken in this plan is to, wherever possible, use competitive procurement processes and ensure that competitive markets are maintained, and that the benefits of competitive markets to the competitors is maintained in terms of being able to provide solutions and benefit and profit from providing those solutions. And in turn, benefits of competition accrue to Stewardship Ontario in terms of ensuring they're getting best value for money and they're getting the innovation that competitive markets can provide while also fostering collaboration between parties to provide solutions.

For example, the post-collection provision of services is going to be one where private sector operations and municipalities are going to collaborate to provide those solutions. So, in addition to competition, economic freedom that is afforded by having open markets is one of collaboration as well.

So, those are kind of the overriding objectives of the plan. And certainly, they've been ground truth in competition protocols that have been established by the Organization of

Economic Cooperation and Development and by the Competition Bureau. And those have guided the thinking in this.

Where competitive procurement is not used in the use of benchmark prices where a community wishes to provide curbside or multifamily collection services itself and does not follow a prescribed procurement process, those benchmark prices will go through a process to be established that will be clear and transparent. Again, those will be where a competitive procurement process can't be used.

And benchmark prices for depots will be based on historical costs. Of course, those may be adjusted for the actual realities on the ground. And again, that process will be open and transparent about how those benchmark prices are assessed. So, that's the general approach to procurement of services, is as a default to use competitive markets.

The--what Stewardship Ontario does in the market today--there's been a question about what happens under future regulation under the RRCEA. What--the overarching objective here is whatever's done by Stewardship Ontario today doesn't prejudice the ability of producers and service providers to find their own path under the RRCEA.

So, all stewards have equal access to services upon transition to a regulation under the RRCEA. And so, Stewardship Ontario ensures that all of its contractual obligations are made

available in a non-discriminatory manner. And all collection and post-collection contracts will include assignment rights.

So, any contracts that Stewardship Ontario established under this plan will be assignable in a non-discriminatory fashion to producers in the future. That assignment necessarily will be part of a windup plan that Stewardship Ontario will have to file and will have to be approved by the authority. So, the authority will be overseeing whatever it is that Stewardship Ontario proposes for assigning its contracts.

So, you can read that in the section of the plan that relates to competition. And that is essentially how Stewardship Ontario will not fetter or limit discretion of parties in the future.

Dispute resolution process; disputes are inevitable in any relationship. You know, the overall objective is to talk things through. Again, given the nature of this plan and the--all the moving parts to transition 400 contracts, there is going to be a lot of back and forward dialogue. In the case where that dialogue fails or needs another process, there will be a dispute resolution process.

All contracts with commercial service providers will include a dispute resolution process. A generic dispute resolution process will continue to be posted on SO's website.

And that will essentially be applied where there is no specifically established dispute resolution process.

Terms and conditions; so, terms and conditions are really the things that Stewardship Ontario is going to need to impose in its contracts or its agreements in order to discharge its regulatory obligations. Typically, all of the terms and conditions that exist service one or another requirement of the minister.

That is to measure performance targets, to collect a certain list of materials, to have those materials managed to a certain processing standard delivered to a certain end market. That's essentially what terms and conditions address. Fundamentally, the collection management and service levels will ensure that the current service levels that exist today will be maintained.

Where there is curbside, there will be curbside. Where there's multifamily dwellings, there will--service, there will be multifamily dwelling service, depots, etc. So, at the very, very minimum, there will be no disruption to how things are done today.

And then population thresholds will be used to determine how to expand services in the future. It's curbside and multifamily collection where the population is 15,000 or more,

and depot collection where population is between 5,000 and 14,999.

Now, of course there may be some discretion in that in the sense--not downwards but upwards, where it may be identified that a community just makes sense to be--have service expanded to that community given what's going on in adjacent communities. So, at the very--this is the very least, the mechanism where communities will be assessed to have expanded service.

During the consultation, both Ontario communities and the waste management sector raised a number of concerns about what will the terms and conditions include with--and how can communities decide whether they want to transition or not in a manner where they act as a service provider if they don't know what's going to be expected of them. And again, when I talked about the transition timelines, we talked about tabling terms and conditions and the various agreements and procurement instruments that will give people an idea of what their obligations will be as service providers to Stewardship Ontario.

In the plan, there is a section that lays out some high level terms and conditions as a sample. That includes things like a process for addressing contamination. That is a--an important issue, ensuring that we get higher quality materials that can be processed and go to end markets. The higher the

quality of materials, the easier it is to meet the performance standards that are being set forth in the plan.

So, those sample terms and conditions exist in the plan today for collection. And early on in the transition process, more detailed documents will be tabled for review.

So, before I hand it back to David, another pause and another opportunity to take some questions.

Mr. David Pearce: Just while you're getting those again, I've got a few that have been waiting for me. And just a general comment to all participants, if we don't get to your question during this sort of periodic question period, we do have time at the end. And we will be able to get to questions at the end as well as sort of more general and open Q&A session. So, we'll get to those. And if at the end of the entire webinar there are still unanswered questions, we will deal with those through the consultation report.

So, I've got one here. Will the costs related to non-targeted materials or orphan materials be excluded from future proposed compensation models? And if not, why?

There's always going to be some non-targeted material in the system, some level of contamination. You know, Usman just talked a bit about procurement and service standards with collectors. And those include mechanisms to monitor, measure,

and reduce the amount of contamination in non-targeted material that is being collected.

I think this is something that all stakeholders are interested in. And so, we did take some time in the plan and in those sample terms and conditions to outline what that process looks like. But certainly something that everybody wants to minimize, the amount of--I'd refer you to page 48 of the plan for some additional details on that.

Being asked if we can sort of talk about when the 50 percent really becomes 100 percent based on the gradual rollout of households. We anticipate, based on the timelines that have been presented, that the province will complete its transition by 2025.

Textiles will become--well, that's more of a statement. Will textiles become part of the program plan under the proposed definitions?

This plan as proposed and requested by the minister really only applies to paper products and packaging materials supplied to residential consumers. It does not include textiles.

And I'll just do one more here, Usman, and then hand things over to you. Just a question here about where is it specified in the plan when the new definition of PPP will kick in.

And it's not on a particular page in the plan. It's the rules for stewards that contain--so, the plan does contain the

definitions. The rules for stewards also contain the definitions. And it's the rules for stewards that--when they become effective, that's the obligation on the steward community, to report and pay against those materials. So, the draft rules, once those are approved, that's what changes the definition and you become obligated under those.

So, Usman, over to you.

Mr. Usman Valiante: Thanks, David.

Question one; there are many references or lack of detail that would provide seemingly unilateral decision making for Stewardship Ontario. How will SO avoid decisions in their interest only?

Well, I mean, there's processes being laid out for the design of catchments. There's been a process laid out for prioritization. The sort of back and forward that I've described to achieve all of that in preparation for launching does require some decisions by Stewardship Ontario. It does require some decisions by municipalities. And those decisions impinge on one another.

Certainly, decisions that are made by Stewardship Ontario will affect the processing community and vice versa. So, you know, I think the--very early on, the nature of these processes and the level and the nature of the dialogue will be tabled in more specific form. I think there's going to be a lot of ad hoc

discussions as have occurred during the development of this plan.

And certainly, given that it cannot deliver this program unilaterally but needs the working relationship with municipalities and with service providers, I think there's a strong incentive for Stewardship--that Stewardship Ontario would realize--does realize that it's in their interest to work with these other parties.

So, you know, I think those things are going to unfold. And, you know, overseeing all of this is the authority, which is a coconspirator in this plan. And I think it would want to ensure that there is--you know, a dialogue that the plan says is going to happen is going to happen in a meaningful way.

So, I think those are the checks in there. And there's a program agreement that speaks that--if you've reviewed agreement in context of this plan, there's elements in there where the authority is actually going to be overseeing some of these processes and how they're conducted.

So, next question; efficiency is great, but how does the plan measure process towards IPR?

In the program, there is performance targets that have been proposed, material specific and aggregate performance targets. Certainly, in reforming the system to create the scale efficiencies that I've talked about, the primary objective is to

meet higher performance standards for the recovery and return of these materials to end markets.

So, efficiency is only relevant in the context of meeting performance standards on the environment. So, I think that's an important point that's being raised. And yes, the fundamental purpose of this plan is to increase the diversion of materials in Ontario, though we want to do that in a manner that actually delivers efficiency. Because the more efficient you are, the more you can actually recycle for a given cost.

Do catchment areas have to be geographically contiguous, or can a major urban municipality that is ready to transition in 2020 be able to transition regardless of geographic location?

So, catchments are geographically contiguous because the post-collection solutions that will be provided need to move these materials within a catchment to processing and finally to end markets. That doesn't mean that two catchments that are not geographically contiguous--you can imagine one in the north and one in the south. You could see those going at the same time and having a proponent bid on both of those at once. So, yes, the catchments are continuous. And geographic location will matter in that regard.

Can a municipality that continues to self-deliver collection services transition in the first year even if not in the first catchment?

No. The answer is no. Catchments will be prioritized. They will have an opening window. And communities within those catchments, once that catchment opens for transition, will be eligible to transition based on what they've self-declared their timing to be in terms of transition.

Because municipalities can determine whether they want to transition, is there no way for SO to ensure that every municipality will ultimately transition to full producer responsibility?

The short answer is no. Nobody can compel--as far as I know, not even the minister can compel a municipality to transition if they don't want to transition. Municipalities have the discretion to decide whether they transition or not.

How will municipalities be compensated if their contracts are ready to expire but associated catchment area is not aligned with the contract expiry, and additional investments and infrastructure or contracts will need to be extended or let?

Certainly in prioritizing catchments, it's going to be recognized, the state of contracts within those catchments, and that ones that are ready to transition immediately but have to wait are going to incur a cost to do that. Under shared responsibility, that cost is going to be borne 50/50 by Stewardship Ontario and that municipality as it waits.

And it's going to be in the interest of both parties to keep waiting to a minimum, and Stewardship Ontario will be taking that into account as it prioritizes catchments and assesses the state of municipal contracts as municipalities have declared them to be. So, there is an incentive on both sides here to minimize waiting which is undue and is going to drive up costs of both parties.

Can a municipality decide not to transition even after 20,925?

I think that may be a typo. Yes, they can decide to--that they never want to transition and can wait it out 'til the minister decides to wind up the program and then face whatever is coming under the RRCEA.

If Stewardship Ontario needs cooperation amongst stakeholders developing catchments areas within 120 days, what happens if there is a disagreement? Is there a dispute resolution process for this?

I mean, the dispute--I mean, there can be a dispute resolution process for many things. The development of these catchments is basically drawing a line around municipal aggregations. In a sense, that makes sense for achieving scale efficiencies and ensuring that municipalities that are eligible to transition or are able to transition, that you've captured many of them, that you've got--you've managed to capture

existing municipal infrastructure and processing infrastructure on the ground in a manner that will allow that to be reutilized.

So, there's a number of factors that are--come into play here. It would--but at the end of the day, there is some subjectivity to this on how you value various things. And there may be a resolution--there may be a dispute at that point. We haven't proposed a specific mechanism to deal with a resolution--a dispute in terms of drawing the catchments. But, again, it'll be the process of a dialogue, and hopefully that won't result in a dispute.

Again, that process is going to be overseen by the authority as it occurs. So, you know, with all of those things in play, we're hoping to minimize any disputes that will occur in that specific activity.

Will areas with populations of less than 15,000 that currently receive curbside pickup retain the service, or will these areas move to depot collection once transitioned?

If a population--if a community gets curbside service today, it will get curbside service under the transition plan.

Can a municipality choose not to transition at all and remain at 50 percent funding? Yes. Where will the benchmarking figure come from for procurement that does not follow the SO format?

So, if a municipality procures for collection services and puts additional requirements or alternate requirements during that tender, there'll be discussion between Stewardship Ontario, which will be participating in that tender process, about where it has deviated from the pro forma requirements that were being established during that first two year period and what those actually mean to the prices that have been received.

So, there's going to be a dialogue on that, and a benchmark will be established in a rational manner to make those adjustments. The approach and method for making those benchmarks will be set forth in that specific instance at the outset so there can be a discussion about it.

Does SO intend to set up the entire post-collection network subsequently after plan approval, or will that schedule be staggered per catchment area? Example: several iterations of putting out an RFP or all at one time?

In anticipation of a catchment transitioning, so, again, we will have catchments prioritized and we will understand what's happening within those catchments, the RFPs will go out in anticipation of that catchment transitioning. So, you will have a series of RFPs--or competitive procurements, not necessarily RFPs but competitive procurements catchment by catchment. And again, you could have more than one catchment going at once.

When can we obtain clauses to insert into our contracts, given that--so, in this particular case, we'll need to go out in 2018 for bids on collection. New contract is to be effective January 1st. When can we obtain Stewardship Ontario clauses to insert that would allow the contract to be assigned--amended and assigned if necessary once we're able to transition?

Certainly where a municipality is going to continue to administer the collection contract, it can put in terms and conditions to ensure that it can amend that contract and service to Stewardship Ontario in the future. There is really nothing procuring--or there's nothing preventing a municipality from putting in a generic clause today in its contracts to do that.

But certainly when the plan is approved, if the plan is approved, one of the first order of businesses will be to develop terms and clauses that municipalities can use when they go out for procurement to ensure that their contracts can be amended and they can manage those contracts on behalf of Stewardship Ontario.

For those municipalities whose existing service contracts are set to expire over the next couple years, what is your recommendation as to what municipalities do with them; renew for a certain number of years, go year to year, etc.?

Very case specific; and certainly in the transition part of--a core element of that transition is this type of municipal

evaluation to understand what they should do with their contracts. It's very hard to know how to do that, given that we're not in the context of transition right now.

You don't know what your neighbors are doing or what your neighbors are planning, municipalities around you, and we don't have an approved plan. So, hard to provide advice on that, but certainly that is--that type of understanding is what's to be gained during the--that first two year period of transition.

Slide 35; what about communities below 5,000 that want to start new programs?

Well, in the interim period, certainly the anticipation is that whatever's on the ground today will be honored. And today meaning issue of the program request--program direction letter of August 14th.

So, I wouldn't recommend that anybody start a new program right now expecting it to be carried forward under the amended plan, because it's the--one of the purposes of the amended plan is to do that assessment and for Stewardship Ontario to bear the full responsibility for establishing that community and the service in that community, based on the criteria that are set forth in the plan.

I think that's it for questions at this point.

Mr. David Pearce: Super. Thanks, Usman.

I'm going to spend some time going through a standard list of materials to be collected, and we'll talk about things like waste reduction.

Just for those, you know, that are wondering, we will have a brief break. We'll take about five minutes. Once I get through the next maybe 15 or so slides we'll take a little bit of a break.

I think one of the key features of this plan that really provides a benefit to the resident or the householder is that it will roll out at standard list of materials for collection to all transition communities, meaning that a resident, if they are located in one particular city or part of the province and they go elsewhere in the province, into a different community, the same instructions for what can be included in their box will apply and it's the same list of materials. So, that's a--one of the few noticeable things from a resident perspective, is that that will be harmonized across the province.

Now, stewards will be required to report and pay fees on all PPP, not just those that are included in the standardized list. The plan does include the standardized list and also does talk about how additional materials will be added to that list over time. And I'm going to speak to that in just a moment, but the--that which is targeted will necessarily be a subset of all PPP that is obligated.

As we went out in phase one and we talked about which materials would be included in that initial list, the proposal brought forth during phase one is that only those PPP materials with recycling end markets would be targeted for collection and would be included on that list.

We did receive a lot of feedback about that, primarily from municipalities and First Nations communities, although other stakeholders certainly did provide some comments on this as well, that there should not be any exclusion of PPP without recycling end markets that are widely collected today. And there are certain materials that are fairly widely collected, and examples of those would be things like rigid and expanded polystyrene that do not have strong, stable recycling markets and--but that could be added to the list. And there are end uses that are preferable to the landfill for those materials.

So, the plan that's been published, the draft sets out a number of principles around this that have been revised taking this feedback into consideration. And so, you know, principle number one is that the PPP has diversion end markets with sufficient capacity to avoid the need to store or dispose of it. And that certainly is the primary material that Stewardship Ontario wants to collect.

However, if there's no diversion end market, then for that PPP to be collected there have to be alternate management

options to landfill that are environmentally preferable. And PPP has to be managed in a way that minimizes residue or disposal.

So, Stewardship Ontario does not want to be collecting material just to turn around and put it into a landfill. Something higher order needs to be done with it. If the material does not have a recycling end market but has some other recovery end market that does not count as diversion, then while that material is targeted and collected, it will not count in the published diversion performance issued by Stewardship Ontario.

If there's some PPP that isn't on the list of targeted materials, then it will be evaluated against the waste reduction criteria in section 11 of the plan. And opportunities will be looked at for how and when that material can be added.

Appendix B provides a list of what is generally going to be targeted for collection. It includes paper. So, paper products, paper packaging, those are included. When we look at plastic, we've identified five resins that will be targeted. PET, HDPE, LDPE, polypropylene, polystyrene are all on the list of materials to be targeted for collection. Resin number three and number seven are not on this list initially. For metals, steel and aluminum packaging and glass packaging as well.

Now, there may be some exclusions to these general categories due to specific characteristics of the material, such as hazardous residue may be common in something or high levels of contamination, or the size or the form of the packaging that is incompatible with the system initially. And those may be barriers that can be overcome over time. And if so, then they would be added.

But there would be specific things that just would not be compatible. And those of you that are from the municipal or First Nations sector or the waste management sector, you'd be familiar with those sorts of things. And so, again, we would look for ways to include those over time.

There will be changes to this list as technology changes and markets become available. As waste reduction activities become successful and we're able to add more materials to that list, then that will be done.

Promotion and education is always an important part of these plans and important in ensuring that residents participate and that they participate properly and in a way that maximizes the amount of material that can be recovered and diverted.

Section 7.11 describes how Stewardship Ontario will deliver promotion and education in transitioned communities. Individual communities will remain responsible for P&E in their communities

until they transition, at which point Stewardship Ontario will become responsible for that.

So, baseline research will be done during the first year following the plan approval to get a sense for where residents are at in their understanding and primarily to serve as a measurement value for Stewardship Ontario going forward as it rolls out these communities, as they get transitioned, as these changes are communicated to the residents and the various campaigns are put out into the marketplace.

So, I'm going to talk now about waste reduction and the approaches that will be taken for that. There are a couple of approaches I'll talk about, first the fee methodology, the four step method, which I'll talk about later as being included in the draft rules for stewards. The four step fee methodology has step four, which provides for raising funds from stewards of particular materials that have been identified to pay for R&D and market develop activities so that we can increase the diversion of those under performing materials. So, that will be a key tool and the way that any of the other activities are funded and paid for.

One of the mechanisms here around waste reduction that we've received a lot of positive feedback about is collaboration forums. This is a group, a multi-stakeholder, multidisciplinary group that would come together and identify challenges with

particular materials and think about what the approaches may be to solve them so that we can increase diversion, add more materials to that standardized list, perhaps do things cheaper than being done previously, and really just look for solutions to increase the effectiveness and efficiency of the program generally. And so, that's one that we think will be very successful in identifying some solutions to waste reduction efforts.

Individual or collective groups of stewards can also come forward and propose their own ideas and submit proposals for Stewardship Ontario to review. There may be solutions that have already been identified or put in place in other jurisdictions that stewards feel would be helpful in meeting the objectives of the plan. As opposed to Stewardship Ontario doing its own research and development, there may be opportunities to take advantage of these developments that are already in place elsewhere.

And so, we will accept and evaluate these different proposals that are brought forward, whether it's an existing practice that's put in place or just a research proposal, and look at how that might be incorporated as a channel or a new technology to be added into the Blue Box Program.

As that's done, there'll be an evaluation of the cost to move forward with that research and to adopt those system

changes. And if it's deemed to be the right solution to move forward and we're satisfied with the cost and that that is the best overall solution, then we would do that. We'd cost out what that looks like and those costs would be built into the fees for the stewards that are affected by that material.

Where a steward brings forward their own intellectual property or they partner and pay for the research that's being done there, then those steward--that steward or the groups of stewards will be able to retain the intellectual property of those system design improvements.

This chart shows just a high level of what may be expected in terms of the timeline for these waste reduction activities. There are a number of different activities here, and there's two real things I just wanted to talk about on this slide. First is just the sequencing and ordering of events.

There'll be the identification phase, where either Stewardship Ontario or a stakeholder or a collaboration forum will identify a particular material as being a candidate for waste reduction activities. Research will then be done to identify what options there are moving forward.

And then the actual research of developing the solution and then implementing that solution, we expect that that's a year's long process to get through all of that. In some cases, it may be much quicker. And so, these timelines aren't to suggest that

it will always take that long, but in some cases it will be, in particular if we're talking about developing brand new technology that doesn't exist elsewhere.

The other item I wanted to speak about on this slide is just the first one. And hopefully it's in large enough type that you can read this, but we have identified a foam collection strategy as the first activity here. Expanded polystyrene, as many of you know, is one of these materials that, when it is collected comingled, it comes in contaminated and it's very challenging to recycle.

When it is clean, it is quite recyclable. And so, there needs to be some work done here to find ways to collect it clean or to find ways to recycle it in its present collected state. And so, that is being proposed as the first waste reduction activity.

I'll speak a little bit about some additional collection channels. Some of these are a bit more additional than others. I say that in quotes because some of these are items that are in place today. So, when we look at multifamily dwellings, many multifamily dwellings, the majority of them, are being serviced today and are being serviced by their communities.

There are a number of multifamily buildings that are not serviced by their communities. And the minister in his letter requested a proposal for how Stewardship Ontario will begin to

service those buildings. They will be eligible for collection services within one year of their host community transitioning.

And there would be a--an incentive-based system that will be put in place to allow the private sector collectors to go out and work with buildings, maybe those they've already got under contract or others that they wish to provide services to, Stewardship Ontario will compensate that collector.

And the collector's responsibility is to establish the relationship with the building, to meet Stewardship Ontario's service standards, and to move that material into Stewardship Ontario's post-collection network.

Second is public spaces and parks. Many communities already offer public space recycling. And where that community chooses to exercise their right to be a collection agent to Stewardship Ontario, then those public space recycling channels will be continued and will be paid for by Stewardship Ontario.

In other cases, either where the public space does not currently exist or where the community chooses not to be a collection agent to Stewardship Ontario, then there will be a future evaluation about whether or not Stewardship Ontario will provide those services, when that will be done, and how it will be done based on lessons learned in the communities that have that public space offering continued.

And lastly, there is the opportunity for new communities to be brought onboard. And those will be evaluated looking at whether or not they will be able to be brought on without interrupting the transition of communities that already have programs in place, looking at whether there is the necessary infrastructure. Is there road access? Is there somewhere to collect the materials? Are the residents willing to participate in the program? So, we'd be looking at those sort of things for when new communities would be able to come onboard the program.

As well, there may be opportunities to bring on additional collection channels. Again, those would be to service the residential sector, but there may be some--I don't know, there may be some retailers that wish to act as a service provider and bring back some materials that would count in the program.

There may be some other channels that can be opened up to bring in plastics to help meet the plastics target. So, we are open to new collection channels to meet the targets and requirements of the program plan.

And speaking of that, I'm now going to transition over and talk a little bit about the performance targets themselves and how they will be measured. The minister in his letter set the diversion target at 75 percent, which is a substantial increase over today's recycling rate, which has been hovering in the low

to mid 60s range, 62, 64 percent. And it's sort of been in that state for several years.

To calculate the annual diversion performance of transitioned communities, Stewardship Ontario will take the tons of PPP managed in those transitioned communities and divide that by the tons of PPP supplied into those transitioned communities. The tons supplied will be calculated looking--you know, prorating based on the households that have transitioned.

For the PPP that is managed, that will be the amount of PPP that--it will exclude non-PPP, non-targeted PPP, PPP without recycling or diversion end markets. Those will not be a part of this calculation, and they will be excluded based on the results of composition studies.

And so, I'll just put this picture up here that shows the measurement points here. There's a B here at the very left of your screen, and that represents the amount of material that is reported to Stewardship Ontario by stewards. And that is for the entire province. And as I mentioned, we will take the amount of that that relates to transitioned communities based on households that have transitioned.

A represents the point of measurement for the PPP that is being managed, and that is as it enters into the processor. And there will be composition studies that will be done there to

allow us to exclude non-PPP and PPP without diversion end markets.

And those measurements will be done before other PPP from different customers. Maybe it's a non-transitioned community. Maybe it's an IC&I community. We need to take those measurements before the PPP in transitioned communities gets comingled with PPP from other sources.

I'll speak about the plastics target. The--there were four material specific targets that were proposed during the--during phase one of the consultations. Plastics is the only one that has been revised based on feedback that was received.

So, it was proposed initially at 40 percent, and that was an increase from the 35 percent current performance. There was a lot of feedback that came in from a diverse group of stakeholders suggesting that that 40 percent target was too low, and so that was looked at.

The feedback received about what sorts of resources and work would be able to be done to support this, what's happening in other jurisdictions, looking at what targets are being proposed in Europe and the timelines for those, and the ability to work collaboratively with the various organizations in Europe that are developing solutions to get to higher targets, it was felt that a 50 percent target could be achieved within two years

of all communities transitioning. So, the plastics target has been increased to 50 percent in the draft plan.

So, I'll just put up all of the material specific targets that are being proposed; paper at 95, plastic at 50. That is a significant increase. It's about a 43 percent increase over the current recycling rate. And so, work will need to be done there collaboratively, and making use of collaboration forums and other waste reduction activities. Metal is at 65 percent and glass at 75 percent.

So, there'll be a--in addition to reporting against the overall 75 percent diversion rate and the material specific targets, there'll be a number of other metrics that will be provided talking about performance tracking of the program. So, we'll look at steward metrics, how many stewards are participating in the program, how much material are they supplying into the marketplace.

We'll report on collection and diversion, how many tons of material are collected in transitioned communities, how much of that was directed to diversion end markets. For accessibility, how many communities have transitioned? How many households are being serviced in those transitioned communities?

When we look at program cost, we'll be looking at things like the cost per household serviced and providing a metric on

that. And we'll be doing consumer awareness indicators at least every three years.

The--while we will be providing reporting at the four levels for the material specific targets, we will also be providing more granular reporting. So, you'll be able to see within, say, the plastics category, how are--the more disaggregated subsets of plastic, how are they performing? And so, that will be provided. There just isn't a target at that disaggregated level.

We're going to have an opportunity to do some questions on the section that I just spoke about. So, if you have any send them in. Then we're going to move into rules for stewards and the fee methodology. I have a few questions that are related to previous sections that I'll just look at while I wait to see if there are any new questions coming over.

A question; what about IC&I materials that are currently being received, especially at schools or small businesses?

So, for non-transitioned communities, as is the case currently, there are--there is the ability to report materials collected at schools that are along a residential route. There's also the ability to report IC&I materials from small businesses, business improvement areas.

There is an IC&I factor that is applied, so there are certain sources of those, like the BIAs, that are ineligible for

funding under 50 percent. And so, that all remains the case moving forward.

Going to a transitioned state, Stewardship Ontario will not be providing services to the IC&I sector. If a community wishes to be a collection agent to Stewardship Ontario and wishes to continue to collect material from a business improvement area that's along the residential route, it can do so but it will not be paid by Stewardship Ontario for the cost related to the collection of those materials.

So, that is a possibility, but is not paid for by Stewardship Ontario. It's just something that can be worked out between the transitioned community and Stewardship Ontario to allow that from an operational perspective. There's a lot of advantages to that, which include cost advantages, environmental advantages, and so we welcome those conversations.

Usman, do you have a couple questions?

Mr. Usman Valiante: I do. Am I right in understanding that the goal is to increase the diversion of materials and not reduce waste?

The purpose of the plan is actually waste reduction, but the definition of it has changed a little bit in the sense that diversion of materials is part of reducing waste. So, we can reduce waste by reducing the amount of packaging that's supplied into a market.

And certainly, the tension between the cost of recycling and choices that stewards make in packaging decisions is affected by other requirements that they may have exists in this plan. And the section that David covered on waste reduction, which is getting more materials out of the waste stream and into diversion, is another form of reducing waste.

So, reducing waste here encompasses a much larger concept than we used to talk about in the first R of the three R's hierarchy. This really is a comprehensive approach to reducing waste.

Next question; is the transition to producer responsibility irreversible?

Certainly, the plan has no provision for reversing back to shared responsibility. And I don't know if, once Stewardship Ontario assumes its obligation to the plan, how such a reversal would occur.

Can a municipality serve as a collection contract manager under a contract to support SO without having the municipality serve as the actual collection contract holder?

The perspective on collection contract manager is for the municipality to be the holder of the contract, as it has been in the past. So, the way the plan is structured is the service of acting as a collection contract manager means the municipality actually holds the contract.

Why does the revised plan not indicate what levels of post-collection contamination are acceptable in single stream and dual stream programs? What are you waiting for?

We are waiting for the plan to be approved and for an assessment to be done on the level of contamination that we observe in municipalities so that we can understand what the baselines are and what's reasonable to put in our performance standards that we would apply to our municipal partners are contract managers and as service providers.

Over to David.

Mr. David Pearce: So, I've got a large stack of questions that have come in. I'm going to read and answer questions until about quarter to 3:00. That's about nine minutes time based on the clock here in the room. Then we're going to take a five minute break, come back, answer a couple more questions and move forward. And I'll do my best to get through the balance of the questions towards the end of the session today.

So, are you saying that plastic with code seven is not obligated?

So, there's two elements of this. All PPP material is obligated under the rules for stewards and the proposed amended plan, but not all materials will be targeted for collection. Number seven materials specifically are not on the list of materials initially targeted for collection. They are neither

widely collected today nor do they have recycling end markets generally.

Can you please discuss the paper targeted material, especially blank photocopier paper sold as a product?

Blank photocopier paper, as well as other paper for general use, writing, printing, that is supplied to a residential consumer will become obligated under the revised plan.

Are plastic bags/film included in the acceptable material list, so the list of generally accepted material?

Film is listed as a targeted material. I think it's LDPE film in the back just going by memory here. But that would be included. You can look at Appendix B for information on what materials are included in that target--the standardized list.

With the move to standardized targeted PPP, will communities that currently include non-targeted PPP see these items removed from the collection list?

So, if a community is collecting a material that is not on that standardized list, going forward it would be removed. But the list has been developed looking at what materials are commonly collected today, so there should not be a lot of instances of this. There will be some, but it should not be a lot.

And we would be looking at why were those materials collected by those communities. If they were being collected

because there's a recycling end market, then Stewardship Ontario would look to have those included. If they are being collected but there was no recycling end market, then those would be candidate materials for waste reduction activities.

Does the issue with China refusing plastics affect Canada? And if so, how will this affect the stewardship program?

China and any other end market for recyclable materials, what's happening within those markets will certainly and always affect the cost of recycling programs and the availability of those end markets. So, it is--you know, it's certainly necessary to have a number of markets and places where products can go, and also to look at what evolving standards there are within existing markets, working with the post-collectors to find ways to meet those standards and keep the material moving.

Northwestern Ontario municipalities are currently limited to number one and number two plastics and currently do not collect glass. What steps are being taken to ensure that the same products are being diverted in northwestern municipalities that are diverted in southern Ontario?

So, again, this is a standardized list of materials to be collected. And all communities, whether they're in southern Ontario or northwestern Ontario or elsewhere would be on--would have the same list of materials once they have been transitioned.

Will coffee pods be included?

Coffee pods are an interesting packaging format. There is a lot of work that's being done by various parties to look for solutions to be able to collect, manage, and recycle coffee pods. There are various formats that they've been put out in.

And this is one that continues to be studied. And at this point in time, we would say it requires continued work to determine whether or not it can be on that initial list of materials. It may be by the time the first community transitions or there may still need to be some work that's being done.

And there are various parties, including the stewards that supply these to the market as well as the various communities, that will have perspectives on this. In particular, I think about communities and some of the comments that have been made about the different formats of those pods and how to ensure that residents are not confused with their messaging.

What is to stop stewards from changing all packaging to materials that are excluded? I'm starting to see a lot of products being produced and switched to plastic pouches.

So, stewards are required to pay fees on all obligated PPP whether or not it's targeted for collection. So, there really-- there isn't a cost incentive for the--a switch to non-targeted packaging. In fact, non-targeted packaging becomes candidate

for the waste reduction efforts so that solutions can be found for those, and that R&D will cost money to complete.

As well, if a material is not being targeted for collection, they also, while they have to pay costs to contribute to the system, are not eligible to receive any revenue because no revenue is obtained from the sale of those materials since it's not being collected.

Will paper materials get credit for--diversion credit for composting? And how will this be determined, compost audits or spread over all users of paper?

At this time, the plan does not contemplate composting as a collection channel. And so, there would be no mechanism to measure the diversion of composted paper initially. Certainly, and we see this in the minister's letter, that that is a candidate to count as managed or diverted material, and it may be something that Stewardship Ontario wishes to look at in the future. It's just not part of the initial channels that are written into the plan.

If a community chooses to remain at 50 percent compensation, where does that 50 percent come from?

So, today under shared responsibility and remaining under that, the community would pay 50 percent of the net cost and Stewardship Ontario would pay 50 percent of the net cost, and

would be doing so through raising fee revenue from obligated stewards.

The plan is silent on the question of a recycled content credit for stewards. Earlier, SO had floated the idea. What happened?

So, there was--in phase one the concept of a recycled content credit was put forward. And there was feedback, primarily from the steward community, that didn't support that approach. So, it's something that there was some support for, and there was also a lot of comments saying that there wasn't support for it.

There may be--this may be something that is looked at again in the future and would be something that Stewardship Ontario would look for ongoing comment from stewards about as part of the fee setting methodology.

And we're now at the point where I'm going to call a five minute break. So, feel free to take five minutes, and I will just begin in five minutes time.

And we're back. I've--I'm going to go through four more questions here and then wrap up with rules, and then hand things over to the authority to go through the program agreement. And then we'll come back and we'll answer more questions.

What is residents decide to stop recycling and just use the garbage bag? Who's enforcing participation?

Stewardship Ontario's obligation is to meet the performance targets in the plan. And so, if residents are not doing that and if Stewardship Ontario is not meeting its performance target or is at risk of not meeting its performance target, then actions will be taken to increase resident awareness, to engage with them, to do what's needed to increase that participation.

So, while Stewardship Ontario is not in a position to force a household to put their PPP in a recycling container and put it out at a curb, certainly efforts will be taken to encourage that participation.

How will obligated material additions be managed with non-transitioned and transitioned communities, assuming the materials have markets and available collection and processing infrastructure?

Stewardship Ontario will be making these sorts of decisions to add materials only for transitioned communities. Non-transitioned communities continue to have full autonomy in their decision making about their program design and what materials they're collecting. There are just certain things, as Usman had talked about earlier, which would not be eligible for payment. But the communities themselves can make decisions about what to be collecting.

What about containers targeted under the LCBO deposit return system? Will they still be accepted for collection by Stewardship Ontario or not?

The--consumers will certainly be encouraged to make use of the deposit return system in that program and to move glass there. Glass that's collected clean and segregated has the most potential to be recycled back into higher order products. And so, that is definitely the preference and the reason why that system was designed.

Glass is accepted as a targeted material at the curb. And so, you know, if some householders decide that they are not going to take advantage and get their deposit back and they put it out in their recycling container, that will be collected.

Will Stewardship Ontario partner and coordinate with industry on the design and cost of promotion and education initiatives?

And I think this is one of those things that can very much be a feature of collaboration forums, to talk about what activities can take place to improve the performance through the participation of residents in the program and to achieve the targets of the plan.

So, certainly we would look to do that, maybe not on all campaigns. I mean, some things will just say what's being collected. But there may be specific things that are around a

particular material that we're trying to make some headway on, and we would definitely look to bring those into those collaboration forums.

Okay, we're going to talk briefly about rules for stewards and the fee methodology. The--so, the authority is going to review the program agreement with you next. The program agreement would include the rules for stewards as an appendix to that, and the fee setting methodology becomes a schedule to the rules for stewards. So, these things are all related and form one package as it ultimately gets submitted.

So, when we look at the draft rules for stewards that have been provided, and you can find those, again, posted on Stewardship Ontario's website, the base rules are those that have been approved for 2018. The changes to those rules are that the definition of PPP has been updated to reflect the definition in the draft program plan.

As well, the fee setting methodology in the rules has been updated to be the four step methodology that had previously been approved by the Stewardship Ontario Board. And that would replace the existing three factor formula.

So, I do have a section here for questions. But again, that was just a couple slides, and we know that there are a lot of questions we're going to come back to. So, at this point I'm going to hand things over to Geoff Rathbone to speak on behalf

of the authority and talk about the program agreement, so over to you, Geoff.

Mr. Geoff Rathbone: Okay. Thanks very much, David. I think we'll just move to the next slide. So, I'm going to provide a very quick overview of the program agreement, but first just a refresher on who is RPRA.

So, many of you may know that RPRA was founded in November of 2016. We were formerly Waste Diversion Ontario. We are a non-crown, not-for-profit corporation. And we're responsible for a number of things, which include overseeing the existing four programs; Blue Box, of course, the tire program, the WEEE program, and the MHSW program that were continued under the Waste Diversion Transition Act.

We're also responsible for approving the amended Blue Box Program Plan that we've been discussing here today. And under the RRCEA, we have responsibilities to develop and ultimately operate a registry which will be the primary source of data for all the new RRCEA activities and, where required by the minister, to provide information upon his request.

We also are--will be undertaking compliance and enforcement activities, both under WDTA and under the new RRCEA. And finally, we're responsible for approving windup plans. That would include the windup of the program and the windup of the IFO and also for overseeing the implementation of that windup.

And of course, we're currently doing that in terms of approved-- considering approval for the tire windup plan.

The--so, we can just go to the next slide, the program agreement. The WDTA requires that the program agreement be submitted with the a-BBPP. And the program agreement is what governs the relationship between Stewardship Ontario and the authority, or RPRA, as we call it.

And the program agreement would accompany the submission of the amended Blue Box Program Plan. And as has been noted, the draft program agreement has been posted, I believe--certainly been posted on the authority's site and I believe on the Stewardship Ontario site as well. And on the authority's site, you'll also see a two or three-page sort of briefing document, if you like, a layman's guide for the draft PA.

The key components of the program agreement; first of all, it provides the oversights of Stewardship Ontario's operation. And it defines the authority's oversight of Stewardship Ontario for the amended Blue Box Program Plan. And it specifically allows, in certain circumstances, for the authority to look for approval of certain elements, and it requires transparency for Stewardship Ontario. And you'll see that defined a little more clearly in the draft agreement. And it also deals with the governance relationship between Stewardship Ontario and the authority; for example, dispute resolution.

So, in overseeing Stewardship Ontario's operation of an amended Blue Box Program Plan, should it be approved, the authority can under Section 31 request information from Stewardship Ontario. And you'll see that Section 31 requires that SO provide any such information as requested.

The authority will oversee the implementation of the plan and will notify Stewardship Ontario if they, A, fail to comply with what is in the amended Blue Box Program Plan or if we see where elements may be operating in a way that affect the marketplace in an unfair manner. And our notice to Stewardship Ontario can include specific actions that the authority requires Stewardship Ontario to undertake.

So, the draft program agreement requires Stewardship Ontario to supply certain documents for approval. And this includes the steward fee-setting methodology; the steward fee rates; the rules for a steward that David was just referring to; the in-kind guide, and the in-kind guide refers to how the in-kind payments from newspaper would be utilized in the non-transition programs; dispute resolution procedures, and again, in this case, this would be for disputes between stewards, transition municipalities, and service providers. There's a separate dispute resolution defined between Stewardship Ontario and the authority; and also stakeholder consultation plans that

could involve if it's a material change or not a material change.

So, in terms of the oversight, any changes to the amended Blue Box Program plan, again if approved, must be submitted to the authority. And the authority can direct Stewardship Ontario to consult, and the authority can first determine if the change is a material change. And if the authority, being the first body to determine that, determines that it is, then the authority can in addition initiate its own consultation on such matters. And if the proposed change is approved, it would then be submitted to the minister.

There's also a number of requirements for transparency in the draft program agreement, and the draft does require a significant amount of transparency between the parties and publicly as well. It allows, again, the authority the ability to direct Stewardship Ontario to consult.

So, it could be, for example, on an area like the catchments. It could require Stewardship Ontario to publish non-confidential documents. And it could also require Stewardship Ontario to conduct a performance audit.

So, the performance audit might be used, for example, to review the data pertaining to a key element of the plan. And certainly, one that I know is of great interest are the

performance targets. And failure to achieve the targets could result in changes to the program agreement.

So, the draft PA also outlines requirements for how the program agreement and the amended Blue Box Program Plan would be amended either periodically or triggered by a particular event like a change in law. And it outlines how this--how these changes would occur, the process under which they would occur and what would and what--again, some of the key elements that might trigger such a change to the plan such as, again, a change to law or a failure by Stewardship Ontario to achieve performance targets.

The process to resolve these disputes, the dispute resolution, in this area would be how it would be resolved between Stewardship Ontario and the authority. The document also looks, from a governance standpoint, at the process to review any communications that are to be released publicly, how we would review drafts and, ultimately, decide on documents to be released. And also, it has a requirement that Stewardship Ontario notify the authority if any complaints are received by Stewardship Ontario.

In addition to the roles the responsibilities that are, if you like, jointly shared, the authority also has some additional roles. And one of those is to continue to be the primary operator of the data call for the Blue Box data. As many

municipalities online know, we've been doing this for many years and that would continue.

We also, as the authority, have the ability to create stakeholder groups. We currently have several groups under the data call, and this allows for the authority to establish further stakeholder groups as may be required in the implementation of the amended BBPP. And the authority would also continue to provide the administrative governance and operational oversight of the CIF, or continuous improvement fund.

And Stewardship Ontario also has some additional roles. They would be required to take all steps reasonably required by the authority to implement the policy direction as established by the minister and to ensure that any activities under the amended Blue Box Program Plan are consistent with policy statements from the minister.

As many of you know, CIF--the funds for CIF are currently held in trust by Stewardship Ontario. And this would continue, with Stewardship Ontario dispersing the funds as determined by the CIF committee which, as I mentioned earlier, is overseen and the annual budget is approved by the authority.

So, finally, just next steps; as has been mentioned, we as the authority are open, as is Stewardship Ontario, to receiving comments on either the program plan or on the agreement. And

again, these are due by January 15th. We're also open to meeting over this week with any parties or telephone conversations with any parties that request a meeting. We've met with numerous stakeholders over the last several weeks, and we look forward to meetings over this week as well.

So, with that, I'll pass it back to David.

Mr. David Pearce: Thanks, Geoff. So, I'm just going to talk a little bit about next steps as well. And then we're going to have some more Q&A.

So, we've gone through the various components of the draft plan today. You've heard the major elements of the minister's letter and how those have been addressed. And we've walked through ten components of what's in the plan. We've spoken about the proposed rules for stewards, the inclusion of the four step fee method. You've heard from the authority about the program agreement.

And we'd like your feedback. In fact, we'd like your feedback by January 15th. And receiving your feedback by that time gives us the ability to read it, consume it, develop our consultation report, edit the draft program plan as appropriate, and provide that to the Stewardship Ontario Board who will be reviewing and considering the proposal at their January 25th board meeting. So, we really do need, by next Monday, to receive your feedback.

And as you're drafting your feedback, you may have some areas where you wish us to consider a different approach or gives us some constructive feedback, and there may be other things that you support. And I would encourage you to provide as well as where you see--where you would like to see changes, provide us with the areas that you support as well in your submission so that we've got a full and complete set of comments from you and we know the areas in the plan that you do support and that that's clearly stated. So, I thank you in advance for that and appreciate your time as we do that.

We're now going to spend the next 20 or so minutes going through questions. There are a lot of questions. We've got hundreds of people on the call today, and you're very interested. We're going to try and get through as many of these as we can.

Where we can't, you know, we do see your questions. We get the theme of the question, what you're asking. It will form part of the consultation report, and we will look at those questions and themes as final revisions are made to the draft. So, I'll start off. I know Usman's got some questions as well, and so we'll go back and forth.

Who's responsible when goals and targets are not met for PPP diversion?

Actually, that's in a good order because Geoff just spoke about that. Stewardship Ontario is--does need to meet its performance obligations under the plan and must report that to the authority. The program agreement does deal with that.

If PPP are not recyclable now or in the foreseeable future, why aren't stewards forced to stop using them?

Stewards make decisions for--on packaging for all kinds of reasons. Those reasons can be complex and varied. Sometimes they're regulated perhaps at the federal level. There are product preservation requirements. There are all kinds of considerations around greenhouse gas submissions that are upstream before we get into recycling.

So, there are lots of reasons. And Stewardship Ontario is not in a position of dictating to the stewards about what types of packaging they can use; simply looking at how to collect that material, if it's not collected today, what needs to be done to collect it and how to apportion the costs through the fee methodology.

There's a comment here. The direction of this call seems to mostly address municipalities. And will there be more discussion regarding the stewardship community impacts?

We've really tried to design today to go over all aspects of the plan. All stakeholders, municipalities, First Nations, stewards, and various NGOs and others are participating today,

and we wanted to give everybody a good overview of what is in the plan.

Communities are a potential service provider moving forward. They're delivering services today. And as this plan is largely about how to transition from the current state to a full producer responsibility state, there is certainly a lot in the plan and in today's discussion about how that transition takes place.

Will all material diverted from landfill, whether that be through accepted diversion and non-accepted diversion systems, be tracked and reported for future planning and market development research?

Well, certainly we will monitor and report all outcomes that fall under SO's contractual oversight. Things that we don't have visibility to we can't report. But what material is collected by our service providers and that which is managed, we will have data about that, and we will be reporting that as I indicated earlier.

If municipalities have the option to not participate, how can the system truly move to 100 percent EPR?

That's an interesting question, actually. The--neither the legislation nor the minister's request letter contain a mechanism to obligate a municipality to transition. The expectation is that they will. It's in their economic interest

to do so. They may look at a business case and decide is it in their interest to do it immediately or to defer that decision for a year or two, but it likely is in their interest. But there is nothing to compel them.

Why are books not included in the definition of paper products?

You know, to be consistent with other jurisdictions where a paper for general use has been obligated, books are not obligated, certainly not in any jurisdiction that I can think of.

How is it that municipalities have so much choice in participating or not? Stewards are obligated to pay. Are municipalities held accountable for participating?

I think I just talked a lot to this. But, again, this is really about stewards taking responsibility for the materials that they supply into the residential marketplace. It's not about municipal accountability.

Municipalities that choose not to transition, they remain accountable under Regulation 101, which requires that they operate these collection programs, and so that remains in place. If they choose to transition, then either Stewardship Ontario is fully responsible for that community with service providers under contract, or the community via a commercial contract with

Stewardship Ontario will continue to be accountable to deliver those services to the resident.

I'm going to turn things over to Usman for a few questions here.

Mr. Usman Valiante: If a municipality decides to change from the regular Blue Box to rollout container after August 14, 2017, would this be considered a service-level change and therefore not subject to funding as an amortized capital cost?

The answer is yes. It would be considered a service-level change. It is significantly different than what was being delivered.

How long will any agreement with Stewardship Ontario be once a municipality decides to transition? Also, does the term of an agreement vary depending on the type of transition, i.e., the municipality self-delivers or contracts? Will any cancellation clause exist?

The term--the length of the agreement will be in the agreement itself. I don't expect that the, you know--there will be different terms for how municipalities deliver the service, whether they do it themselves or through a contract.

And virtually any commercial agreement I've ever seen has termination clauses in it. Municipalities may want to terminate the agreement for whatever reason and Stewardship may want to, or there may be circumstances that require both parties to

terminate the agreement or amend the agreement. And typically contracts contain those provisions.

When will the contamination ceiling and association contamination penalties be determined and shared?

In the plan, in the appendix there is the contamination protocol that will be established. And one of the first things that happens in the protocol is measurement to see what the issue is. And it's at that point that the ceiling will be established is through that exercise.

And certainly, penalties that may be levied once that entire contamination protocol's been gone through and hasn't worked, if there are indeed penalties to be levied, that will be set in the agreement. And it'll be part of the agreement when the agreement's tabled with the municipality as it prospectively decides to become a collection contract manager.

Will any benchmarking costs be available before a municipality decides as to the type of transition it wishes?

Certainly, where a municipality is going to--the pro forma collection contract and terms will be tabled very early on in the two-year process. And where a municipality deviates, wants some additional services or wants a variation on what's in the pro forma document, there will be a discussion with Stewardship Ontario as to what that means.

And then, when the municipality goes for tender, the prices will be adjusted accordingly to a protocol established to make the adjustments that are the result of those changes being made to the pro forma procurement instruments. And so, the municipality will have an idea very early on about it is going to be subject to benchmarking because of its unique circumstance or its decision on how it wants to go for tender and what the implication of that benchmarking might be.

How will MHSW founds in the Blue Box material be dealt with, and who's responsible for the cost and removal?

Certainly, in a transitioned municipality, any non-PPP is a--is contamination. And there will be a contamination protocol, which will, again, involve measurement, the development of a plan to deal with contamination, the execution of that plan, which may include things like promotion in education to residents, working with service providers to work with residents, etc.

And at the end of the day, you know, as the contamination--any contamination received during that period is going to be dealt with by Stewardship Ontario at its cost. And if the--that protocol is successful, then hopefully contamination will be reduced. And if contamination is not reduced, then remedial measures will have to be taken.

Ultimately, if the objectives can't be met, it will be the municipality that's administering the contract that would be responsible for contamination. But that's a long way down the road. If you take a look at the contamination protocol, it sets out the entire process for dealing with contamination.

Can a community transfer full responsibility for multi-residential collection service to SO but still have a role as a collection service provider contract manager for curbside collection service?

Initially--that's potentially a possibility in the future. Initially, when a municipality goes to collection tender, it will go to collection tender for whatever it has been tendering for in the past. Certainly, that first contract window will provide an opportunity to see how things are working. And I'm sure there can be an opportunity for discussion about whether to parse out multifamily and have it managed directly by Stewardship Ontario.

Can a municipality rollout a new collection service to expand collection to multi-residential properties be considered eligible costs?

The answer is yes. As a non-transitioned municipality, you have the discretion to do that.

If a transitioned municipality chooses not to provide collection service on behalf of SO or act as a collection

contract manager, will SO still allow the existing ICI stops to be concluded in the SO collection contract with payment provided by the municipality for the--for those stops?

I know this question's been raised in the past, and some consideration will have to be given to that. You know, the objective here is to minimize disruption. And certainly, in that situation, that may be an option to deal with that reality.

With a three-month post-collection service bidding timeframe and a 180-day build timeframe, this is not sufficient time to arrange for and build the competing infrastructure within any catchment area. How does this approach speak to providing for competition?

So, when a catchment becomes eligible for transition and there's a request for expressions of interest put out, and the various parties respond that they're qualified and able to respond to a procurement or respond to the procurement process, the procurement process will be initiated.

And it's expected that the proponents will go out and make arrangements using existing facilities, existing commercial operators, and build the network in that three-month period, not physically but through commercial relationships. And given that the post-collection contracts are going to be fairly long, it's expected that the proposals that are going to be received are going to talk about an evolution of that post-collection system

as increased volumes of material come available in that catchment.

So, we don't expect proponents to be talking about short-term building new capital infrastructure, but talking about how they plan to manage the incremental tons that come into the system--into the post-collection system over the period in which they're going to have the contract and how they plan to meet the objectives of maximizing materials to market.

And they're going to build into their pricing the investments that they're going to need to make over the life of that contract. So, that's kind of the expectation about how post-collection is going to roll out and investments are going to be made.

David, back over to you.

Mr. David Pearce: I'm actually going to hand things over the Geoff at the moment. So, a few questions came in about the program agreement, so over to you, Geoff.

Mr. Geoff Rathbone: Okay, thank you.

The first question is why did RPRA agree to allow SO the right to approve RPRA press releases and referencing Section 6 of the operating agreement?

Our understanding and what we believe is in Section 6 is that we've not given SO the right to approve our releases, but

we have said that we'll notify and coordinate when releases are to be made publicly.

Next question; as part of the plan approval process, can RPRA direct that changes be made to the plan before forwarding it to the minister?

If the authority approves the plan, we will submit it to the minister along with particulars of any matters that are unresolved at the time of the submission.

Next question; is the authority responsible for approving the P&E plan developed by Stewardship Ontario?

No. The draft agreement does not require the authority to approve the--any draft P&E plan. But it is a requirement that the P&E plan be sent to the authority for information.

And the draft program agreement indicates that--on page four and five that consultation will close on January 19, 2017. So, when are comments due?

That is obviously a typo. The date for submissions is January 15, 2018.

Back to David?

Mr. David Pearce: That's great. Thanks, Geoff.

So, I'm going to do two things here. One, I'm going to just kind of go over our closing slide here because we are getting to time. But, I'm also--so, those of you that need to go, we thank you so much that you've set aside two and a half

hours of your time today to be with us. There are a lot of additional questions that have come through, and so we are going to stay on the line here and we're going to continue going through questions for a while. So, if you need to drop off, then feel free to do that at any time.

If you've got questions, feedback, you want to make a submission, and we encourage you to do that, please go to our website. Again, the feedback is required by January 15th. And you can also send an email to JJJames@StewardshipOntario.ca as well.

So, I'll just say thank you to those of you that need to drop off, and we're just going to keep going here for a few more minutes and get through some of these questions. We've got a number that have come through that are duplicates. Lots of duplicates are coming through, so we're really doing our best to filter those and pick questions that are representative of those that are coming through.

And I think we've got lots to get through, you know, the next 15, 20 minutes or so, and we'll just see how that goes. So, we'll just--we'll go through it. But we're sort of going to halt printing off new questions here so that we can get through those that we've got.

Okay. For the tons of PPP supplied being used as the denominator for the recovery calculation, will this include just

the portion of PPP supplied to households excluding any PPP consumed away from home, or will it include all PPP supplied into the province?

So, there is a deduction policy review that began in 2017, and that's continuing into 2018. At this time, the deduction policy hasn't changed in terms of, you know, what is reported and what those eligible deductions are. So, that remains status quo.

Will you report on the diversion performance of subcategories like you do now in the pay-in model for the 35 plus fee categories?

We will report on material diversion performance at that-- as a disaggregated level so stewards can understand how their materials are being managed, what the performance of them is, and how money is being spent to achieve that performance.

For the amount of material reported by stewards going into the market, will you be making the same assumptions to estimate the percentage of PPP going to households and therefore available for collection through the Blue Box Program versus other away-from-home IC&I?

Again, stewards only report what is supplied to residential consumers. So, we don't have any visibility to the IC&I sector here.

Please explain the requirement in the amended Blue Box Program Plan and the 2018 rules for stewards to report all PPP supplied to consumers. How is this different than the reporting requirements in the previous Blue Box Program Plan? How is the deduction policy different?

So, the deduction policy was the subject of consultation this year and that will continue. I think I just answered that one, actually, with a previous question.

Are plastic cups sold as product an obligated material?

Yes, they are. They are listed as a packaging-like product in the definition on page three of the draft plan.

The method for calculating diversion seems to be different from what was presented in the consultation sessions. Here it is tons sold to end markets. In the sessions, it was stated that it would be tons actually processed into new materials.

Actually, the diversion remains unchanged from the consultation. It's the collected tons divided by supplied, and we exclude and eliminate all PPP that is not--all materials that are non-PPP and all PPP that does not have a diversion end market. So, the only collected PPP being counted in that calculation is PPP that can be recycled because it's got the end markets or otherwise diverted.

Do we need to write two letters by January 15, one on the plan to Stewardship Ontario and one on the agreement to the authority, and can we simply write one letter covering both?

So, you can write one letter that covers both and just make sure that it is sent to or copied to both organizations.

Has Stewardship Ontario considered how green bins organics programs will affect the ability to meet diversion targets? Many of the newly proposed products sold as packaging, such as tissue paper or paper cups, are placed in the green bin.

The plan right now is to move over the Blue Box channel, and the organic stream is not written into the plan. There may be opportunities in the future to look at that. And there'd be considerations about which diversion stream best meets the objective of the program and what the cost are of each of those diversion streams.

What are the main ways that nonpaying stewards, or those captured by the de minimis, are affected by the changes?

So, any business that is considered non-obligated because they meet that de minimis threshold today, they wouldn't see any changes under this plan. There are no changes to the de minimis level in the proposal.

What about candy wrappers and chip bags? Why is confectionery--why are confectionery products not included in the Blue Box?

So these, again, are materials that are obligated PPP and fees are paid on these, but there aren't viable end markets for the management of these materials. So, at this time they would not be targeted for collection nor are they typically targeted for collection today by communities.

Are municipal community centers considered an ICI source?
Yes, they are.

When referring to households, is there a distinction between permanent and seasonal households?

They're both households for the sake of counting a household. We would expect that there would be a difference in the cost of service because one is seasonal and one is not. But they are households to receive service if they're receiving service today.

Will Stewardship Ontario provide funding for Blue Boxes for households as well as organic bins and source separators?

Stewardship Ontario will be responsible for costs associated with PPP recycling only, so Blue Boxes or other collection containers but nothing to do with the organic stream.

How will the funds be distributed when the CIF lines up?
What is the mechanism?

The proposal outlined is that the last year in which all communities were in the non-transitioned state would become the year that would be used. And the remaining funds in the CIF

would be distributed on a proportionate basis using the--each community's payment under non-transitioned state. So, you get your percentage share based on your weighting relative to others.

Can you confirm please that the collector, in quotes, which could include a municipality, would remain responsible for funding the purchase, distribution, maintenance, replacement costs associated with provision of collection containers to residents?

That relates to the terms and standards in the contracts. So, once those have been finalized, they would dictate rules and responsibilities around things like collection containers.

If a collaborative process is envisioned what happens if disagreement between stakeholders is un-resolvable?

And ultimately it is Stewardship Ontario's responsibility to meet the obligations in the program plan. So, when we look at collaborative forums, whether it's about finding some method for waste reduction or other things that maybe affect the supply chain or rules for stewards even, there are mechanisms to receive feedback and input from various stakeholders.

But Stewardship Ontario, at the end of the day, will need to make a decision to--about what needs to be done to advance the program plan to meet its objectives. And we'll do that

giving regard to the program plan and the program agreement and its obligations under the legislation.

I'm going to turn things over to Usman who's got a number of questions as well.

Mr. Usman Valiante: If a municipality currently provides collection services to multi-residential buildings but there is essentially no participation, will the municipality be able to receive incentives from Stewardship Ontario for entering into agreements with building owners?

Certainly, if that's provided today it would be part of-- servicing those buildings would be part of the arrangement where the municipality is going to continue to provide collection services in service to Stewardship Ontario. Where those buildings aren't serviced today, there will be an incentive system to expand services to multifamily buildings. And certainly, the--whatever the case, the opportunities to increase participation are going to be inherent to both, including promotion and education and whatever's necessary to get participation rates up.

What's the best metric to use when going out to tender for new collection contractor tons or households, assuming we are going to transition?

Good question; a perennial debate on this. Tons are changing, as municipalities know, based on what's being supplied. Households are a fairly static metric and it's households that you are trying to get serviced. So, typically-- or more recently we've typically seen that the basis is on a household basis. But again, that will have to be thoroughly examined once again before contracts get written.

If a community currently has privatized collection but they employ--but it still employs city staff to help supervise and handle customer service driven complaints from the city's customer service departments, is that a relationship Stewardship Ontario will seek to maintain/fund?

So, in some cases where--I mean, this is what we really anticipate by the city acting as a collection contract manager. Where you have privatized collection, you're managing a contract and you've continued to provide customer service through city staff. Certainly all of that would be encompassed as being part of what's being delivered as the collection contract manager, and that would be a remunerated activity. So, the administration of the contract would be remunerated as well as the cost of the contract itself.

With respect to providing combined residential IC&I collection, you provide an example where the municipality was the contract provider. Will there be flexibility within the

contracts for third-party contractors to include ICI at the municipality's cost?

So, if the municipality today, as part of its collection contract, has the service provider collecting from IC&I sources, what the plan has stated is that that will continue--could continue to be delivered by the municipality via its contractor. But the municipality will pay for the collection costs associated with that material. That material will go into the post-collection system and be processed by Stewardship Ontario at no cost to the municipality. So, that's kind of the arrangement to avoid disruption to those existing arrangements.

Over to you; back to you, David.

Mr. David Pearce: I think Geoff has--.

Mr. Geoff Rathbone: --I just had one--.

Mr. David Pearce: --Just one more question--.

Mr. Geoff Rathbone: --Quick questions.

The question is what is the criteria that the authority will use to determine what is a material change.

And first of all, we do not have currently nor do we anticipate that we'll have a definitive criteria for that determination. We do expect that it would be done independently, if you like, on a case-by-case basis.

Mr. David Pearce: Thanks, Geoff. I've got some more I'll go through here.

This is a lengthy question. It's is Stewardship Ontario going to be responsible for auditing organizations who are reporting, so stewards that are reporting? And will there be-- is there some incentive to make sure that everyone is participating?

Stewardship Ontario will continue to verify all of the steward reports that come in and does have audit rights. So, that's done today and that will continue. It's very important that there be a level playing field. That's important to everybody and keeps things fair, and so those activities will continue.

Are there incentives in place for Stewardship Ontario to control costs versus just asking for additional funds from stewards?

So, as this plan is rolled out, every year the Stewardship Ontario Board reviews the operating plan and the budget and looks to see what are its obligations under the plan and what does it cost in order to meet those obligations. And certainly, looking at are those obligations being met in the most cost-efficient way possible is an important part of any budgeting process. And that is true for Stewardship Ontario as well and, so that certainly is the case for the organization.

As film is targeted--is a target of collected material, will the film be collected separately from other targeted Blue Box material at the curb?

That--you know, film is identified as problematic in terms of how it is managed in the system. If it is clean and it's separated, we all know that it is a highly recyclable material. But keeping it clean and keeping it from contaminating other materials can prove to be a challenge.

So, we've identified that film, along with expanded polystyrene, is a candidate material to look at. How is it going to be effectively managed? It is on the list of collected or targeted materials, but there may be some ways that it can be managed more effectively than others. We want to look at that.

Each community that does collect film today makes decisions about how that film is to be recycled or deposited by its residents, and some of those may be more effective than others in the post-collection network that is ultimately designed. And so, we'll be looking for--forward to conversations with different partners in the supply chain about the most effective ways of managing film going forward.

To confirm, PPP collected from schools will no longer be accepted once a community transitioned. That's with a question mark, and schools are IC&I locations.

If a resident places a wine bottle in their Blue Box will you consider this contamination?

No. The LCBO, they do pay fees on containers that end up in the Blue Box that are not part of their deposit return program.

Is there an estimate of the cost increase to producers at 2025? Would that be double, triple, more?

Today stewards pay 50 percent of the cost of the program. By 2025, it's expected that all communities would transition and stewards, through Stewardship Ontario, would be fully responsible for the costs. So, there're going to be some puts and takes in there.

We expect some--there could be some efficiencies from the way that the supply chain rolls out on these larger geographic regions. There will also be the addition of new multifamily households and other things. So, I would say you could look at doubling that cost, but we're looking at that not knowing what the full measure of the scale benefits are and what the full impact of additional costs would be at this point in time.

Will communities be compensated for the collection and management disposal of PPP not collected by Stewardship Ontario, so non-targeted materials, for example?

No, Stewardship Ontario will pay collectors whether those are communities or private sector collectors for the management

of PPP collected through Stewardship Ontario's established collection channels.

When and how will the Stewardship Ontario system that's about to be set up change to an individual EPR system without a Stewardship Ontario? What will be the motivations to move on to the non-Stewardship Ontario system?

It's--that's a decision that would be made by the minister, who would issue a letter requesting a windup plan. And that would be the signal for that. So, that's not something that would be at the discretion of Stewardship Ontario. That is based on the decision and discretion of the Minister.

This is a comment. The public will not understand the limitations on plastic resins. They will end up in the box anyway. How does Stewardship Ontario intend to educate and promote?

So, there are two plastic resins, three and seven, so PLA and other plastics that are not on that initial list. And those generally would not be materials that would be targeted for collection today. Of course, there may be some exceptions to that, but those are not generally targeted.

So, education materials will be provided. It'll be a collaborative effort between Stewardship Ontario and the collector to inform residents of what does and does not go in the box. And yes, change may take time. It often does. And

so, we would expect that it is a process and not just flipping the switch on that one.

There's a question about the formula, about how diversion is calculated and why is there an N minus 2 in the denominator. And this could impact the diversion rate.

The formula there is based on the most recent information that's known. So, the numerator is based on the tons that are managed, and that is based on the year that the reporting is being done for. It is the most recent information known at that time. For the denominator, which is the supplied quantities, the most information available to Stewardship Ontario is for two years prior based on the reporting cycle of stewards.

Why are there not any performance indicators related to waste reduction or reuse mentioned in the draft amended Blue Box Program Plan?

Really, we--you know, there are things that we know and things that we don't know, things we can count, the things we can't. And this is something that we can't really measure and can't really know. So, the metrics that have been proposed are the things that we will have information that we can provide reporting on. These items are things that, at this time, the information isn't available for reporting.

If loose paper is permitted, can we tell our residents to take the soft or hard covers off books to recycle the paper?

No, books aren't obligated, and so they would be considered a contaminant and should not be included. There are lots of reuse opportunities for books and we would encourage that.

Is it accurate to state that packaging that is PPP but is not destined for consumers, things like pallet wraps, shipping containers, is exempt from Stewardship Ontario requirements?

Yes, that's true. It is not residential PPP. It would not meet the definition.

Since many rural community newspapers shut down in early December, will Stewardship Ontario get rid of the in-kind payments for newspapers and move to cash payments?

When we look at the minister's letter, the minister's letter talks about developing an approach for in-kind that does not impact transitioned communities. I'm paraphrasing. So, the in-kind program will continue on under this proposed plan, and the cash portion paid by newspaper publishers is to cover the program management costs, the costs related to supply chain activities. Whether that's for a non-transitioned community or for a transitioned community would accrue either to that community or to Stewardship Ontario respectively.

Is there any accountability to control fee increases?

Well, Stewardship Ontario is accountable to the steward community around costs and fee communities. The Stewardship Ontario Board does oversee these activities on behalf of all

stewards, so it does make sure that it looks at the operating plan, approves the operating plan. It approves the budget. It approves the fees in accordance with the approved fee setting methodology.

Those fees are forwarded to the authority for their approval. And in terms of how costs are incurred, that's really things that are looked at every day by staff to make sure that the objectives of the plan are being met in a cost-effective manner.

Will there be an exclusion for plastic bags provided near meat counters for sanitary purposes? Will these bags be obligated?

They are considered service packaging as they are supplied at the point-of-sale, and they will continue to be obligated as they are today.

If non-PPP is defined as contamination, do you also classify non-targeted PPP as contamination?

Yes, we do.

Could you please clarify if glass will be collected separately from other Blue Box materials or with the Blue Box material together like today?

So, while the standards have not all been set, you know, at this point in time we envision that glass will continue to be collected as it is today, either with containers or co-mingled.

As with all materials, and this really speaks to the comments that were just made, you know, there will be a constant evaluation about are there better ways to manage materials that meet the objectives of the plan and that are cost-effective.

And when we talked about that, meeting the objectives of the plan and looking at what the performance targets are, certainly looking at the accessibility component for the resident is an important consideration in that, but also looking at can that material be collected in a way that allows it to be recycled and sent to a diversion end market so that it can count. So, there are lots of things that will be evaluated on an ongoing basis to look for program improvements.

I'm going to hand things over to Usman for a couple of questions, and then I'll wrap things up with a couple of my own. And we'll probably be done in the next five minutes.

Mr. Usman Valiante: What is the rationale for requiring municipalities to act as an agent for Stewardship Ontario in order to continue public space recycling programs?

It's not a requirement. There is a requirement on Stewardship Ontario to provide public space recycling where it's provided today. There'll be an assessment about how it's being-
-if a municipality decides not to act as the contract manager, Stewardship Ontario will have to assess how public space recycling is being delivered today and whether that public space

recycling is included in what used to be a collection contract for collection or it's delivered in some other manner.

So, there will be an assessment about how public space recycling is delivered if the municipality decides to hand it over to Stewardship Ontario, recognizing that public space recycling is difficult at best to get quality materials out and requires some new approaches in some cases to how things have been done in the past.

A municipality that changes its current collection system to reduce processing costs, will capital costs, i.e., Blue Boxes, be considered eligible cost?

So, again, if there's a system change being made, it is not considered to be an eligible cost. Very hard to do this on a case-by-case basis, and really the--you know, the objective is to assume what's on the ground in the sort of status quo situation and determine, through the collection tender, what changes need to be made, if any, to how collection is done in that municipality as that municipality transitions.

Those are the--David, back over to you.

Mr. David Pearce: Super. Thank you.

So, I'll just close with a couple here. Question; would Stewardship Ontario allocate some of the CIF uncommitted funds towards MURF-T [sp] bagging infrastructure enhancements to avoid capital expenditures on Blue Boxes and carts?

That CIF money is really a deferred payment to municipalities. It's there for the purposes of that fund but comes out of the payment obligation from prior years. And so, it will be distributed to communities once the fund is wound up.

There's a question here; where does Stewardship Ontario get its funding from, especially in the first few years? To what extent might Stewardship Ontario be beholden in any way to the stewards in the same way that the corporate commercial community seem to be able to influence other things like ESA?

Stewardship Ontario gets funding from steward fees. That's its source of funding, and I've spoken about the oversight in the past. There is a fee setting methodology that is in the rules for stewards there. It's been consulted on extensively in the past. It's the four-step method, and any change to that fee methodology would require approval. You can look at the program agreement to see what that process would look like.

What's the impact for stewards in terms of reporting based on appendix B of the plan on page 50?

The process referred to on page 50 doesn't impact stewards. It's the process that Stewardship Ontario will employ working with collectors to reduce contamination, so there's no impact there.

And I'm just looking at one more to see if this is a duplicate. Yeah, I think that's a duplicate. So, I'm actually going to wrap things up here.

I do want to thank you for your questions. We've had a lot come through. I think we had over 100 questions come through and get answered today--over 200 questions, so that's fantastic. So, I really do thank you for your active participation today.

So, we do have that one more ask of you, and that's to get your feedback in by next Monday, the 15th of January, so that we can look at that, consider it in terms of how it may result in some tweaks or changes to the proposed plan, and then we move forward from there.

So, I thank you. If you have questions, please be in touch with us. And we're going to wrap things up now. Thanks. Have a good day.