



## **Annual Report 2006**





April 1, 2007

Ms. Gemma Zecchini  
Chair, Board of Directors  
Waste Diversion Ontario  
45 Sheppard Ave., East  
Suite 920  
North York, Ontario  
M2N 5W9

Dear Gemma,

In accordance with Section 33 of the *Waste Diversion Act*, 2002 requiring that Stewardship Ontario submit an annual report to Waste Diversion Ontario (WDO) on April 1 each year, we are pleased to provide the Stewardship Ontario Annual Report 2006.

Stewardship Ontario also is complying with the requirement of the Act by making the report public. As appropriate, it will be posted to the Stewardship Ontario website when the WDO Board officially receives it. In addition, we have notified stewards and stakeholders through our e-newsletter, *Need to Know*, that the report will be available for review upon notification that the WDO Board has received it.

Sincerely

A handwritten signature in black ink, appearing to read "Dennis Darby".

Dennis Darby  
Chair  
Board of Directors  
Stewardship Ontario

## **Stewardship Ontario Board of Directors – 2006**

### **Consumable Products**

Dennis Darby, Chair  
([chair@stewardshipontario.ca](mailto:chair@stewardshipontario.ca))

Roseanne Angotti

Sandra Banks

Jill Carman

Shannon Coombs

John Coyne

Procter & Gamble Inc.

Kraft Canada

Coca Cola Bottling

Pillsbury Canada

Canadian Consumer Specialty Products Association

Unilever Canada

### **Retail & Distribution**

Diane Brisebois

Ron Damiani

Michael Ferrabee

Kim McKinnon

Retail Council of Canada

Costco Canada

Canadian Restaurant & Foodservices Association

Canadian Council of Grocery Distributors

### **Durable Products & Distributors**

Vaughn Crofford

Canadian Hardware and Housewares Association

### **Alcoholic Beverages**

Tamara Burns

Lyle Clarke

LCBO

LCBO

### **Newspapers**

Anne Kothawala

Canadian Newspaper Association

### **At Large**

Damian Bassett

Stewardship Ontario

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## Summary of 2006 Key Highlights

The Blue Box Program Plan (BBPP) was approved by the Minister of the Environment on December 22, 2003. Stewardship Ontario was designated as the Industry Funding Organization responsible for implementing the plan. A full copy of the plan is available at <http://www.stewardshipontario.ca>.

In 2006, Stewardship Ontario successfully discharged all of its obligations under the BBPP and achieved a number of key milestones:

- A total of 786,947 tonnes of Blue Box wastes were recovered in Ontario in 2005 (the most recent verified data available) representing a recycling rate of about 57%. This is an improvement over the previous year's recycling rate of about 55%.
- Ontario municipalities will receive \$48,565,217 from Stewardship Ontario to support the operation of municipal Blue Box recycling programs for 2006 (final quarterly payment scheduled for March 31, 2007).
- Incorporated a wealth of new data from waste composition studies in the development of provincial generation estimates and measuring municipal program performance. These new data provide better diversion estimates, which more accurately reflect individual material recovery performance. As a result, fees and incentives within the steward fee-setting methodology are more closely linked to performance.
- Identified and notified 2,200 returning and previously identified stewards and 680 new stewards of their obligations under the *Waste Diversion Act*, 2002 (WDA) and the BBPP.
- Mailed obligation notices to another 1,700 companies that had been originally notified in 2005 but had not responded.
- Received, reviewed and approved reports from 1,393 obligated stewards and attempted to acquire a Steward's Report from each of the 371 outstanding obligated stewards.
- Received successful resolution of the first case of non-compliance by an obligated steward and worked with the Ministry of the Environment's Investigation and Enforcement Branch to streamline the enforcement process for the future.
- Identified fees owing to Stewardship Ontario of \$63.5 million for the 2006 calendar year.
- Maintained the combined WDO and Stewardship Ontario costs of administering the program at less than 4% of total program revenues.
- Continued to update and upgrade the Steward Reporting system.
- Completed 47 audits of data reports submitted by stewards.

- Completed re-structuring of the governance of Stewardship Ontario with the Amendment of Ontario Regulation (O. Reg) 273/02 and the election of an expanded board of directors.
- Approved 66 new projects for an overall total of \$12,392,308 to support improvements in municipal recycling program operations through the Stewardship Ontario Effectiveness and Efficiency (E&E) Fund. An additional six applications, requesting \$12,698,250, were under review as of the end of the year.
- Continued to update and expand the Knowledge Network program as a means of providing accessible E&E Fund information to stakeholders.
- Launched "*In-the-Loop*," an e-letter for the E&E Fund, and distributed the first four issues of this publication to municipalities across Ontario and conducted two E&E Fund, full-day Ontario Recycler Workshops.
- Working in conjunction with municipalities in the Greater Toronto Area, a preferred contractor was selected to build a facility to process up to 60,000 tonnes annually of mixed glass for a variety of higher value uses.
- Launched a \$2.5 million E&E Fund Recycling Program Enhancement and Best Practices Project. This undertaking will identify best practice activities in recycling and contribute to a system-wide best practices cost model.
- Initiated work toward updating the Blue Box Program to incorporate all approved changes to the BBPP since the original approval date.
- Undertook an extensive review of the steward fee setting methodology and received approval for the proposed new methodology (in October 2006).
- Prepared and submitted to the Minister of the Environment a report on Stewards' Actions in Response to Stewardship Ontario Fees.
- Continued to work with Éco-Entreprises Québec, the designated Industry Funding Organization for the Province of Quebec, to co-ordinate efforts for harmonization on steward reporting and program initiatives.
- Prepared the third annual [Plain Language Report](#) as required by and in consultation with the Ministry of the Environment. The report is available at the Waste Diversion Ontario website.

## 1.0 Introduction

This report has been prepared and submitted to Waste Diversion Ontario (WDO) in compliance with Section 33 of the *Waste Diversion Act, 2002* (WDA). A copy of this report is also posted on the Stewardship Ontario website at [www.stewardshipontario.ca](http://www.stewardshipontario.ca) and all interested stakeholders known to Stewardship Ontario have been notified of the availability of this report through distribution of our electronic newsletter, *Need to Know*.

This is the fourth annual report prepared by Stewardship Ontario. It encompasses the activities of the corporation over the 2006 calendar year with respect to the *Blue Box Program Plan* (February 2003) and the requests contained in a letter (dated December 21, 2005) to WDO from the Minister of the Environment approving stewards' fees for 2006.

The Minister's letter addressed three subjects:

- 1) Approval of the schedule of stewards' fees and associated Rules under the Blue Box Program Plan for 2005.
- 2) Recognition of the achievements related to implementation of the Cost Containment Plan.
- 3) A request to undertake a review and assessment of actions taken by stewards in accordance with the principles of the Cost Containment Plan and the impact of the funding model on stewards.

To view the Minister's letter:

<http://www.ene.gov.on.ca/envision/land/WDA/bluebox/122105-MinisterLetter.htm>.

In response, Stewardship Ontario provided a report entitled "Assessment of Stewards' Actions in Response to Stewardship Ontario Fees," which was presented to the Minister on June 30, 2006.

The report:

- provides context on the role of packaging and how packaging decisions are made
- provides information on Blue Box material generation and recovery, and contextualizes these by comparing them to total waste generation figures for Ontario
- examines packaging and packaging waste initiatives in other jurisdictions (European Union, USA, Australia and Asia)
- sets out information drawn from the steward database and presents findings from a survey administered to stewards as part of this report
- concludes with key findings and recommendations.

To view the complete report:

[http://www.stewardshipontario.ca/pdf/bbpb\\_docs/waste\\_minimization.pdf](http://www.stewardshipontario.ca/pdf/bbpb_docs/waste_minimization.pdf).



With the approval of the Board of Directors of Waste Diversion Ontario (WDO) and of the Minister of the Environment, Stewardship Ontario developed and consulted on a new methodology for calculating stewards' fees. The new methodology was accepted and implemented in the process used to develop fees for 2007. This process is detailed in Section 5.2.2 of this report.

To view the Minister's letter of approval:

<http://www.ene.gov.on.ca/envision/land/WDA/bluebox/102406-MinistersLetter.htm>.

## 2.0 Implementing the Blue Box Program Plan (BBPP)

Through 2006, Stewardship Ontario continued its activities, based on the definition of Blue Box Waste defined under Ontario Regulation 273/02.

Waste that consists of any of the following materials, or any combination of them, is prescribed as Blue Box Waste for the purpose of the Act:

- glass;
- metal;
- paper;
- plastic; and
- textiles.

### 2.1 Stewardship Ontario Governance

Following consultation with stewards, Stewardship Ontario submitted a proposal to revise the governance structure of the organization. This proposal was accepted with the Amendment of O.Reg. 273/02. Until the Annual General Meeting (AGM), which took place on July 20, 2006, governance of Stewardship Ontario was provided by eight (8) directors. At the AGM, the membership elected an expanded Board of Directors consisting of fifteen (15) members. Over the course of the year, the board met nine times.

#### 2.1.1 Governance Restructuring

In 2006, the recommendations which had been made by the Governance Restructuring Committee regarding the future governance of Stewardship Ontario came into effect. The intent of the recommendations was to maintain the principle of having sector representation reflect the fees contributed by the identified sectors and to incorporate a mechanism to ensure that the diversity of interests were reflected in board decision-making.

As of the July 20 AGM, the new sector allocation for the board became:

<u>Sector</u>	<u>Seats</u>
Consumable products	6
Retailers & distributors	4
Durable products & distributors	1
Alcoholic Beverages	2
Newspapers	1
At Large (CEO)	1

The 2006 Board of Directors comprised:

### **Consumable Products**

Dennis Darby, Chair ( <a href="mailto:chair@stewardshipontario.ca">chair@stewardshipontario.ca</a> )	Procter & Gamble Inc.
Roseanne Angotti	Kraft Canada
Sandra Banks	Coca Cola Bottling
Jill Carman	Pillsbury Canada
Shannon Coombs	Canadian Consumer Specialty Products Association
John Coyne	Unilever Canada

### **Retail & Distribution**

Diane Brisebois	Retail Council of Canada
Ron Damiani	Costco Canada
Michael Ferrabee	Canadian Restaurant & Foodservices Association
Kim McKinnon	Canadian Council of Grocery Distributors

### **Durable Products & Distributors**

Vaughn Crofford	Canadian Hardware and Housewares Association
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### **Alcoholic Beverages**

Tamara Burns	LCBO
Lyle Clarke	LCBO

### **Newspapers**

Anne Kothawala	Canadian Newspaper Association
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### **At Large<sup>1</sup>**

Damian Bassett	Stewardship Ontario
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Three additional recommended provisions came into effect at the AGM including:

- 1) *Term of Office:* Any existing board members that were re-elected at the 2006 AGM are eligible to serve for a term of one year, while new members are elected for a period of two years.

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<sup>1</sup> Appointed by the elected directors

- 2) *Review of Board Size and Representation:* The size of the board and the sector allocations are now reviewed on an annual basis and will be adjusted if fee contributions change  $\pm 10\%$  in a given year.
- 3) *Committees of the Board:* There are now five committees of the board which include:
  - Executive Committee;
  - Nominating Committee;
  - Audit and Finance Committee;
  - Policy Advisory Committee: open to representatives from affected industry sectors not directly represented on the Stewardship Ontario Board of Directors, co-chaired by a Stewardship Ontario board member and an elected committee member;
  - Technical Advisory Committee: open to representatives from packaging and material suppliers, recyclers, service providers, municipalities and NGOs, co-chaired by a Stewardship Ontario board member and an elected committee member.

## 3.0 Steward Notification and Registration

This section highlights activities that Stewardship Ontario undertook to notify potential stewards of their obligations, to provide effective customer service to assist them to fulfill their obligations, to help them register and file their Steward's Report and to ensure that reports were accurate and detailed.

### 3.1 Identifying and Notifying Stewards

Under the *Waste Diversion Act* (WDA), Stewardship Ontario is required to notify all potential stewards of their obligations on an annual basis. The notification process is designed to direct potential stewards to the program "Rules," which include fees for stewards for each obligation year.

The Rules are reviewed and revised as part of the fee-setting process each year, and are made available to the public by posting them on the Stewardship Ontario website at: <http://www.stewardshipontario.ca/rules/rules.htm>.

Returning stewards are notified by email of their obligations and of the timelines for each year. Throughout the year, Stewardship Ontario also actively identifies and notifies potential new stewards by:

- identifying new or unregistered products advertised or presented for sale in the Ontario market;
- reviewing business directories and lists of companies known to be selling products into the Ontario market; and
- researching and comparing names of companies that have been provided by other stewards against the Stewardship Ontario database.

New and potential stewards are notified by mail as they are identified.

Steward notification activities for the 2006 program year were as follows:

- emailed notification to 2,200 registered stewards concerning their obligation for 2006 (December 30, 2004) this encompasses all organizations that generate designated Blue Box Waste (DBBW) including those that previously registered below \$2 million in sales;
- mailed the obligation notification to 1,700 companies that had been originally notified in 2005 but had not responded (many of which may not have been obligated but would have had an 'unknown' status at the time of notification);
- mailed notifications to 680 new potential stewards.

During the 2006 obligation year, stewards were notified that they were required to meet the following timelines:

March 31, 2006	file Steward's Report using 2004 data
April 28, 2006	make payment for the first 25% (3 months) of 2006 fees
June 30, 2006	make payment for the second 25% (3 months) of 2006 fees
September 30, 2006	make payment for the third 25% (3 months) of 2006 fees
December 1, 2006	make payment for the final 25% (3 months) of 2006 fees

## 3.2 Assistance to Stewards for Registration

Stewardship Ontario provided ongoing assistance to stewards to support the registration and reporting process.

### 3.2.1 Customer Service

Stewardship Ontario's Customer Service group continued to respond to inquiries from stewards and potential stewards, notifying companies of their legal obligations and clarifying the Rules as required. Their activities are detailed in Table 3.1.

**Table 3.1 - Customer Service Activities, 2006**

Toll-free number (888) 288-3360	Managed on average approximately 350 calls per month and a peak of 900 calls
Email Addresses: <ul style="list-style-type: none"> <li><a href="mailto:customerservice@stewardshipontario.ca">customerservice@stewardshipontario.ca</a></li> <li><a href="mailto:info@stewardshipontario.ca">info@stewardshipontario.ca</a></li> <li><a href="mailto:questions@stewardshipontario.ca">questions@stewardshipontario.ca</a></li> <li><a href="mailto:registration@stewardshipontario.ca">registration@stewardshipontario.ca</a></li> </ul>	Responded to approximately 2,500 emails from stewards in 2006
Stewardship Ontario Website <a href="http://www.stewardshipontario.ca">www.stewardshipontario.ca</a>	Total visits to the website in 2006 numbered nearly 57,000, averaging about 4,600 visits with about 155,000 hits on a monthly basis <sup>2</sup>
Ongoing Information Flow	Distributed pertinent and timely information to stewards through distribution of 25 electronic <i>Need to Know</i> newsletters

<sup>2</sup> **Hit** - A typical Web page is made up of many elements, such as text and images. When a user views the web page, each element is downloaded separately. Each of these downloads represents a "hit." **Visit** - A series of page view requests from the same uniquely identified client with a set timeout, which would likely contain multiple hits. Visits are considered to be a more accurate indication of a website's popularity.

### 3.2.2 Posted Guidebooks for Step-by-Step Assistance

Stewardship Ontario completed a thorough review of its series of guidebooks with the intent of streamlining content for new and returning stewards. The guidebooks included:

***Guidebook 1: Ontario's Waste Diversion Act – Are you Obligated?***

A guide that covers the basic elements of the BBPP and enables potential stewards to determine if they should register and, if obligated, how to do so.

***Guidebook 2: Get Ready to File a Steward's Report***

A guide that provides information about designated blue box materials, collecting data, data sources and program exemptions and deductions, leading readers to the point of being able to enter the online Steward Reporting system.

***Guidebook 3: How to File a Steward's Report***

This guidebook provides step-by-step advice about how to work within the Steward Reporting System to file data to complete a Steward's Report.

***Guidebook 4: Update for Returning Stewards***

This guide is designed to help returning stewards who are familiar with the program to identify program and reporting system changes in preparation for filing their 2006 obligation year reports.

### 3.2.3 Provided "Calculator" Tools to Assist in Reporting

As in previous years, Stewardship Ontario offered three types of calculator tools for the use of selected stewards:

- Sectoral Calculators;
- Composite Based Calculators;
- Unit Based Calculators.

The tools were designed to assist stewards who were obligated for a broad range of products in specified sectors and who may not have had access to packaging data (if they were first importers or distributors).

#### **Sectoral Calculators**

Many of the sectoral calculators that were developed when the stewardship program first began remained available throughout 2006. They enabled stewards to estimate kilograms of DBBW based on sales revenue for various sectors. In 2006, Stewardship Ontario began a planned process to replace the use of sectoral calculators in favour of stewards establishing internal data collection systems or other approved calculators. Three sectoral calculators were replaced by Composite Based Calculators including:

- Toys and Games;
- Electronic, Photographic, Telephone, Information Equipment; and
- Cleaning and Maintenance.

Sectoral calculators will continue to be eliminated or replaced with more accurate calculation methodologies.

### Composite Based Calculators

The Composite Based Calculators (CBCs) continued to be used through 2006. First offered for use in 2005, they provide a means of transitioning from a sales-based approach to a unit sales-based approach in the calculator tools. The CBCs were developed by the Retail Council of Canada (RCC) working closely with Stewardship Ontario, and are based on data generated in a representative series of packaging audits. The CBCs introduced in 2006 replaced the three sectoral calculators mentioned above.

Sectoral Calculator Descriptor (2005)	Replaced with Following CBC (2006)
Toys and Games	Toys
Electronic, Photographic, Telephone, Information Technology Equipment	Electronics
Cleaning and Maintenance	Cleaning

In 2006, the Hardware calculator was removed completely.

### Unit Based Calculator

The Unit Based Calculator was modified with new packaging data and offered for use again in 2006. The Canadian Council of Grocery Distributors (CCGD) and Stewardship Ontario jointly developed this tool early in the program to enable grocery distributors to report and calculate their private label packaging obligations. The calculator was made available to food importers for imported food products in 2006.

During the year, Stewardship Ontario also maintained, updated and approved three other measurement methodology tools in conjunction with:

- Association of Municipalities of Ontario on behalf of obligated municipalities;
- Association of Universities of Ontario on behalf of Ontario universities; and
- Canadian Vehicle Manufacturers' Association and the Association of International Automobile Manufacturers of Canada on behalf of automobile manufacturers and their retail and service centres.

2006 also saw the introduction of an application process for use of the calculators, to ensure that the companies that intended to use them met the criteria for which the calculators were designed.



## **Online Calculator Guide Book**

Stewardship Ontario introduced a new Calculator Guidebook to facilitate use of the various calculators by authorized stewards, and the application of the data to the preparation of Stewards' Reports.

### **3.3 *Reviewing Stewards' Reports***

Stewardship Ontario ensures accurate reporting and quality control by monitoring the steward reporting process

#### **3.3.1 Report Review**

Stewardship Ontario staff examined every Steward's Report submitted in 2006. Stewards were required to describe in detail how they calculated the weight of DBBW. The report review process addressed:

- reporting methodology;
- review of accuracy;
- brands reported on; and
- comparison over previous year.

When appropriate data and detail were provided, Stewardship Ontario approved Stewards' Reports. Stewards that submitted a Steward's Report that appeared to contain inaccuracies, lacked comprehensive detail or failed to conform to the requirements of the Rules were contacted for additional information.

Stewardship Ontario reserved the right to request that stewards submit supporting documentation (e.g. data tables, product listings, audit reports and allocation percentages).

In accordance with the BBPP, Stewardship Ontario continued the audit program to review steward data collection and reporting systems and methodologies. Audit procedures were revised for 2006 and applied with a target of auditing a minimum of 10% of DBBW identified in Stewards' Reports. During 2006, Stewardship Ontario completed 47 audits, slightly exceeding the audit target.

BDO Dunwoody assisted Stewardship Ontario with the development of the audit protocols and procedures. Stewards that are selected for an audit are chosen based on various criteria. The main objective is to ensure that audits are conducted across all business sectors and that the combined tonnage of audited stewards represents 10% or more of the total DBBW tonnage, to meet the target established in the BBPP. The process used for selecting stewards to be audited included the following steps:

- categorized each Steward's Report into one of twenty four business sector classifications (e.g., food, durable products, etc.);

- evaluated each Steward's Report and assigned it a numerical ranking from 1 to 5, based on a quality assessment by the reviewer;
- produced a listing of lower ranked and larger tonnage Stewards' Reports in each business sector and select audit candidates;
- mailed a formal audit letter to the stewards selected for an audit.

Stewards identified for audits received notification from Stewardship Ontario of its intention to audit their data collection and reporting systems. The audit letter specified the nature of the review and the type of documentation required for the evaluation. Each steward was given three weeks to contact Stewardship Ontario to schedule a day and time for the audit.

Each audit required one or two Stewardship Ontario staff members to spend between two and three hours meeting at the steward's location. Stewards were required to provide Stewardship Ontario with supporting documentation to validate their reporting methodology, sources of sales data and material weights data information and deductions applied. Auditors reviewed all aspects of the Steward's Report for completeness and accuracy, documenting information provided to produce an audit report.

All stewards that were audited received an audit report highlighting observations and recommendations or identifying required adjustments to their Steward's Report. Stewards received an ample period of time to assess the recommendations and requirements. If net changes to material data were needed, stewards sent the required amendments to Stewardship Ontario for review and execution of the adjustment.

### **3.4 Enforcement Procedures**

Stewardship Ontario has a legal responsibility to notify companies that are potentially obligated under the BBPP and to follow-up with these companies to ensure that they file a Steward's Report if they are required to do so. Stewardship Ontario also has authority to assess late payment charges and interest on outstanding fees. Companies are potentially in violation of the WDA if they produced DBBW, had sales in Ontario of greater than \$2 million in 2004 for the 2006 obligation year, and were notified by Stewardship Ontario, but failed to file a Steward's Report. Enforcement under the Act is handled through the Ministry of the Environment's (MOE) Investigation and Enforcement Branch (IEB).

Stewardship Ontario carried out an established process to determine if a company could be non-compliant with the program Rules. The steps included:

- sending a notification letter by first class mail;
- attempting to follow-up by telephone contact with the appropriate manager;
- sending a reminder letter;
- undertaking additional follow-up telephone calls;
- sending a registered letter to notify the company that it was not in compliance and might be referred to the MOE's IEB for further investigation;

- documenting all attempts to make contact with the steward; and
- documenting all information exchanged in the preparation of the case file for IEB.

The first case file that was turned over to the IEB for investigation was resolved in 2006. This case had been given to the IEB in late 2004 and resulted in that company being found guilty of contravening the WDA and fined \$35,000. A second company was also charged with violating the WDA in 2006. This case remains before the courts.

As stipulated in the WDA, costs associated with IEB investigation activities are charged to Stewardship Ontario and are included as common costs in the material fees.

In 2006, with the support of the Stewardship Ontario, IEB established a different approach to handling non-compliant cases and it is currently managing 30 additional case files. Through 2006, Stewardship Ontario was constrained in its ability to resolve outstanding compliance issues by IEB's limitations on the number of case files it investigates at any given time. To address this issue, IEB initiated discussions with Stewardship Ontario, which are expected to result in an identification of opportunities to streamline the enforcement procedures.

### 3.5 Registration Results

A total of 3,827 stewards registered with Stewardship Ontario in 2006. Of these, 1,755 were obligated stewards and were required to file a Steward's Report. Registration details are presented in Table 3.2.

**Table 3.2 - Summary of Registrations: 2003 to 2006**

	2003/2004*	2005*	2006***
Registration with Stewardship Ontario	3,112	3,805	3827
Exempted - No Blue Box wastes	842	1,127	1,154
Exempted - Blue Box wastes but <\$2 Million	617	885	918
Obligated Stewards – required to submit a Steward's Report	1,653	1,793	1,755
Reports received	1,202	1,401	1,393
Reports outstanding	451	392	362
Reported between 0 to 15 tonnes – no fees paid	550	448	435

\* December 2004

\*\* December 31, 2005

\*\*\* December 31, 2006

In addition to the total number of registered stewards, Stewardship Ontario notified 689 new potential stewards between January 1 and December 31, 2006. The due dates for reports from these companies are linked to the date that they received their official obligation notices, and some are not obligated to report until 2007. Total registrations and Stewards' Reports for the 2003/2004, 2005 and 2006 program years will continue to be received into 2007.

Stewardship Ontario also continues to adjust submitted Stewards' Reports as new information becomes available (from audits and review of subsequent Stewards' Reports). Approximately 80% of all Stewards' Reports over 15,000 kg needed to be adjusted.

In 2006, stewards filed reports representing DBBW tonnages as indicated in Table 3.3.

**Table 3.3 - Stewards' Reports Filed in 2006**

	# of Reports	Tonnes Reported
Total Reports	1,393	1,304,353
Reported 0-15 Tonnes	435	2,376
Reported >15 Tonnes	958	1,301,977

Table 3.4 presents a summary of identified fees owing for the 2006 program year. The shortfall in fees collected to date for the 2003/04/05 program years is now built into future fee rates for a three year period which began with the 2005 fees.

**Table 3.4 - Summary of Fees Collected in 2006**

	2006
Fees Target	\$61,237,300
Fees Identified from Stewards' Reports	\$63,468,000
% Target Identified	103.6%

## 4.0 Stewardship Ontario Key Program Activities

Equally important to identifying and registering stewards is the work Stewardship Ontario undertakes to determine how much each steward will be required to pay in fees. This is based on the amount that is required each year to fulfill industry's obligation to share the cost of operating efficient municipal recycling programs.

The work done in 2006 was used along with the agreed upon net system cost of the municipal Blue Box program in 2005 to calculate the fees stewards will pay in 2007.

Additional activities were undertaken to meet the objective of increasing diversion of designated Blue Box Waste (DBBW) while minimizing the cost of the municipal residential Blue Box system and industry share of this in future years.

### 4.1 *Calculating the Financial Obligation to Municipalities for 2007*

The approach to calculating the financial obligation to municipalities is documented in the approved Blue Box Program Plan (BBPP) and subsequent publications including the 2005 Stewardship Ontario Annual Report<sup>3</sup> and the Blue Box Program Guide<sup>4</sup>.

The elements of the 2005 net system cost calculation that were defined in 2006 and used for setting 2007 fees were consistent with this approach but with some modifications that were implemented as part of the evolving cost containment strategy<sup>5</sup>.

WDO is responsible for collecting and verifying program data from municipalities using the annual Municipal Blue Box Datacall, working with Stewardship Ontario and the Association of Municipalities of Ontario (AMO) under the direction of the Municipal Industry Program Committee (MIPC).

As part of the 2005 Datacall verification process as prescribed in the BBPP, Stewardship Ontario undertook financial and compliance audits of eight municipal recycling programs. These financial audits resulted in adjustments to the costs reported in the municipal program submissions.

On Sunday, September 10, 2006, the Premier of Ontario announced that wine and spirit containers would be subject to a deposit at the point of sale as of February 5, 2007. Consumers would redeem available deposits upon return of the containers to The Beer Store.

An 'Information Notice' posted at the Environmental Bill of Rights Registry on December 6, 2006 states that "Under the Waste Diversion Act, 2002, the Minister will exempt LCBO as a

<sup>3</sup> [http://www.stewardshipontario.ca/pdf/annual\\_reports/annual\\_report\\_2005.pdf](http://www.stewardshipontario.ca/pdf/annual_reports/annual_report_2005.pdf)

<sup>4</sup> [http://www.stewardshipontario.ca/pdf/bbpps\\_docs/bbpps\\_guide2005.pdf](http://www.stewardshipontario.ca/pdf/bbpps_docs/bbpps_guide2005.pdf)

<sup>5</sup> "Cost Containment Principles, Policies and Practices—Efficiency and Effectiveness Policies and Practices—Small Business Measures"  
[http://stewardshipontario.ca/pdf/consultation/workshop\\_8mar2004/public\\_discussion\\_paper2.pdf](http://stewardshipontario.ca/pdf/consultation/workshop_8mar2004/public_discussion_paper2.pdf)

"steward" for Blue Box waste as it relates to their beverage alcohol containers since these containers will now be part of an alternative recycling program. " For consistency, the WDO Board of Directors adjusted the reported Blue Box data on which 2007 fees would be based, to remove tonnes, costs and revenues associated with those containers that would be managed in the wine and spirits deposit system instead of the Blue Box Program.

The number of tonnes marketed by Ontario's municipal residential Blue Box system was adjusted by calculating the quantity of wine and spirits containers as a percentage of all containers marketed and deducting 11/12ths of the wine and spirits containers to reflect the deposit system commencement date of February 5, 2007. Verified costs were adjusted by multiplying the tonnes of wine and spirit containers removed by the average gross cost per marketed tonne. Revenues were adjusted by multiplying the tonnes of wine and spirit containers removed by the average revenue per marketed tonne.

Table 4.1 (shown on next page) provides the 2005 verified reported Blue Box net system costs after completion of the data compilation and verification.

As described in the BBPP, the municipal obligation used for setting fees is based on a three-year rolling average of revenue reported by municipalities to modulate the affect on fees of potential significant swings in global commodity markets. Table 4.2 presents the calculation of the three year rolling average reported revenue for the purpose of defining the municipal obligation for 2007 fees.

**Table 4.2 - Three Year Rolling Average Reported Revenue**

2005 Rolling Average Reported Revenue				
	2003	2004	2005*	Average
Tonnes Marketed	779,208	819,508	786,947	
Total Gross Revenue	\$65,599,298	\$84,075,574	\$83,635,339	
Per Tonne Average	\$84.19	\$102.59	\$106.28	\$97.69
3 Year Rolling Average			\$76,876,910	

\* Adjusted to account for revenue and tonnage associated with wine and spirit containers.

As part of the approved cost containment plan, application of reasonable cost bands<sup>6</sup> for the 2007 financial obligation to municipalities resulted in a reduction in the 2005 reported net system cost of \$14 million. The net system cost approved by the WDO to be used for defining the municipal obligation for 2007 was calculated as presented in Table 4.3. With relatively high revenues realized by municipal programs in 2005 and the cost bands negotiated between Stewardship Ontario and AMO, the obligation used for setting 2007 fees was about \$500,000 lower than that used for calculating the 2006 fees.

<sup>6</sup> Under the Cost Containment Principles approved in 2005, applying 'reasonable cost bands' reduces the net system cost to be used to set 2006 and 2007 fees. Refer to Section 4.4 of this report for a description of the reasonable cost bands.

**Table 4.1 - 2005 Verified Reported Blue Box System Cost**

	Gross Reported Costs	Calculated Interest on Municipal Capital	Calculated Administration Costs <sup>1</sup>	Total Gross Costs	Gross Cost Per Tonne	Gross Revenue	Gross Revenue Per Tonne	Net Cost	Net Cost Per Tonne
Adjusted 2004 Blue Box System <sup>2</sup>	\$190,052,201	\$3,537,515	\$3,378,935	\$196,968,651	\$240	\$84,075,574	\$103	\$112,893,077	\$138
Reported 2005 Blue Box System	\$205,798,120	\$3,990,282	\$7,462,344	\$217,250,747	\$252	\$84,201,706	\$98	\$133,049,041	\$154
Outstanding Adjustments from 2004									
2004 Calculated Interest on Municipal Capital		-\$718,556.49		-\$718,556.49				-\$718,556.49	
2004 Blue Box Audits	\$3,133,505.03	\$25,397.39	\$82,442.62	\$3,241,345.04		\$319,580.09		\$2,921,764.95	
Identified during 2005 Datacall	-\$48,543.27	-\$265.90	-\$374.23	-\$49,183.39		\$0.00		-\$49,183.39	
New Municipality: Town of Spanish	\$6,132.31	\$0.00	\$61.32	\$6,193.63		\$150.00		\$6,043.63	
Total prior year adjustment	\$3,091,094.07	-\$693,425.00	\$82,129.72	\$2,479,798.80		\$319,730.09		\$2,160,068.71	
2005 Reported Blue Box System plus Outstanding Adjustments from 2004	\$208,889,214	\$3,296,857	\$7,544,474	\$219,730,546	\$255	\$84,521,436	\$98	\$135,209,110	\$157
Adjustment for LCBO Deposit Return <sup>3</sup>				-\$18,757,305.00		-\$566,367.19			

**Explanatory Notes**

1. Factors for calculating administration costs changed from 1% on contracted services and 3% on municipal services in 2004 to 3% on contracted services and 5% on municipal services in 2005.
2. 2004 tonnes and costs have been revised to include Outstanding Adjustments from 2004.
3. Wine and spirit containers have been excluded from the calculation of fee rates due to the announcement by the government of a deposit on these containers.

**Table 4.3 - 2005 Approved Net System Cost Used in 2006 to Calculate 2007 Fees**

<b>2005 Approved Net Blue Box System Cost</b>	
Total Gross Costs	\$219,730,546
Less LCBO Deposit Costs	\$18,575,305
Less 3 Year Rolling Revenue	\$76,876,910
Less 2004 Reasonable Cost Band Reduction	\$14,000,000
2004 Net System Cost	\$110,096,332

## **4.2 Market Development**

### **4.2.1 Procedures**

Stewardship Ontario implements a program of market development activities. Its objectives are to:

- ensure that sufficient markets for recovered Blue Box materials exist to support achieving overall recovery targets; and
- enhance the revenue received for materials resulting in lower net Blue Box system cost.

### **4.2.2 Glass Market Development**

In 2006, Stewardship Ontario's market development program maintained a focus primarily on mixed broken glass because municipalities continue to incur a cost when marketing this material. Stewardship Ontario focused its glass market development program on:

- a \$2 Million Glass Development Investment Fund to implement processing systems for mixed broken glass in and around the Greater Toronto Area (GTA); and
- a \$500,000 Glass Diversion Fund for smaller/regional projects.

These funds were raised from the 2003 and 2004 fees collected from the stewards of glass. An update of both funds is provided below. More information is available on Stewardship Ontario's website at: <http://www.stewardshipontario.ca/funding/glassmarket.htm>.

#### *Glass Market Development Investment Fund*

The Glass Market Development Investment Fund is designed to make investments in implementation projects that improve markets for recycled glass. The \$2 million fund is managed by Stewardship Ontario under the direction of the Board of Directors and its Projects Committee.



In early 2006, Stewardship Ontario awarded up to \$1.9 million (through a competitive bid process) to Unical to develop an Ontario glass processing plant on the condition that the plant manage a minimum of 50,000 tonnes of municipal mixed broken glass per year. Due to the provincial government's announcement in the fall of 2006 regarding its plans to implement a deposit return system on wine and spirit containers in February 2007, Stewardship Ontario was obliged to re-evaluate the viability of the Unical proposal. Stewardship Ontario has extended its offer to Unical to the end of April 2007 pending Unical's ability to secure 50,000 tonnes of municipal glass to process.

#### *Glass Diversion Fund*

The Glass Diversion Fund provides support for smaller glass diversion projects within the province. In addition to the five glass diversion projects supported in 2005, Stewardship Ontario made additional grants to two of its more promising projects in 2006:

- Poraver (formerly Siscor), based in Barrie, received funding for additional laboratory testing of mixed broken glass from Ontario Blue Box programs to be used in the manufacture of high performance ceiling tiles;
- Niagara Recycling, based in Niagara Falls, received funding to make additional technical improvements to its crushing and bagging systems to manufacture glass blast media and landscaping materials.

Of the \$500,000 available, funding committed as of December 31, 2006 was \$410,000.

#### **4.2.3 Plastics Market Development**

In addition to the glass market development program, Stewardship Ontario continues to administer a \$100,000 Plastics Market Development Fund that was incorporated into the 2005 steward fees to support preliminary plastics market development feasibility assessment and planning studies. Approximately 40% of the Plastics Fund that remains likely will be committed in 2007 for projects to improve the recyclability of these materials.

#### **4.2.4 Aseptic and Polycoat Market Development**

In 2006, Stewardship Ontario initiated discussions with stewards with an interest in further developing markets for aseptic and polycoat containers collected through Blue Box programs.

### **4.3 Effectiveness and Efficiency (E&E) Fund**

Ten percent of the Stewardship Ontario financial obligation to municipalities is committed to municipal cost-sharing projects designed to encourage greater effectiveness and efficiency of the municipal Blue Box system. The fund is administered by Stewardship Ontario, with oversight by WDO's Municipal-Industry Programs Committee (MIPC) and final funding decisions made by Stewardship Ontario's Board of Directors (based on recommendations from Stewardship Ontario's Projects Committee).

For the first three years of operation, a total of \$14.4 million was allocated to E&E funding (\$3.3 million for 2004, \$5.7 million for 2005 and \$5.4 million for 2006).

As of December 31, 2006, Stewardship Ontario had received 126 E&E Fund project applications totaling \$29.0 million (as shown in Table 4.4). Of these, 66 projects totaling \$12.4 million were approved. This represents 86% of the funding available for Year One, Year Two and Year Three of the E&E Fund program.

**Table 4.4 - E&E Fund Projects “In the System” as of December 31, 2006**

	Number	Funding Requested
Total Applications in System:	126	\$28,950,997
<b>Approved:</b>	<b>66</b>	<b>\$12,392,308</b>
Being Reviewed/Developed:	6	\$12,698,250
Rejected:	31	\$1,918,640
Withdrawn:	23	\$1,941,799

Summary information for each of the approved projects is presented in Appendix i.

2006 activities balanced between responding to applications from the field and ongoing project development. There was an increased emphasis on capital funding projects (MRF retrofits in Kingston, Quinte and Northumberland and optical sorting in Toronto and Durham) and a continued focus on MRF regionalization opportunities (London and Peterborough).

#### 4.3.1 Summary of E&E Fund Accomplishments in 2006

- Posted a Year Two Report and Year Three E&E Fund plan on the Stewardship Ontario website<sup>7</sup>.
- Launched an introductory edition and published a total of four “*In-the-Loop*” e-letters that provided information about Ontario recycling and Stewardship Ontario's E&E Fund projects; distributed to key municipal stakeholders and others who have an interest in Ontario municipal Blue Box recycling<sup>8</sup>.
- Held two successful Ontario Recycler Workshops (ORW); one in June in Ottawa and the other in November in Toronto.<sup>9</sup> Both events were well attended and provided the latest information on the results of key E&E Fund projects.
- Developed and field tested Stewardship Ontario's “Recycling Works” television/print advertising campaign. Initial results from the London campaign appear to be very positive.

<sup>7</sup> <http://www.stewardshipontario.ca/eefund/index.htm>

<sup>8</sup> <http://www.stewardshipontario.ca/new/intheloop.htm>

<sup>9</sup> [http://www.stewardshipontario.ca/eefund/orw/orw\\_main.htm](http://www.stewardshipontario.ca/eefund/orw/orw_main.htm)

- Began work on the \$2.5 million municipal best practices project which will
  - identify best practice activities for different municipal conditions,
  - establish blueprint reports for 32 programs, and
  - develop a system-wide best practices cost model for the purpose of setting stewards' fees in 2008.

The project charter for this undertaking is available at:

<http://www.stewardshipontario.ca/ppt/BPProjectCharter.pps>

#### 4.4 Cost Containment Initiatives

When she approved the stewards' fees for 2005, the Minister requested that the timeline for implementing the Cost Containment Plan approved by WDO, be accelerated<sup>10</sup>. WDO submitted a Revised Cost Containment Plan to MOE containing provisions proposed by AMO and Stewardship Ontario (January 31, 2005)<sup>11</sup>. The cost containment proposal was approved by the Minister of the Environment on August 11, 2005<sup>12</sup>.

Subsequently, a Municipal-Industry Programs Committee (MIPC) Cost Containment Team (composed of representatives from Stewardship Ontario and municipalities) recommended the definition of reasonable cost bands to reduce the net system cost to be used for setting 2006 and 2007 fees. These were approved first by the Boards of Directors of AMO and Stewardship Ontario and then by Waste Diversion Ontario's Board of Directors. Application of the reasonable cost bands for 2007 resulted in a \$14 million municipal residential Blue Box system cost reduction compared to reported costs for 2005.

An additional change in the process for setting 2007 fees involved applying best practice administration fees of 5% of gross program costs for programs providing services with municipal staff, and 3% of gross program costs for programs that contract out for services. This change was approved by the Boards of Directors of AMO and Stewardship Ontario, and adopted by WDO<sup>13</sup>. These best practice administration factors will replace the previously agreed 3% and

#### Recycling Program Enhancement and Best Practices Project

This \$2.5 million project was launched in September 2006 and will wrap up in May 2007. It is designed to: determine Ontario's Blue Box net system best practice costs for the purpose of setting stewards' contributions in 2008; identify Ontario Blue Box recycling program best practice activities and opportunities; and identify potential uses of the E&E Fund to further promote Blue Box activities in Ontario communities.

In the last quarter of 2006, the project team, headed by KPMG with R.W. Beck, several seconded municipal staff, steward representatives, and Stewardship Ontario staff visited the first phase of (14 programs) Ontario recycling programs to begin the process of identifying best practices.

The project team will complete the fieldwork in January 2007 by visiting an additional eighteen Ontario recycling programs. Before the end of May 2007, they will prepare a report on best practice activities under different conditions, blueprint reports for the poorer performing programs and a system-wide best practices cost model.

More information about the best practices project is available on Stewardship Ontario's website.

<sup>10</sup> <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/dec30letter.pdf>

<sup>11</sup> <http://www.ene.gov.on.ca/envision/land/wda/bluebox/containmentproposal.pdf>.

<sup>12</sup> <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/081105-MinistersLetter.pdf>.

<sup>13</sup> The recommendations are summarized in the minutes of the July, 2005 WDO Board meeting: [http://webservices.siriusweblabs.com/dotconnector/files/domain4116/2\\_1a\\_WDO\\_Minutes\\_July\\_18\\_2005.pdf](http://webservices.siriusweblabs.com/dotconnector/files/domain4116/2_1a_WDO_Minutes_July_18_2005.pdf)

1% administration factors, respectively, in the 2005 Datacall for the purpose of setting the 2007 steward fees.

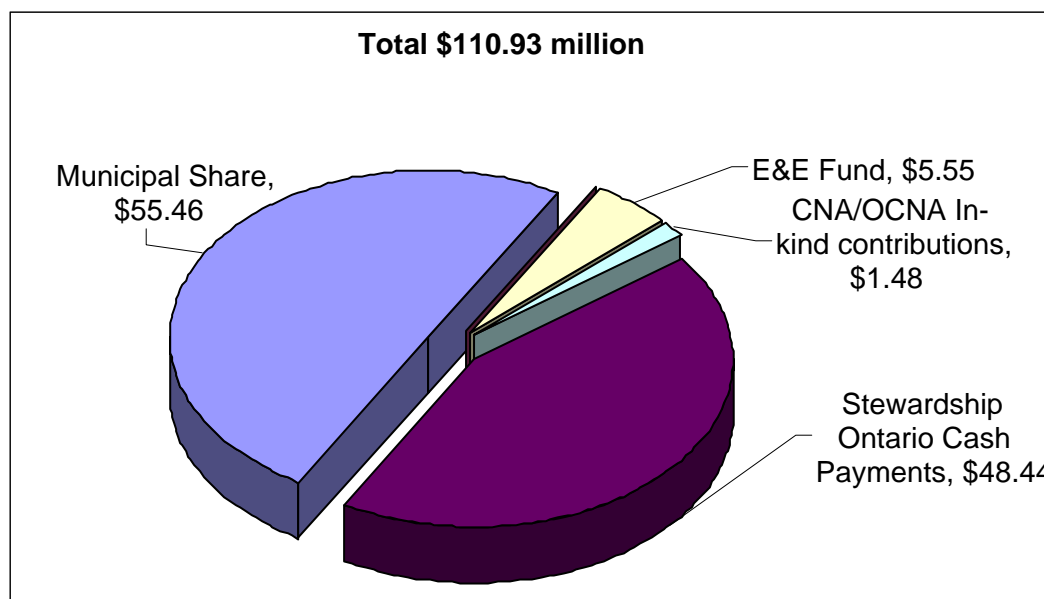
In 2006, as prescribed in the approved Cost Containment Plan, MIPC continued discussions on defining the best practice costs to be used for setting 2008 stewards' fees.

## 4.5 Distributing Municipal Program Funding

Funding for municipal recycling programs is based on Stewardship Ontario's 50% share of the agreed upon reasonable Blue Box net system cost. The funds are distributed in the form of quarterly payments to municipal programs. The amount available is equal to:

- 50% of the agreed upon Blue Box net system costs;
- less an 'in-kind' contribution from the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA) (see Section 4.7);
- less 10%, which is set aside for the Effectiveness and Efficiency (E&E) Fund (see Section 4.3).

**Figure 4.1 – Approved 2004 Net Blue Box Program Cost**



Note 1: The approved net system cost for 2004 is used to establish fees to be assessed against stewards in 2006. See Section 5.1 for further information on 2006 stewards' fees. See Section 5.3 for information on the setting of stewards' fees for 2007, which are based on the approved 2005 net system cost.

Funding for 2005 was allocated under the direction of MIPC according to the Municipal Funding Allocation Model (MFAM)<sup>14</sup>, the approved approach described in the BBPP. The total funding

<sup>14</sup> [http://www.stewardshipontario.ca/pdf/BBPP2003/BBPP\\_Feb28\\_Appendix8.pdf](http://www.stewardshipontario.ca/pdf/BBPP2003/BBPP_Feb28_Appendix8.pdf)

available for distribution is apportioned to each municipal program based on the tonnage of each material reported sold and a series of agreed upon municipal characteristics including size of program and population density. Payments to individual municipal programs therefore may be less than or greater than 50% of their actual net costs.

Under the MFAM approach, a program may increase the level of funding it receives as a percentage of its actual cost by increasing recovery cost-effectively and by reducing its program costs. This provides municipalities with an incentive for continuous improvement.

A 'What-if' tool<sup>15</sup> was developed by MIPC to help municipalities understand the level of funding received and to identify how their funding could be increased. The "What-if" tool is available on the WDO website<sup>16</sup> (municipal login required for access).<sup>17</sup>

#### 4.5.1 Funds Distributed Directly to Municipalities

For the 2006 program year, Ontario municipalities received a total of \$48,565,217 in cash payments. By the end of 2006, three equal installments of \$12,141,304 each were made. The fourth and final installment for 2006 took place on March 31, 2007. The funds received by each individual municipality are reported on the WDO website.

Payments distributed in the 2006 calendar year are summarized in Table 4.5.

**Table 4.5 - Payments Distributed in the 2005 Calendar Year**

	Payments for 2005 Program Year	Payments for 2006 Program Year
March 31, 2006	\$12.8 million	
June 1, 2006		<b>\$12.1 million</b>
October 1, 2006		<b>\$12.1 million</b>
<b>December 31, 2006</b>		<b>\$12.1 million</b>

#### 4.6 Participation on WDO Committees

Throughout 2006, Stewardship Ontario staff continued to provide input to WDO committees, working with other key stakeholders to develop recommendations to the Boards of Directors of WDO and Stewardship Ontario:

**The Public Affairs Committee (PAC)** is chaired by the (non-voting) Executive Director of WDO and includes representation from municipalities, non-governmental organizations, affected stewards, as well as Stewardship Ontario's communication specialist and WDO staff. PAC has

<sup>15</sup> <http://www.wdo.ca/news/?id=79195>

<sup>16</sup> <https://protected.wdo.ca/login.aspx>

<sup>17</sup> Please note that the What-If Tool only relates to 2006 funding, as the approach to distributing funding has changed for 2007.

primary responsibility for education and awareness activities related to the BBPP directed at the public at large and delivered under the auspices of WDO. A primary focus of the PAC's work in 2006 was the management and delivery of the "in-kind" newspaper advertising program contributed by the members of CNA and OCNA.

In drafting the BBPP, it also had been anticipated that PAC would provide oversight and make recommendations to the Boards of Directors regarding Stewardship Ontario consultation with stewards as required under Section 23(4) of the WDA. In practice, however, Stewardship Ontario adopted a policy of open public forums and open webcasts in all of its consultation programs, with all interested stakeholders and members of the public encouraged to participate.

**The Municipal-Industry Programs Committee (MIPC)** is chaired by the (non-voting) Executive Director of WDO with five representatives nominated by municipalities and five by Stewardship Ontario. MIPC played a key role throughout 2006 in developing recommendations for the WDO and Stewardship Ontario Boards of Directors and in providing oversight for the:

- annual Municipal Tonnage and Financial Datacalls;
- verification work related to data submitted by municipalities;
- monitoring and reporting on diversion of Blue Box Waste;
- calculation of reasonable cost bands and research related to best practice activities and costs for the purposes of setting stewards fees;
- calculation of annual Stewardship Ontario financial obligation to municipalities;
- calculation and reporting on payments to individual municipalities;
- work on identifying Best Practices for municipal recycling in preparation for 2008;
- review of applications to the Effectiveness and Efficiency Fund;
- establishment of policies and practices related to these key task areas.

In addition to these standing tasks, in 2006, MIPC undertook analyses and provided recommendations to WDO and Stewardship Ontario Boards of Directors in response to program requests from the Minister of the Environment.

#### **4.7 CNA/OCNA “In-Kind” Advertising Program**

Section 6.5.3 of the BBPP specifies that the first \$1.3 million in financial obligations of the members of the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA) to Stewardship Ontario will be in the form of newspaper advertising.

In addition, annual funds are included for the purpose of implementing and monitoring the advertising program and any administrative expenses incurred by WDO in regards to this program. Members of CNA/OCNA are also required to pay a fair share of Stewardship Ontario's program delivery and administrative costs.

In December 2004, the Minister of the Environment<sup>18</sup> directed that the BBPP be amended<sup>19</sup> such that the CNA/OCNA share of municipal financial obligation is now paid through provision of advertising. In 2006, this “in-kind” contribution amounted to \$1.48 million.

## 4.8 Province-wide Waste Audit Program

The BBPP directs Stewardship Ontario, through the Effectiveness and Efficiency Fund, to complete a series of province-wide residential waste audits. The main objectives of the audit program are to:

- 1) collect accurate single-family and multi-residential waste composition data in appropriate municipalities across Ontario;
- 2) estimate provincial waste generation rates (kg/household/week) for single-family, multi-residential and seasonal households by material category; and
- 3) estimate typical capture rates for DBBW.

Stewardship Ontario uses the results of waste audits to:

- 1) assess Blue Box material generation rates when setting fees (with the stewards’ reports as the cross check);

*and together with the recovery rate information from the annual datacall, to:*

- 2) assess opportunities and priorities for improving cost-effective recovery;
- 3) determine the recovery performance of existing programs;
- 4) assess progress toward the 60% diversion target established by the Minister of the Environment; and
- 5) validate possible best practice assumptions.

Information on the audit methodologies, material categories and results is available on the Stewardship Ontario website<sup>20</sup>.

With the data from the waste audit program each year, Stewardship Ontario has been able to compile extensive new material-specific generation data which are much more reliable than previous data, in terms of the amount of data available (approximately ten times as many data points for each community compared to previous audits), use of a standard methodology, and the ability to account for time of year and demographic differences.

2007 will be the first time these waste audit data will have been used to develop provincial generation estimates and to measure municipal program performance. These data provide better diversion estimates, which more accurately reflect individual material recovery

18 <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/Aug21CNAONA1.pdf>

19 <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/053005-MinistersLetter.pdf>

20 [http://www.stewardshipontario.ca/funding/ee/waste\\_audit.htm](http://www.stewardshipontario.ca/funding/ee/waste_audit.htm).



performance. As a result, fees and incentives within the steward fee-setting methodology were more closely linked to performance.

#### **4.8.1 2006 Waste Audit Program**

A total of \$600,000 was approved in 2006 for the waste audit program. Twenty-eight single-family audits (four in each of the seven partner municipalities) and 12 audits of multi-family buildings were completed in 2006.

Single-family audits were conducted in Town of Blue Mountains, City of Hamilton, Niagara Region, City of Peterborough, Sault Ste. Marie, Simcoe County, and West Nipissing. Multi-family audits were conducted in Centre and South Hastings, Hamilton, Sault Ste. Marie and Toronto (Scarborough). The partner municipalities for the 2006 program were selected to provide appropriate representation of waste generating behaviour across the province. The audits were conducted by five companies who were retained under a competitive bid process and trained to use the same methodologies and protocols.

The results of each audit are posted on the Stewardship Ontario website after the data have been verified, analyzed, summarized and reviewed by the municipal partners. A summary of the status of the E&E Fund waste audits is provided in Table 4.6.

Several additional audits (not under the auspices of Stewardship Ontario's waste audit program) also were completed in 2006 as part of other E&E Fund projects. These audits were completed in conjunction with Toronto's cart and bag collection pilot, Stratford's user pay project, and Ottawa Valley's peak season generation analysis. The results of these audits will be posted on the Stewardship Ontario website upon completion.

In December 2006, Stewardship Ontario released two Requests for Quotations for the 2007 waste audit program. The first was for seasonal multi-family audits and the second was for seasonal single-family audits. Upon completion of a competitive bid process, contracts for the 2007 waste audit program have been awarded to four companies.



**Table 4.6 - 2006 Waste Audit Program Status**

Partner Municipalities	Status of Field Measurements	Status of Posting Results on Web
<b>Single-Family Audits</b>		
City of Hamilton	All 4 finished	1 posted, 3 pending final review
City of Peterborough	All 4 finished	All 4 posted
Sault Ste. Marie	All 4 finished	1 posted, 3 pending final review
Niagara Region	All 4 finished	All 4 posted
Simcoe County	All 4 finished	2 posted, 2 pending final review
Town of Blue Mountains	All 4 finished	3 posted, 1 pending final review
West Nipissing	All 4 finished	3 posted, 1 pending final review
<b>Multi-Family Audits</b>		
Centre and South Hastings	All 4 finished	1 posted, 3 pending final review
Hamilton	All 4 finished	Pending final review
Toronto	All 4 finished	1 posted, 3 pending final review
Sault Ste Marie	All 4 finished	1 posted, 3 pending final review

## 5.0 Stewardship Ontario Fees

The activities described in this section relate to stewards' fees and were completed in preparation for 2006 fees, or undertaken or initiated in 2006.

- 1) Material specific fee rates assessed against stewards in 2006 were approved by the Waste Diversion Ontario (WDO) Board of Directors in December 2005.
- 2) A comprehensive review of the methodology for setting stewards fees, launched in October 2005, was completed in early 2006.
- 3) Fees for 2007 were established and approved by the WDO board in December 2006.
- 4) A review of the methodology used to allocate costs among materials began in September 2006 (and is expected to be completed in mid-2007).

The following is a summary of each of these elements of setting the stewards' fees.

### 5.1 *Annual Blue Box Program Costs for 2006*

Program costs for the 2006 program year totaled about \$60.66 million and, as shown in Figure 5.1, comprise:

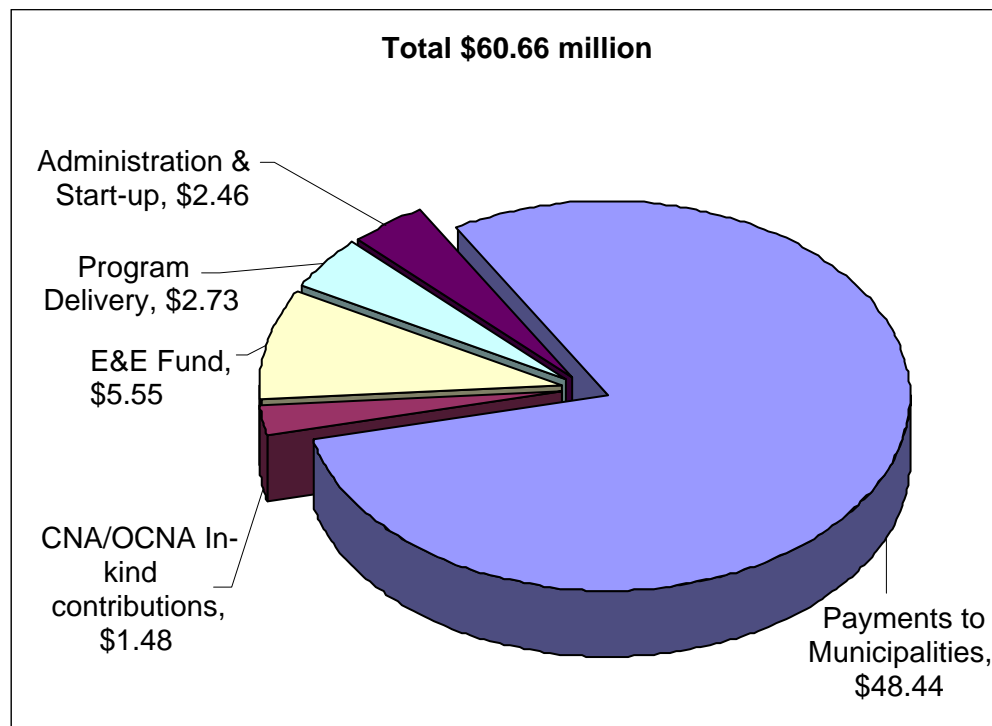
- 1) payments to municipalities, including direct cash payments, E&E Fund allocation and CNA/OCNA 'in-kind' contribution,
- 2) direct program delivery costs,
- 3) market development costs,
- 4) WDO and Stewardship Ontario start-up and administration costs, and
- 5) recovery of a portion of the small shortfall in collection of prior year fees.

In addition to the above program costs, a portion of the shortfall in the collection of fees for the previous program years was recovered through the 2006 fees. The shortfall arose because of the difference in the estimated generation of designated Blue Box Waste (DBBW) on which the fees were based, and the generation reported by registered obligated stewards in previous program years. The fees were set to recover the shortfall over three years, about \$575,000 were added in 2006.

#### 5.1.1 Stewards' Financial Obligation to Municipalities

Stewards' annual obligation to municipalities is calculated to be 50% of the approved net system cost, amounting to \$55.47 million for the 2006 program year. This includes cash payments, CNA/OCNA "in-kind" contribution, the E&E Fund allocation, and accounts for over 90% of the total fees that stewards pay. Direct cash payments to municipalities represent by far the largest portion of the fees, about 80%.

**Figure 5.1 – 2006 Stewardship Ontario Program Costs**



#### *CNA/OCNA “In-kind” Advertising*

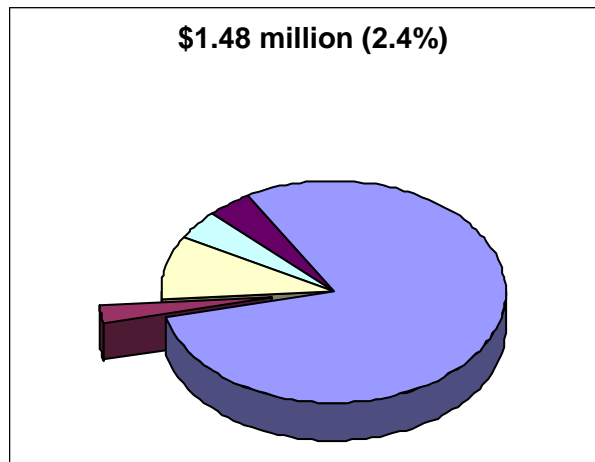
The requirements of the “in-kind” contribution were amended in 2005 at the request of the Minister of the Environment when the fees were approved for 2005. The CNA/OCNA newspaper share of the municipal financial payments is paid through an “in-kind” contribution of advertising space.

For the 2006 calendar year, the required CNA/OCNA “in-kind” contribution was \$1.48 million, representing about two percent of the total fees. This portion of the 2006 Stewardship Ontario Program Costs (refer to Figure 5.1), is detailed in Figure 5.2.

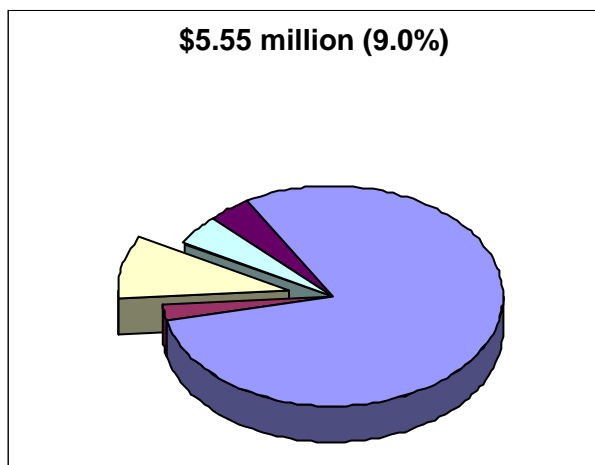
#### *Effectiveness & Efficiency (E&E) Fund*

Ten percent of the total municipal obligation, after subtracting the CNA/OCNA “in-kind” contribution, is used to capitalize the E&E Fund. For the 2006 program year \$5.6 million was allocated to the E&E Fund, approximately nine percent of the fees, as shown in Figure 5.3 (shown this portion exploded from Figure 5.1).

**Figure 5.2 – 2006 CNA/OCNA Contribution**



**Figure 5.3 – 2006 E&E Fund Allocation**



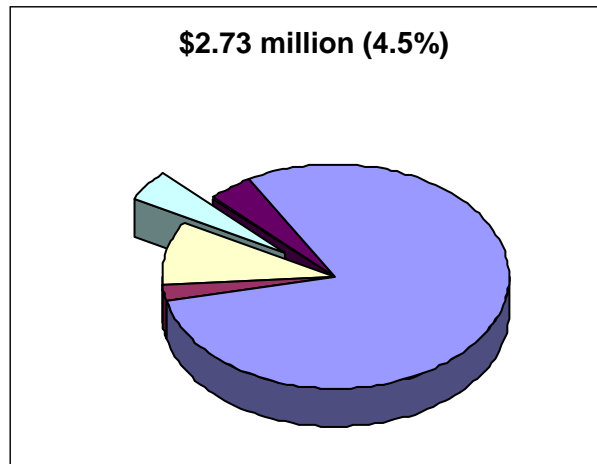
### 5.1.2 Program Delivery Costs

Stewardship Ontario and WDO program delivery activities required as part of the approved BBPP relate to:

- 1) assessing the cost of the municipal residential Blue Box system and setting fees for specific materials;
- 2) registering stewards, collecting fees and ensuring compliance;
- 3) distributing funding to municipalities; and
- 4) Ministry of the Environment enforcement and Stewardship Ontario compliance costs.

These costs, totaling about \$2.73 million, are incorporated into the stewards' fees and comprise approximately 4% of the 2006 program year fees (Figure 5.4 shows this detail from Figure 5.1).

**Figure 5.4 – 2006 Stewardship Ontario & WDO Program Delivery**



### 5.1.3 Market Development Fees

No new market development fees were included in the 2006 fees, but the Stewardship Ontario Board of Directors will review the need for material-specific market development funds prior to setting fees for 2008.

### 5.1.4 WDO and Stewardship Ontario Administration Costs

In accordance with the policies approved by the Minister of the Environment<sup>21</sup>, administration costs for Stewardship Ontario and WDO include:

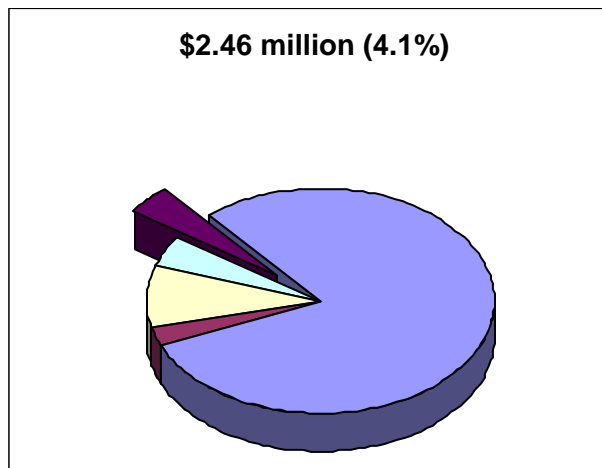
- legal and accounting fees;
- information technology support;
- Stewardship Ontario customer service centre; and
- general administration costs such as salaries, rent and supplies.

In addition to these administration costs, fees include repayment of the Blue Box Program start-up costs incurred by Stewardship Ontario and WDO before the BBPP commenced in February 2004. Repayment is scheduled over three years and 2006 is the final year in which start-up costs will be charged. These start-up costs represent just over 1% of the program cost.

<sup>21</sup> Refer to the approved policies and practices to view administration costs incurred by Stewardship Ontario and WDO at no more than 5% of total program costs:  
<http://www.ene.gov.on.ca/envision/land/wda/bluebox/costs2004.pdf>

As shown in Figure 5.5 (Figure 5.1 with emphasis on Administration and Start-up component), the combined Stewardship Ontario and WDO administration and start-up costs total \$2.46 million and represent approximately 4% of total fees.

**Figure 5.5 – 2006 Stewardship Ontario & WDO Administration & Start-up**



## 5.2 Review of the Fee-Setting Methodology

The fee setting methodology approved within the BBPP has been used for setting stewards fees for the first four program years of the plan. Minor modifications to the funding formula, including changes to material categories, calculation of the shortfall recovery and modifying the CNA/OCNA 'in-kind' contribution as requested by the Minister when she approved the 2005 fees<sup>22</sup> have been made during this period. Some stakeholders indicated that changes to the current funding formula should be introduced to link fees paid to material performance and to lessen administrative burden.

To address these and other issues, Stewardship Ontario undertook an extensive review of the steward fee-setting methodology between September 2005 and March 2006. Its objective was to provide an opportunity for all stakeholders to re-evaluate the currently approved funding formula and to consider whether potential modifications or alternative approaches would better support the goals of the BBPP, the policy objectives and the legal requirements of the *Waste Diversion Act* (2002).

The activities undertaken during the fee-setting methodology review which began in October 2005 included:

<sup>22</sup> The Minister of the Environment sent a letter to the WDO indicating the approval of the amendment to the BBPP relating to the calculation of the CNA/OCNA in-kind contribution reflected in the 2005 fees to cover their entire obligation.

- 3 Advisory Committee meetings
  - broad representation at each meeting, including stewards from all sectors, non-steward stakeholder groups, non-governmental organizations, municipalities
- 2 public stakeholder meetings
  - Stewardship Ontario solicited all proposals for modifications and alternatives
  - stakeholders presented a range of views
  - Stewardship Ontario posted all comments received
  - detailed fee calculation tables were made available for testing
  - circulated Steering Committee presentations made to Stewardship Ontario's board
- Modified initial recommendations based comments received.

The recommended revisions<sup>23</sup> to the methodology were approved by WDO on March 22, 2006 and by the Minister of the Environment in October 2006<sup>24</sup>. The fees that resulted from the revised methodology<sup>25</sup> are now more closely linked to the performance of the specific materials in the Blue Box system. This has been made possible by improvements to the accuracy of the input data and the way in which fee rates for each material category are grouped.

The Minister of the Environment also approved an adjustment to the weightings of the three factors of the formula for setting fees for 2008, to provide an additional incentive for greater diversion and to support the overall objective of the BBPP. The approved weightings to be used in the allocation of the municipal payments for 2008 are:

- 35% for recovery;
- 40% for net cost; and
- 25% for equalization.

Application of these weightings will result in a further shift of cost from materials with high recovery rates to those with low recovery rates.

The Minister also approved the aggregation of materials with similar characteristics (handling, revenue, etc.) for fee-setting purposes. The principle of treating “like with like” was used to modify existing material categories. For Printed Material, the approved methodology uses three partially-aggregated categories in place of the original five:

- CNA/OCNA newsprint,
- Other newsprint, and
- OMG (old magazines and catalogues), OTD (old telephone directories), and other printed paper.

<sup>23</sup> [http://www.stewardshipontario.ca/pdf/fees/Fees\\_Methodology\\_04\\_2006.pdf](http://www.stewardshipontario.ca/pdf/fees/Fees_Methodology_04_2006.pdf)

<sup>24</sup> <http://www.ene.gov.on.ca/envision/land/WDA/bluebox/102406-MinistersLetter.htm>

<sup>25</sup> [http://www.stewardshipontario.ca/pdf/fees/Fees\\_Methodology\\_04\\_2006.pdf](http://www.stewardshipontario.ca/pdf/fees/Fees_Methodology_04_2006.pdf)

For Paper Packaging, the approved methodology uses two aggregated categories in place of the original one:

- OCC (old corrugated cardboard) and OBB (old boxboard), and
- gabletop, paper laminants and aseptic.

For Plastic Packaging, the approved methodology uses three aggregated categories in place of the original one:

- PET,
- HDPE, and
- plastic film, plastic laminants, polystyrene and other plastics.

Revisions to the ways in which revenue is allocated to each material and material-specific fees are aggregated were also approved by the Ministers for setting fees for 2007.

Several other recommendations coming out of the review involve ongoing work. These include:

- Stewardship Ontario will consider future proposals for a Recycled Content Credit within material categories.
- efforts through the E&E Fund and the Plastics Market Development Fund to improve the efficiency and effectiveness of plastics recycling will continue. Stewardship Ontario will begin to address the range of plastics generated by stewards including the 95 %of 'other plastics' that find their way into the municipal garbage stream.
- the system will be reviewed for progress and need for future change. The Stewardship Ontario board will report to the WDO board on a semi-annual basis.

In addition to the revisions to the fee-setting methodology for 2008, as directed by the Minister and the approved WDO Cost Containment Plan<sup>26</sup>, stewards' fees for 2008 will be based on best practice costs.

### **5.3 Setting 2007 Fees**

Given the fee setting cycle, work is done throughout the current year to set fees for the following year so they can be approved by the WDO board before year-end. Consequently, the work done to set 2007 fees was carried out in 2006.

<sup>26</sup> The Cost Container Plan can be found at <http://webservices.siriusweblabs.com/dotconnector/files/domain4116/Final%20Revised%20Cost%20Containment%20Plan%20January%2031%202005.pdf>



### 5.3.1 Estimating Designated Blue Box Waste (DBBW)

An assessment of the quantity of DBBW generated by stewards is required to establish the required material specific fees. In previous years, generation estimates were based on data from historic waste composition studies cross-checked with generation data provided by stewards. While the methodology used to conduct these audits was somewhat limited and led to some inconsistencies, it yielded the best available data at the time.

Now, however, the waste composition studies funded through the E&E Fund (as described in Section 4.8) have produced additional data that are much more reliable. They offer:

- approximately 10 times as many data points for each community compared to previous audits;
- data that are based on a standard methodology developed with assistance from the University of Toronto Statistical Consulting Service;
- data that account for time of year and demographic differences, including households in small and large urban and rural areas, and single-family households as well as high-rise and low-rise apartments and townhouses.

Generation estimates for each material were used for setting 2007 fees and for calculating municipal recovery rates to determine the provincial recovery rate and to distribute funding. The generation estimates were based on a combination of some of the most recent data from historic waste composition studies, together with the more extensive data from the 2005 and 2006 E&E Fund waste audits. These data were then cross-checked with steward data.

These data were grouped to account for demographic and seasonal characteristics, based on statistical differences in the data. Audits falling in the same classifications of household type and season (such as audits of single family households in large urban communities conducted in winter) were averaged to produce material-specific generation figures for that classification. The data for each season were then combined to provide an annual figure for each demographic type.

For some material categories, data reported by stewards are considered more reliable than waste composition studies. For example, audit data for aluminum foil and other packaging is generally adjusted down by 50% to account for flexible aluminum products. Reported distribution for telephone directories is used because they are distributed once per year and waste audit measurements are imprecise. Canadian Paint and Coatings Association (CPCA) data were used for paint cans because of the difficulty in measuring their quantity through curbside audits. Similarly, data reported by the LCBO for clear and coloured glass were used for the purpose of estimating province-wide recovery rates. All of these data are then converted to per household generation figures.

The appropriate material-specific kg/hhld/yr generation figures were multiplied by the number of households (single-family, multi-residential, seasonal) as reported by each municipality in the 2005 Datacall. The summation of the program-specific data produced the material generation estimates for 2005. As noted in Section 4.1, most of the wine and spirit containers have been

removed from the generation and recovery calculations for fee setting due to the announcement that these containers will be on deposit as of February 5, 2007.

Table 5.1 (page 36) shows the estimated generation of DBBW materials for 2005 that were used for setting 2007 fees. It also shows the 2005 generation reported by stewards that was used to assess fees in 2005 and to calculate the 2006 fee rates (as described in Section 5.2.2).

**Table 5.1 - Generation of Blue Box Materials (tonnes)**

	Estimated Generation for Setting 2006 Fees (tonnes)	2004 Data Reported by Stewards for 2006 (tonnes)	Estimated Generation for Setting 2007 Fees (tonnes) <sup>1</sup>
<b><i>Printed Material</i></b>			
Newsprint – CNA/OCNA	283,483	270,074	268,224
Newsprint - Non-CNA/OCNA	134,699	139,869	128,557
Magazines and Catalogues	96,349	52,424	97,267
Telephone Books	16,090	21,090	21,090
Other Printed Paper	129,368	47,017	122,082
<b><i>Packaging</i></b>			
Old Corrugated Containers	141,800	106,250	165,706
Gabletop	12,900	12,871	15,145
Paper Laminants	42,500	23,651	37,673
Aseptic Containers	2,800	4,964	3,543
Old Boxboard	132,200	136,198	127,388
PET bottles	36,700	38,567	45,362
HDPE bottles	23,300	21,517	25,689
Plastic Film	54,400	46,875	61,616
Plastic Laminants	58,100	19,286	25,613
Polystyrene	20,600	12,646	22,544
Other Plastics	28,600	41,610	44,939
Food & Beverage Cans	58,500	46,632	47,495
Aerosols	4,400	4,234	3,957
Paint Cans	8,609	6,758	6,758
Al Food & Beverage Cans	24,400	27,637	22,604
Other Aluminum Packaging	2,482	2,715	3,648
Food and Beverage - Flint	77,200	74,541	69,426
Food and Beverage – Coloured	6,800	9,279	10,074
LCBO – Flint	44,125	54,647	4,554
LCBO – Coloured	61,509	61,638	5,136
Total Generation	1,501,914	1,282,989	1,386,091

Note that wine and spirits containers, while classified as designated Blue Box wastes under O.Reg. 101, will be handled by the new deposit return program after February 5, 2007. As such, wine and spirits containers will not be considered obligated materials for the purpose of setting stewards' fees. These materials have been removed from the tonnage (both generation and recovery) used to determine stewards' fees for 2007.

### 5.3.1 Calculating Material-Specific Fees

The fees for the 2006 and 2007 programs years are shown below separately in Table 5.2. The 2006 fees were approved in December 2005 and were assessed against stewards in 2006. Fees for 2007 were set during 2006 and approved in December 2006.

**Table 5.2 - Fees for 2006 and 2007 Program Years**

	2006 Fees	2007 Fees
Stewardship Ontario Program Costs	Millions of \$	Millions of \$
Payments to Municipalities	\$48.59	\$48.35
CNA/OCNA 'In-kind' Contributions	\$1.48	\$1.36
E&E Fund	\$5.40	\$5.34
Market Development Funds	\$0.00	\$0.00
Program Delivery	\$2.73	\$2.63
Administration & Start-up	\$2.46	\$2.17
Recovery of Shortfall	\$0.58	-\$3.39
Total	\$61.24	\$56.46

Stewardship Ontario used separate formulas to allocate each of:

#### 1. *Municipal obligation*

These costs, which include the municipal transfer payments, the CNA/OCNA 'in-kind' contribution and the E&E Fund, were allocated to each material according to the revised methodology. This methodology incorporates improvements to the three factors resulting from the methodology review, as well as dis-aggregation of some material categories. The methodology also uses the appropriate input data for generation and recovery of DBBW, approved gross cost, revenue and net system cost data for 2005, and material specific cost data.

#### 2. *Market development costs*

Market development costs are apportioned to specific materials that benefit from the targeted market development activities. There are no market development fees for 2007.

#### 3. *Program delivery and administrative costs*

Since Stewardship Ontario and WDO program delivery and administration costs were incurred to the benefit of all materials, these costs were allocated according to the relative number of

stewards in each category of material (i.e. printed material, paper packaging, plastic, steel, aluminum and glass). Costs were further allocated to sub-categories according to the relative amount of each material in the group.

In order to spread the 2007 fees over the material for which fees can be collected, the material-specific fees were divided by the quantity of each material reported to be generated in 2006 as presented in Table 5.2. This minimizes the potential for a shortfall in the fees collected.

Table 5.3 presents the fee rates for each of the four program years 2003 to 2007.

**Table 5.3 - Schedule of Stewards' Fees - 2003 to 2007**

Category	2003 Fee Rate	2004 Fee Rate	2004 Annualized Fee Rate	2005 Fee Rate	2006 Fee Rate	2007 Fee Rate
	(cents/kg)					
<b>PRINTED MATERIAL</b>						
Newsprint	0.028	0.026	0.025	0.271	0.182	0.198
Newsprint - Non CNA/OCNA	0.028	0.026	0.025	0.786	0.733	0.674
Magazines and catalogues	0.081	0.310	0.189	0.862	1.479	1.840
Telephone books	0.081	0.687	0.377	1.302	1.190	
Other printed paper	0.251	1.318	0.764	9.029	7.961	
<b>PACKAGING</b>						
Cardboard and Boxboard	4.728	5.987	4.964	7.904	7.673	7.166
Other Paper Packaging						10.055
PET Bottles and Jars	6.692	9.610	7.593	13.907	13.55 6	11.644
HDPE Bottles and Jars						9.929
Other Plastic Packaging						14.720
Steel packaging	3.633	4.391	3.709	4.745	4.601	4.398
Aluminum cans	-5.465	-3.193	-3.874	-1.093	-0.476	-1.863
Foil & other aluminum packaging	-5.465	-3.193	-3.874	5.502	3.577	5.863
Clear glass packaging	3.723	3.682	3.392	3.761	3.309	3.596
Coloured glass packaging	4.016	3.916	3.631	4.432	3.602	4.077

## 6.0 Financial Summaries for the 2006 Program Year

The draft audited financial statements for the 2006 calendar year are attached as Appendix ii. Key financial performance indicators are summarized in Table 6.1 below:

**Table 6.1 - Statement of Revenue & Expenses - 2006 Program Year**

		<u>Program Year 2006</u>
Revenue	\$	66,100,820
Less: Deferred Revenue		<u>2,155,994</u>
	\$	<u>63,944,826</u>
Expenses:		
Municipal Payments	\$	51,680,669
Program Delivery		3,829,694
Administration		<u>1,074,124</u>
	\$	56,584,487
Goods and Services Tax		<u>875,350</u>
	\$	<u>57,459,837</u>
Surplus	\$	<u><u>6,484,989</u></u>

## 7.0 BBPP Key Performance Indicators

### 7.1 *Blue Box Waste Recovery Rates*

The quantity of designated Blue Box Waste (DBBW) recovered<sup>27</sup> by Ontario municipal programs in 2003 was 779,844 tonnes. Recovery in 2004 was 819,508 tonnes. Recovery increased in by 5% in 2005 to 861,062 tonnes. This represents a DBBW diversion rate of 57.6%.

The BBPP proposed that province-wide recycling rates be determined by comparing annual total recovery to an estimate of total generation. Generation was to be measured primarily through conducting municipal waste audits in partnership with municipalities (described in Section 4.8) with waste audit data cross-checked each year against Stewards' Reports. This is the same method that is used to determine the waste generation estimates that are used for establishing stewards' fees (see Section 5.2). Wine and spirit containers have been excluded from the calculation of fee rates for 2007 due to the announcement by the government of a deposit on these containers.

Table 7.1 (page 41) shows generation estimates and reported recovery by material group that were used to calculate the 2007 fees. This table excludes the wine and spirit containers that will be part of a deposit system.

The quantity of DBBW recovered and recycled is projected to continue to increase through population growth, the addition of new recycling programs, extended recycling services and higher capture rates.

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<sup>27</sup> The quantity of materials recovered is calculated by subtracting the quantity of residue as a result of processing materials from the quantity of materials collected.

**Table 7.1 - Estimated Generation & Recovery of DBBW in 2005  
Used in Calculations in 2006 for Establishing 2007 Fees<sup>28</sup>**

Material	Quantity Generated (tonnes)	Quantity Recovered (tonnes)	Recovery Rate
<b><i>Printed Material</i></b>			
Newspaper & Magazines	494,048	392,149	79.37%
Other Printed Paper	143,172	64,369	44.96%
<b>Printed Material Total</b>	<b>637,220</b>	<b>456,519</b>	<b>71.64%</b>
<b><i>Packaging</i></b>			
Paper Packaging	349,456	185,836	53.18%
Plastics	225,763	45,759	20.27%
Steel	58,210	33,484	57.52%
Aluminum	26,252	11,050	42.09%
Glass	89,191	54,298	60.88%
<b>Packaging Total</b>	<b>748,871</b>	<b>330,429</b>	<b>44.12%</b>
<b>GRAND TOTAL</b>	<b>1,386,091</b>	<b>786,947</b>	<b>56.77%</b>

Note: Blue Box materials are recovered through recycling channels in addition to municipal Blue Box programs. Province-wide recovery rates for some materials (e.g. aluminum) will be higher than reported here.

<sup>28</sup> Adjusted to exclude containers covered by the wine and spirits deposit system after February 1, 2007.

## 8.0 Reporting and Communication

Stewardship Ontario maintained a continuous flow of information to keep stewards and other stakeholders informed of the progress of the BBPP. Highlights include:

- √ fulfilled all requests from WDO and the MOE for information;
- √ prepared an annual report for 2005, submitting it to WDO and posting it to the Stewardship Ontario website (on April 1, 2006) and advising stewards and stakeholders of its availability through the e-newsletter, *Need to Know*;
- √ conducted an annual general meeting on July 20, 2006;
- √ provided briefings for affected stakeholders (as outlined in Section 8.11) ;
- √ held nine meetings of the Board of Directors of Stewardship Ontario;
- √ conducted a second public meeting on the Blue Box Program Plan review as well as recommended changes to the BBPP Funding Formula;
- √ developed and published a report on 'cost containment' entitled "Assessment of Stewards Actions in Response to Stewardship Ontario Fees" at the request of the Minister of the Environment;
- √ provided communications support in the development and publication of web-based materials, reports, surveys and notices;
- √ updated and published four guidebooks to support customer service activities and developed a new "Calculator" guidebook that is used by certain stewards;
- √ provided input to development of "steward notification" and "reporting" screens to facilitate their use by stewards;
- √ made presentations for several groups on a range of topics, including representations at the Association of Municipal Recycling Co-ordinators' best practice sessions, providing focused information for industry groups (such as Enviropharm), speaking at a Alberta's conference on Extended Producer Responsibility and others;
- √ distributed 25 news releases and letters to the editor and successfully submitted an op-ed piece that was printed in the Toronto Star supporting the blue box system (as outlined in Section 8.4). The releases were posted on the website at: [www.stewardshipontario.ca/media/archive.htm](http://www.stewardshipontario.ca/media/archive.htm)
- √ provided communications support for the \$2.5 million glass market development program;
- √ provided regular updates to stewards through 25 issues of Stewardship Ontario's electronic newsletter, *Need to Know*;
- √ published the first four editions of "*In-the Loop*" – a new e-letter that focuses on E&E Fund interests and conducted two Ontario Recycler Workshops.



## 8.1 Consultation

### 8.1.1 Consultation with Key Stakeholders

Stewardship Ontario undertook steward and stakeholder public consultation as follows:

- Amendments to the process for setting 2008 fees and the funding formula. The meeting, held on February 14 was attended in person by 118 people with another 48 who attended by online webcast. To view the event archive:  
[http://www.stewardshipontario.ca/consultation/work\\_web\\_archive.htm#is11](http://www.stewardshipontario.ca/consultation/work_web_archive.htm#is11).
- Conducted an online survey of the 100 top stewards (in terms of assessed fees) and representatives of Industry and Trade Associations to determine what actions they have taken in response to the Stewardship Ontario funding model. A total of 60 responses were received and analyzed in development of the “Assessment of Stewards Actions in Response to Stewardship Ontario Fees” – a report that was published on June 30. To view the report:  
[http://www.stewardshipontario.ca/pdf/bbpps\\_docs/waste\\_minimization.pdf](http://www.stewardshipontario.ca/pdf/bbpps_docs/waste_minimization.pdf).
- With WDO and AMO, developed and hosted two more Ontario Recycler Workshops.
  - the June 1 ORW was a full-day session that took place in Ottawa. With a best practice focus, it was held in conjunction with AMRC’s first Best Practice Consultation Workshop the following day. The June 1 ORW was attended by 79 in-person participants with another 39 participants who registered to attend by webcast. To view the archived presentations:  
[http://www.stewardshipontario.ca/pdf/consultation/orw\\_june1\\_2006/june1\\_2006\\_ORW\\_PF1.pdf](http://www.stewardshipontario.ca/pdf/consultation/orw_june1_2006/june1_2006_ORW_PF1.pdf)
  - the second 2006 ORW was a half-day session held in Toronto on November 2. Eighty people attended the event in-person and 51 participated by webcast. It featured a first-time “poster session” in addition to program updates and a focus on topical issues. To view the archived event presentations:  
[http://www.stewardshipontario.ca/ppt/Nov2\\_2006\\_ORW\\_PF.pps](http://www.stewardshipontario.ca/ppt/Nov2_2006_ORW_PF.pps).
- Presentation of Preliminary Stewards’ Fees for the Blue Box Program for 2007, held on August 31. Fifty-two people attended this event in-person and another 90 participated by webcast. To view the event slides:  
[http://www.stewardshipontario.ca/consultation/work\\_web\\_archive.htm#is12](http://www.stewardshipontario.ca/consultation/work_web_archive.htm#is12).
- Special Meeting on Changes to Rules for 2007 & Recommended Stewards’ Fees for 2007 was a half-day session held in the morning of November 2 prior to the Ontario Recycler Workshop. At this meeting, Stewardship Ontario presented fees for 2007 and highlighted key changes to the program and to the Rules that would affect stewards in the upcoming year. The meeting was attended by 50 people (in person) with another 57 linking in by webcast. To view the event archive:  
[http://www.stewardshipontario.ca/consultation/work\\_web\\_archive.htm#is13](http://www.stewardshipontario.ca/consultation/work_web_archive.htm#is13).

## **8.2 Stewardship Ontario Website**

Throughout the year, Stewardship Ontario continued to modify and adjust the content of its website to meet evolving stakeholder needs. Based on feedback from the Customer Service group, Stewardship Ontario increased use of the homepage feature/callout box as well as other homepage flash alerts to help stewards easily access relevant and time-sensitive information.

In 2006, a second search tool powered by “Google” was added to improve search functionality, and allow users to search Stewardship Ontario and the entire Google database without having to exit the site.

A new section that focuses on Best Practices enhanced the E&E Fund corner of the website. Featuring the “Recycling Program Enhancement and Best Practices” E&E Fund project, which is valued at up to \$2.5 million, it has become a popular website destination

Traffic to the website included slightly more than 55,740 total visits in 2006, with an average of approximately 4,645 visits per month.

### **8.2.1 Steward Reporting System Survey**

In February, Stewardship Ontario launched an on-line survey for the Steward Reporting System through which stewards provide feedback on their experiences on an ongoing basis. The goal of this process is to improve continually the functionality and ease with which stewards file their reports.

Approximately 169 of the 250 stewards who have visited the page have completed the survey. Sixty-two percent ranked the Steward Reporting System as “very effective” in providing the tools they need to file their reports, while 34% reported the system as “somewhat effective.” Only 4% of the survey participants felt that the system was ineffective. 2006 will provide the benchmark for feedback in future years.

### **8.2.2 Website Archives**

Stewardship Ontario maintains comprehensive archives on key topics related to the program as a means of providing background information and relevant data for stewards and stakeholders. The archives currently cover:

- Consultation events –background documents, slideshows, and other materials related to public consultation activities. Webcasts broadcast on CNW are now archived for a number of months after each consultation event. With this feature, stewards and stakeholders are able to access the webcast material at their convenience and review materials that are of greatest interest. Workshop and webcast archives are available at: [http://www.stewardshipontario.ca/consultation/work\\_web\\_archive.htm](http://www.stewardshipontario.ca/consultation/work_web_archive.htm).
- Official Comments – contains a brief summary of the topic for which comments were solicited and, where applicable, a summary of the comments received and/or resulting activities: [http://www.stewardshipontario.ca/consultation/comments\\_archive.htm](http://www.stewardshipontario.ca/consultation/comments_archive.htm).

- Press releases: - dates back from the end of 2002 and includes all of 2003 to 2006: <http://www.stewardshipontario.ca/media/archive.htm>.
- Tenders – lists and provides links to closed tenders from the E&E Fund including Waste Audits and Glass Market Development: <http://www.stewardshipontario.ca/tenders/tenders.htm>.
- Setting of Fees – provides background information on the fee setting process for each program year. To view the page that addresses setting of fees in 2006 for the 2007 program year: [http://www.stewardshipontario.ca/fees/fees\\_2007.htm](http://www.stewardshipontario.ca/fees/fees_2007.htm).
- *Need to Know* – logs all issues of Stewardship Ontario's e-newsletter from the most recent to the oldest: <http://www.stewardshipontario.ca/new/needtoknow.htm>. In 2006, 25 *Need to Know* e-letters had been published and archived contributing to an overall total of 77 published newsletters from the beginning of the program to December 2006.

### 8.2.2 The Knowledge Network

The Knowledge Network was re-branded as “Recyclers’ Knowledge Network” in June, 2006. The site expanded throughout the year with the addition of new topic areas that focused on rural depots and User Pay. The “best practices” work that was started in 2006 is set to become a focal point for the site. Through 2006, the Model Recycling Tender Tool, the most popular tool on the site, was kept up to date by adding a section on Fuel Escalation Clauses, in light of surges in the price of fuel over the end of 2005 and early 2006.

At the Ontario Recycler Workshop in November, Recyclers’ Knowledge Network was profiled in a poster session with the result that new users were exposed to the site and its potential to contribute to their work. Comments on this forum have been consistently positive and its use continues to grow. Recyclers’ Knowledge Network is available directly from the main navigation of Stewardship Ontario’s website or by clicking on the following link: <http://www.vubiz.com/stewardship/Welcome.asp>.

## 8.3 Publications

In 2006, Stewardship Ontario distributed 25 ‘regular’ issues of *Need to Know*, Stewardship Ontario’s e-newsletter. In most cases, *Need to Know* is distributed to approximately 2,000 stewards and other identified stakeholders. The *Need to Know* archive was expanded to offer a brief selection of highlights of each issue, facilitating browsing by web viewers. Archived copies are available at: <http://www.stewardshipontario.ca/new/needtoknow.htm>.

## 8.4 Public Announcements

Stewardship Ontario distributed 25 news releases and letters to the editor and successfully submitted an op-ed piece in the Toronto Star supporting the blue box system. Other topics addressed included notifications about distribution of cheques to Ontario municipalities, funding approvals under the Effectiveness and Efficiency Fund, the Glass Market Development Fund and other issues pertaining to other Canadian stewardship programs that are of relevance to the

BBPP or Stewardship Ontario activities. Stewardship Ontario continues to expand its ability to distribute news releases independently and cost-effectively, through electronic methods.

News releases distributed in 2006 can be reviewed at:  
<http://www.stewardshipontario.ca/media/archive.htm>.

## **8.5 Documentation and Audit**

Stewardship Ontario maintains hard and/or electronic copies of documents and information pertaining to among other things funding, consultation activities, comments and responses. The electronic filing system is backed up daily to ensure the security of the information.

## **8.6 Complaints and Inquiries**

Inquiries generally come into Stewardship Ontario by telephone or email. Stewardship Ontario's customer service department continued to manage these inquiries and complaints, with a turn-around objective of 24 to 36 hours.

## **8.7 Privacy Principles**

Stewardship Ontario continued to maintain the privacy guidelines which were established 2004. These guidelines protect steward/stakeholder information other than that which, through the consultation process, is transparent. These guidelines comply with all the requirements of the Personal Information Protection and Electronic Documents Act (PIPEDA). To view the principles, go to: [http://stewardshipontario.ca/pdf/rules\\_privacy/privacy\\_policy.pdf](http://stewardshipontario.ca/pdf/rules_privacy/privacy_policy.pdf).

## Appendices

## Appendix i: Summary of E&E Projects as of December 31, 2006

**Table 1 Approved E&E Projects by Priority Area as of December 31, 2006**

Priority Area	Number	Funding Approved	Value
MRF Rationalization	14	\$2,835,475	23%
Multi-Residential Recycling	8	\$2,135,882	17%
Benchmarking and Waste Audits	12	\$2,053,135	17%
Cost Containment	14	\$3,226,566	26%
Innovative Financing & Compliance	6	\$217,450	2%
Communication and Education	7	\$1,518,900	12%
Other Projects	5	\$404,900	3%
<b>Total</b>	<b>66</b>	<b>\$12,392,308</b>	<b>100%</b>

**Table 2 - E&E Projects Approved as of December 31 2006**

Year 1 Commitments to June 30 2005 (by Priority Area)					
Project No.	Title	Proponent	Funding Approved	Date Approved	Percent Complete
MRF Rationalization					
63	Identifying and Applying Best Practices in Recycling in Ontario	AMRC, London, Toronto, RARE, Kingston, Waterloo, EWSWA	\$225,000	Nov 22 2004	50%
81	Recycling Program Optimization Study	County of Northumberland	\$23,000	Dec 14 2004	100%
MRF Rationalization Total =			\$248,000		
Multi-Residential Recycling					
18	Development and Review of Baseline Information of Multi-Residential Recycling Programs in Ontario	EWSWA, AMRC, Hamilton, Peel, Quinte Waste Solutions, London and Waterloo	\$28,550	Dec 14 2004	100%
32	Integrated Multi-Family Recycling Strategy	City of Toronto	\$1,515,900*	April 14 2005	N/A
36	Multi-Residential Recycling: Optimizing Recycling Performance by Using a Focused Delivery	City of London	\$10,000	Oct 18 2004	100%
Multi-Residential Recycling Total =			\$1,554,450		
Benchmarking and Waste Audits					
44	RECYCLE AWAY (best practices for open space recycling)	Quinte Waste Solutions	\$15,000	Oct 25 2004	100%
45	Quinte Depot Review (best practices for rural depots)	Quinte Waste Solutions	\$31,650	Nov 22 2004	66%
60	Cart vs. Bag for Household Recycling	City of Toronto	\$235,000	Oct 18 2004	85%
96	Province-Wide Waste Audit Program: Single Family Audits	Ottawa, Toronto, Durham, EWSWA, North Glengarry, London, Sudbury	\$283,900	Oct 18 2004	100%
104	Co-Collection Studies - Time and Motion and Diversion Participation	Region of Niagara	\$7,750	Feb 11 2005	100%
Benchmarking and Waste Audits Total =			\$573,300		
Cost Containment					
19	Building on 'Smart Contracts, Smart Marketing'- an AMRC 2004 Workshop	Quinte Waste Solutions with AMRC	\$7,250	Aug 23 2004	100%
86	Pre-Feasibility Study of Cooperative Marketing Programs for Blue Box Materials in Ontario	OVWRC with AMRC, EWSWA, Quinte Waste Solutions, Township of Armour and North Bay	\$9,800	Feb 11 2005	100%
95	Help Desk Services (e.g. contracts and "what if" tool)	SO working with a number of municipalities	\$45,000	Aug 23 2004	50%
97	Model Recycling Contracts and Tender Documents	Kingston with REIC and AMRC	\$72,600	Oct 25 2004	100%
120	Reasonable Cost Bands	AMO	\$9,000	Feb 11 2005	100%

153	Municipal Datacall Authentication - 2004	AMO with York Region	\$24,000	May 17 2005	100%
Cost Containment Total =			\$167,650		
Innovative Financing and Program Compliance					
76	Optimizing Stratford's User Pay Program	City of Stratford	\$59,000	April 14 2004	80%
Innovative Financing and Program Compliance Total =			\$59,000		
Communication and Education					
68	Identifying Best Practices in Municipal Blue Box Promotion and Education	Oxford, AMRC, Waterloo, EWSWA and Commexus Inc.	\$142,100	Dec 14 2004	70%
105	Enhanced Blue Box Recovery Program	Peel, York, Durham, Toronto, Aluminum Association/Novelis, MGM Management, Entec	\$125,000*	April 14 2005	100%
121	Knowledge Network Pilot Projects	VuBiz - no funding partners for the pilot phase	\$70,500	Mar 8 2005	100%
Communication and Education Total =			\$337,600		
Other Projects					
94	A-Team and Peer Review Support	AMO, WDO, and Stewardship Ontario	\$25,000	Aug 3 2004	on going
130	Funding Options and Funding Strategy for E&E Project Activities in Northern Ontario	MIPC Request for Proposals	\$65,000	April 14 2005	100%
155	Municipal MIPC Policy Advisor	Region of York	\$270,000	April 14 2005	on going
Other Projects Total =			\$360,000		
Total Funding Approved for Year 1 =			\$3,300,000		
Year 2 Commitments to June 30 2006 (by Priority Area)					
Project No.	Title	Proponent	Funding Approved	Date Approved	Percent Complete
MRF Rationalization					
12	City of Dryden Transfer Facility	City of Dryden	\$250,000	Aug 3 2005	70%
85	Peel Region MRF Optimization (cost/benefit analysis for optical plastics sorter, research on bag-breakers, bag breaker installation)	Region of Peel	\$174,725	July 6 2005	100%
102	Guelph MRF Optimization: Cost Allocation Technical Assistance	Guelph with Entec and 4 Rs	\$6,800	Sept 23 2005	70%
122	Renfrew County MRF Rationalization (Feasibility study to assess the business case for amalgamating the OVWRC with a private MRF)	Ottawa Valley Waste Recovery Centre with Beauman Waste Management	\$25,000	July 6 2005	100%
162	Dufferin MRF Optical Plastics Sorting	City of Toronto	\$25,000	July 6 2005	100%



165	Optical Sorting Equipment for Scarborough Metro Waste MRF	City of Toronto with Metro Municipal Recycling Services and MacViro Engineering Consultants as technical support to Stewardship Ontario (though the E&E Best Practices project #63)	\$825,000	May 18 2006	5%
168	Desktop Study of the Feasibility of Developing a Centralized Plastics Recovery Facility in the GTA	Peel Region and York Region with MacViro, Entec, EPIC and Gartner Lee	\$17,500	Sept 23 2005	90%
179	Mechanical Sorter Upgrade	Quinte Waste Solutions	\$145,500	Jan 31 2006	15%
198	Peterborough MRF Optimization & Opportunities Study	City of Peterborough	\$20,000	May 18 2006	25%
210	Optical Sorting Equipment for Toronto Dufferin MRF	City of Toronto (with Canada Fibres)	\$700,000	May 18 2006	5%
211	Kingston MRF Expansion and Equipment Retrofit	Kingston with BFI Canada Ltd.	\$390,000	Jun 23 2006	5%
MRF Rationalization Total =			\$2,579,525		
Multi-Residential Recycling					
32	Integrated Multi-Family Recycling Strategy	City of Toronto	\$364,100*	April 14 2005	N/A
186	Enhancing Recycling in Multi-Residential Buildings	Town of Markham, Town of Richmond Hill and City of Vaughan	\$16,242	Feb 23 2006	100%
197	Multi-Residential Recycling: Optimizing Recycling Performance by Using a Focused Delivery Framework Part II	London	\$20,000	April 11 2006	30%
199	Multi-residential Recycling System Improvements Through Focus Groups and Interviews	AMRC with EWSWA, Waterloo, London, Toronto, Hamilton, Peel, and QWS	\$139,415	April 11 2006	75%
201	Improving Consistency of Multi-residential Diversion and Cost Analysis Reporting	AMRC with EWSWA, Waterloo, London, Toronto, Hamilton, Peel, and QWS	\$28,350	April 11 2006	50%
215	Administrative support and travel expenses for Multi-residential Working Group	EWSWA with AMRC	\$13,325	May 11 2006	50%
Multi-Residential Total =			\$581,432		
Benchmarking and Waste Audits					
123	Onboard Weigh Scales – A Multi-Family Weight-Based Waste and Recycling Generation Pilot	Region of Peel	\$45,000	Feb 23 2006	10%
161	Multi-Family Waste Audits in Peel and Ottawa (four seasonal audits)	Peel and Ottawa	\$200,000	July 28 2005	100%
180	2006 Province Wide Waste Audit Program	Niagara, Centre and South Hastings, West Nipissing, Sault Ste Marie, Hamilton, Peterborough, Simcoe, Blue Mountains	\$600,000	Jan 31 2006	80%
207	York Collection and Processing Optimization Study	York Region	\$39,645	May 11 2006	100%
Benchmarking and Waste Audits Total =			\$884,645		
Cost Containment					
156	Blue Box Assistance Team (“A team”) Manager	MIPC	\$300,000	Jan 31 2006	15%

164	Markets Help Desk	Peel with ReMM	\$25,000	Sept 23 2005	90%
187	Pre-qualified Technical Consulting Assistance Program (Pilot)	various municipalities	\$25,000	May 17 2005	30%
188	A-team Technical Support	various municipalities	\$24,000	Dec 14 2005	0%
200	Municipal Consultation Sessions on Blue Box Best Practices	York with Oxford, Peel, Waterloo and AMRC	\$128,866	April 11 2006	100%
213	Getting it Right	York with AMO	\$41,000	May 11 2006	40%
214	Joint Solid Waste/Blue Box Collection for Northern Six Municipalities in York Region	Aurora, East Gwillimbury, Georgina, King, Newmarket and Whitchurch-Stouffville	\$15,050	Jun 23 2006	80%
Cost Containment Total =			\$558,916		
Innovative Financing and Program Compliance					
126	Analysis of User Pay Programs in Ontario	County of Oxford, AMRC, Haldimand County, Bluewater Recycling Association, Region of Waterloo	\$31,200	Aug 3 2005	100%
160	Implementation of a Waste Management Utility in Ontario Municipalities: A Practical Guide	City of London with Ottawa and RIS International	\$64,000	Aug 3 2005	40%
190	User Pay Module for the Knowledge Network	Oxford County with Waterloo and AMRC	\$24,650	Jan 31 2006	30%
191	Analysis of User Pay System Costs	Oxford County with Waterloo and AMRC	\$22,700	Jan 31 2006	100%
Innovative Financing and Program Compliance Total =			\$142,550		
Communication and Education					
105	Enhanced Blue Box Recovery Program	Peel, York, Durham,Toronto, Aluminum Association/Novelis, MGM Management, Entec	\$704,632*	April 14 2005	95%
125	Hamilton Waste Watch Communication and Education Project	City of Hamilton	\$50,000	Jan 31 2006	90%
167	Knowledge Network (Year Two)	City of London with VuBiz	\$74,800	Jan 31 2006	45%
193	E&E Fund Communications	MIPC	\$60,000	Jan 31 2006	50%
Communication and Education Total =			\$889,432		
Other Projects					
178	Peer Review Program (Year Two)	MIPC	\$34,900	Dec 14 2005	10%
158	International Processing of MRF Residue	Toronto and York Region	\$10,000	Jun 23 2006	20%
Other Projects Total =			\$44,900		
Total Funding Approved for Year 2=			\$5,681,400		
Year 3 Commitments as of December 31 2006 (By Priority Area)					
Project No.	Title	Proponent	Funding Approved	Date Approved	Percent Complete
MRF Rationalization					
198B	Regionalizing Recycling Processing Services	City of Peterborough	\$7,950	Oct 31 2006	5%

<b>MRF Rationalization Total = \$7,950</b>					
<b>Multi-Residential Recycling</b>					
	none at this time				
<b>Multi-Residential Total = \$0</b>					
<b>Benchmarking and Waste Audits</b>					
123B	Add on to Onboard Weigh Scale Pilot	Region of Peel	\$31,800	Nov 21 2006	0%
223	Peak Season Waste Audits for Renfrew County	OVWRC	\$33,390	Aug 24 2006	75%
236	Province-Wide Waste Audit Program 2007	Partner municipalities to be determined.	\$530,000	Oct 26 2006	0%
<b>Benchmarking and Waste Audits Total = \$595,190</b>					
<b>Cost Containment</b>					
226	Recycling Program Enhancement and Best Practices Project	MIPC	\$2,500,000	June 29 2006	N/A
<b>Cost Containment Total = \$2,500,000</b>					
<b>Innovative Financing and Program Compliance</b>					
177	Clear Garbage Bags: a Better Practice of Innovative Program Compliance?	Quinte Waste Solutions	\$15,900	Sept 28 2006	5%
<b>Innovative Financing and Program Compliance Total = \$15,900</b>					
<b>Communication and Education</b>					
227	Benchmark & Tracking Research Pertaining to Field Testing Advertising to Promote Single & Multi-Family Recycling	City of London	\$26,500	Aug 24 2006	50%
105	Enhanced Blue Box Recovery Program	Peel, York, Durham, Toronto, Aluminum Association/ Novelis, MGM Management, Entec	\$265,368*	April 14 2005	95%
<b>Communication and Education Total = \$291,868</b>					
<b>Other Projects</b>					
	none at this time				
<b>Other Projects Total = \$0</b>					
<b>Total Year 3 Funding Approved as of Dec. 31, 2006 = \$3,410,908</b> <b>Total Funding Available for Years 1, 2 and 3 = \$14,381,400</b> <b>Total Funding Approved for Years 1, 2 and 3 as of Dec. 31, 2006 = \$12,392,308</b> <b>Difference = \$1,989,092</b>					

\* SO has committed up to \$1.9 million to Toronto for project #32 over the first two years of the E&E Fund program and up to \$1.1 million for project #105 over Years 1, 2 and 3.

Note – According to the BBPP, the \$14.4 million available through the E&E Fund for Years 1, 2 and 3 must be committed prior to July 1, 2007.

**Appendix ii**  
**Draft Audit Financial Statement**

April 4, 2007

**Stewardship Ontario**

**Financial Statements**

**For the year ended December 31, 2006**

DRAFT COPY  
FOR DISCUSSION PURPOSES ONLY

## **Stewardship Ontario**

### **Financial Statements**

For the year ended December 31, 2006

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## Auditors' Report

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### To the Members of Stewardship Ontario

We have audited the revised balance sheet of Stewardship Ontario as at December 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Due to the self-registration of participants in the stewardship program as described in Note 2(a) to the financial statements, the completeness of revenues is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario  
February 16, 2007

## Stewardship Ontario Balance Sheet

December 31	2006	2005
<b>Assets</b>		
<b>Current</b>		
Investments (Note 3)	\$ 39,986,804	\$ 34,389,881
Accounts receivable	2,743,580	4,305,523
Prepaid expenses and deposits	12,766	17,799
	<u>42,743,150</u>	<u>38,713,203</u>
Deferred start-up costs (Note 4)	-	894,165
Due from Waste Diversion Ontario (Note 5)	665,000	665,000
	<u>\$ 43,408,150</u>	<u>\$ 40,272,368</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Bank indebtedness	\$ 9,601,677	\$ 12,931,813
Accounts payable and accrued liabilities	13,986,087	15,203,494
Due to CSR: Corporations Supporting Recycling (Note 6)	-	957,658
Deferred revenue (Note 7)	12,776,874	10,620,880
	<u>36,364,638</u>	<u>39,713,845</u>
<b>Net Assets</b>	<u>7,043,512</u>	<u>558,523</u>
	<u>\$ 43,408,150</u>	<u>\$ 40,272,368</u>

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



**Stewardship Ontario**  
**Statement of Changes in Net Assets**

<b>For the year ended December 31</b>	<b>2006</b>	<b>2005</b>
Balance, beginning of year	\$ 558,523	\$ (1,558,772)
Prior period adjustment (Note 10)	-	(662,479)
Excess of revenue over expenses for the year	6,484,989	2,779,774
Balance, end of year	\$ 7,043,512	\$ 558,523

DRAFT COPY  
FOR DISCUSSION PURPOSES ONLY

# Stewardship Ontario Statement of Operations

For the year ended December 31	Actual	Budget	2006 Variance	2005 Actual
<b>Revenue</b>				
Steward fees	\$ 65,147,760	\$ 59,760,500	\$ 5,387,260	\$ 63,193,234
Interest income	953,060	400,000	553,060	378,077
	66,100,820	60,160,500	5,940,320	63,571,311
Less: Deferred revenue	(2,155,994)	(5,398,700)	3,242,706	(4,324,924)
	63,944,826	54,761,800	9,183,026	59,246,387
<b>Expenses</b>				
Municipal				
Municipal transfers	48,566,523	48,588,500	(21,977)	51,284,596
Effectiveness and efficiency fund	3,114,146	-	3,114,146	1,077,921
	51,680,669	48,588,500	3,092,169	52,362,517
Other External Program Elements				
Amortization of deferred start-up costs	894,165	893,000	1,165	873,460
WDO costs	783,302	1,000,000	(216,698)	536,284
MOE enforcement and compliance	66,863	200,000	(133,137)	38,996
Market development	167,933		167,933	192,504
Program Support	160,209	250,000	(89,791)	8,134
	2,072,472	2,343,000	(270,528)	1,649,378
Program Delivery				
Bad debts	212,184	-	212,184	-
Business Development	12,598	20,000	(7,402)	14,409
Committee, board and MOE support	420,046	277,000	143,046	282,241
Communications	244,382	275,000	(30,618)	232,152
Compliance	51,875	200,000	(148,125)	90,526
Information technology and data management	107,769	150,000	(42,231)	152,953
Technical services	708,368	911,000	(202,632)	651,210
	1,757,222	1,833,000	(75,778)	1,423,491
Administrative				
Human resources	537,323	535,000	2,323	506,289
Office expenses	117,153	187,200	(70,047)	127,287
Automobile	13,618	18,000	(4,382)	17,134
Travel	8,091	20,000	(11,909)	23,562
Rent and facilities	203,953	212,500	(8,547)	209,021
Professional fees	146,073	110,000	36,073	95,000
Insurance	47,913	59,800	(11,887)	52,934
	1,074,124	1,142,500	(68,376)	1,031,227
Goods and services tax (Note 11)	875,350	-	875,350	-
	57,459,837	53,907,000	3,552,837	56,466,613
<b>Excess of revenue over expenses for the year</b>	<b>\$ 6,484,989</b>	<b>\$ 854,800</b>	<b>\$ 5,630,189</b>	<b>\$ 2,779,774</b>

## Stewardship Ontario Statement of Cash Flows

For the year ended December 31	2006	2005
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year	\$ 6,484,989	\$ 2,779,774
Adjustments to reconcile excess of revenue over expenses for the year to cash provided by operating activities		
Amortization of deferred start-up costs	894,165	873,460
Reduction in due to CSR: Corporations Supporting Recycling (Note 6)	(957,658)	(945,485)
Changes in non-cash working capital balances		
Accounts receivable	1,561,943	(1,068,724)
Prepaid expenses and deposits	5,033	(3,821)
Accounts payable and accrued liabilities	(1,217,407)	4,546,750
Deferred revenue (Note 7)	2,155,994	4,635,742
	<u>8,927,059</u>	<u>10,817,696</u>
<b>Investing activities</b>		
Purchase of investments, net	(5,596,923)	(25,031,371)
Advance to Waste Diversion Ontario	-	(165,000)
	<u>(5,596,923)</u>	<u>(25,196,371)</u>
<b>Increase (decrease) in cash during the year</b>	<b>3,330,136</b>	<b>(14,378,675)</b>
<b>Cash (bank indebtedness), beginning of year</b>	<b>(12,931,813)</b>	<b>1,446,862</b>
<b>Cash (bank indebtedness), end of year</b>	<b>\$ (9,601,677)</b>	<b>\$ (12,931,813)</b>

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## Stewardship Ontario Notes to Financial Statements

December 31, 2006

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### 1. Business Organization and Operations

The objects of the Organization are to provide financial support to municipally operated waste diversion programs in Ontario for wastes designated under the Waste Diversion Act 2002. The Organization is a not-for-profit organization and as such is not subject to income taxes.

In October 2002, Stewardship Ontario began the process of designing and developing the Blue Box Program as a result of a request of the Minister of the Environment.

On February 14, 2003, Stewardship Ontario was formally incorporated in the Province of Ontario as a corporation without share capital and commenced operations on February 1, 2004, the commencement date of the Blue Box Program Plan.

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### 2. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization.

#### (a) Revenue Recognition

Steward fees are recognized as revenue when stewards register with the Organization and submit tonnage details.

The Organization follows the deferral method of accounting for revenue whereby amounts received for specific programs are recognized as revenue when the related expenses are incurred.

#### (b) Investments

Investments are carried at the lower of cost plus accrued interest and market value.

#### (c) Deferred Start-Up Costs

Deferred start-up costs are amortized on a straight line basis over three years from the start of operations. These have been fully amortized by the end of fiscal 2006.

#### (d) Financial Instruments

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risks arising from its financial instruments and that the carrying value approximates the fair value of its financial instruments.

All of the Organization's cash and investments are held at one major financial institution.

# Stewardship Ontario Notes to Financial Statements

December 31, 2006

## 2. Significant Accounting Policies (Continued)

### (e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

## 3. Investments

Investments consist of guaranteed investment certificates and bond certificates that bear interest at 3.95% to 5.60% (2005 - 2.37% to 3.15%), includes accrued interest of \$385,826 (2005 - \$224,728) and mature from March 2007 to November 2011.

## 4. Deferred Start-up Costs

	2006	2005
Cost	\$ 2,545,380	\$ 2,545,380
Accumulated amortization	(2,545,380)	(1,651,215)
	\$ -	\$ 894,165

## 5. Due from Waste Diversion Ontario

The amount due from Waste Diversion Ontario is due on or before July 31, 2007 and is non-interest bearing, however, the balance is not expected to be collected within the next year.

## 6. Due to CSR: Corporations Supporting Recycling ("CSRO")

These funds were borrowed from CSRO to finance the initial start-up costs of the Organization.

	2006	2005
Balance, beginning of year	\$ 957,658	\$ 1,903,143
Reduction during the year, net	(957,658)	(945,485)
Balance, end of year	\$ -	\$ 957,658

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## Stewardship Ontario Notes to Financial Statements

December 31, 2006

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### 7. Deferred Revenue

Deferred revenue represents unspent resources that are externally restricted for programs and relate to a subsequent years' activity.

The balance of deferred revenue is as follows:

	2006	2005
LCBO Glass Market Development	\$ 2,588,134	\$ 2,717,501
Effectiveness and Efficiency	10,188,740	7,903,379
	<u>\$ 12,776,874</u>	<u>\$ 10,620,880</u>

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### 8. Commitments

Stewardship Ontario entered into an agreement with Waste Diversion Ontario (WDO) on August 25, 2005. Stewardship Ontario agrees to guarantee the payment of all wages and benefits of the current employees of WDO up to a maximum of \$150,000.

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### 9. Significant Contract

Stewardship Ontario has an Operating Agreement with CSR whereby CSR acts as its Secretariat to implement and operate a blue box waste diversion plan under the Waste Diversion Act, 2002. The contract commenced January 16, 2004 and will terminate June 30, 2010. Secretariat fees charged by CSR amounted to \$2,570,579 (2005 - \$2,424,084).

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### 10. Prior Period Adjustment

During the year it was discovered that an incorrect rate was used in assessing a steward's obligation for the 2004 and 2005 fiscal period. As a result, steward fees revenue was overstated and deferred revenue (LCBO Glass Market Development) was understated for those fiscal periods. The financial statements have been retroactively adjusted for the above which decreased steward fees by \$662,479 in 2004 and \$310,818 in 2005 and increased deferred revenue by \$662,479 in 2004 and \$310,818 in 2005.

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### 11. Goods and Services Tax

During the year, the Organization applied for and received a ruling from the Canada Revenue Agency ("CRA") with respect to its filing position as a GST registrant. The CRA ruled that the Organization should not be registered for GST, should not charge GST and accordingly is not eligible to claim input tax credits. As a result of the ruling, the Organization repaid to CRA the net input tax credit claims made since inception and this amount, together with interest of \$43,000, is included in the statement of operations.

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### 12. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.