



Stewardship Ontario Information Bulletin

Changes to the MHSW Common Cost Allocation Methodology

Issue

In April 2019, the Resource Productivity and Recovery Authority (RPR) Board of Directors approved an amendment to the Municipal Hazardous or Special Waste (MHSW) Program Plan that changes how common costs are allocated to the MHSW material categories to determine steward costs. The Stewardship Ontario Board of Directors approved such changes at their June 2019 meeting. View the approved MHSW Program Plan amendment with respect to common cost allocation [here](#).

As a result, Stewardship Ontario is implementing changes to how common costs are allocated to MHSW material categories for the purposes of determining subsequent steward costs.¹ These changes will be reflected in steward invoices issued by Stewardship Ontario in October 2019. This bulletin provides information on the impact of implementing the new MHSW common cost allocation (CCA) methodology.

Overview of the MHSW CCA Methodology

Under the MHSW Program, costs are divided into two general categories: direct material costs and common program costs. Direct material costs include the costs of collecting, transporting and processing various MHSW materials. They can also include other specific material costs such as promotion and education activities related to a specific material. These direct material costs represent the majority of MHSW Program costs (approximately 80% of program costs in 2018).

In addition to direct material costs, the MHSW Program also incurs administrative costs which are common to all materials. Common costs include steward registration and compliance management costs, material and supplier management costs, general program management costs and shared promotion and education costs.

Under the MHSW Program Plan, common costs have historically been allocated on the basis of an 85/15 percentage cost sharing formula with 85% of costs allocated in proportion to the direct costs of managing each material and 15% shared equally across MHSW material categories.

Changes to the MHSW CCA Methodology

Stewardship Ontario was directed by RPR to implement a new CCA methodology for the MHSW Program which is to be applied retroactively to July 1, 2015. The new CCA methodology allows for an allocation that recognizes the migration of stewards out of the MHSW Program to become members of Industry Stewardship Plans (ISPs) for certain MHSW materials (pesticides, fertilizers, solvents, paints and coatings, oil filters, oil containers and antifreeze).

The new MHSW CCA methodology will allocate 15% of common program costs based on the relative share of stewards in each category. 85% of MHSW common costs will continue to be allocated in proportion to the direct costs of managing each MHSW material.

¹ As noted during MHSW Wind Up Plan consultation webinars held on August 14 and 20, 2019.



Retroactive Material Category Reserve Adjustment

The retroactive adjustment of the MHSW CCA methodology will be implemented by adjusting MHSW category reserves. The net impact on overall MHSW material category reserves will be zero but individual material category reserves will increase or decrease dependent upon the proportion of stewards in each category. The effect of the retroactive reserve adjustments for various MHSW categories and years can be determined from Tables 1 and 2 below.

Table 1: Category Stewards as a Percentage of Total MHSW Stewards

MHSW Material Category	Historic CCA Program Allocation	Percent of Stewards in Each Material Category*			
		2015	2016	2017	2018
Paints and Coatings	11%	20%	10%	8%	8%
Antifreeze	11%	14%	19%	22%	8%
Oil Filters	11%	20%	20%	22%	12%
Oil Containers	11%	12%	14%	14%	10%
Pressurized Containers - Non-refillable	6%	3%	3%	3%	9%
Pressurized Containers - Refillable	6%	1%	1%	1%	3%
Batteries - single use	11%	23%	25%	27%	42%
Pesticides	11%	0%	1%	0%	0%
Fertilizers	11%	2%	2%	1%	2%
Solvents	11%	3%	5%	2%	6%
	100%	100%	100%	100%	100%

* The number of stewards registered with Stewardship Ontario changes on a quarterly basis.

Where the percentage of stewards in a material category is higher than the historic common cost program allocation percentage, the reserve adjustment will result in a decrease in that material reserve for that year. Where the steward percentage for a material category is less than the historic common cost program allocation percentage, the related reserve adjustment will result in an increase in that material reserve. The net impact of the reserve adjustments related to the retro-active implementation of the CCA methodology can be seen in Table 2 below.

Table 2: Impact of Retroactive Implementation of CCA Methodology 2015 - 2019

MHSW Material Category	Reserve Increase/Decrease*
Paints and Coatings	\$73,378
Antifreeze	\$16,542
Oil Filters	-\$118,869
Oil Containers	-\$186,772
Pressurized Containers - Non-refillable	\$11,066
Pressurized Containers - Refillable	\$51,533
Single-use Batteries	-\$210,316
Pesticides	\$188,816
Fertilizers	\$178,434
Solvents	-\$3,812
Total	\$0



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** MHSW material category reserve levels in 2019 may be affected by reserve adjustments other than those associated with implementation of the new CCA methodology. As such, material category reserve levels reported in the 2019 Stewardship Ontario Annual Report when compared to levels reported in the 2018 Stewardship Ontario Annual Report may differ by more than the common cost allocation reserve adjustments estimated above.*

It should be noted that the overall cost of MHSW common costs allocated under the program declined by approximately 23% between 2015 and 2018. The increase in the share of common costs associated with a particular material category in Table 2, therefore, does not necessarily mean that common costs associated with that particular category actually increased during this period. Simply that certain categories have been allocated a higher percentage of common costs over the period.

Implementation of the new MHSW CCA

Invoices issued to stewards in October 2019 related to Q3 program costs will be calculated using the new CCA methodology.

The impact of the change related to individual steward costs will be a function of the new methodology and actual MHSW common costs incurred by Stewardship Ontario in any particular quarter.

For further information or questions regarding the implementation of the MHSW CCA methodology, please contact info@stewardshipontario.ca.