



Stewardship Ontario

Proposed Amendment to the Blue Box Program Transition Plan Revised Fee Setting Methodology for 2023-2025

Questions & Answers

1. What makes this new approach simpler?

With the current methodology, stewards must submit detailed supply-to-market data on an annual basis. Compiling this information requires significant resources every year by most stewards to meet program deadlines. The proposed Simplified Approach would eliminate the need to submit any tonnage and material data to Stewardship Ontario, thereby eliminating the corresponding work effort. Since the scope of obligated materials, and the reporting format, differs when reporting to Stewardship Ontario versus reporting under the Resource Recovery and Circular Economy Act, we believe that eliminating the need to report to Stewardship Ontario would create value for stewards. It would also be much easier for stewards to forecast what their Stewardship Ontario fees would be for the remainder of transition.

2. How would it work?

Stewardship Ontario would calculate the percentage of the total fees that each steward has paid in the past two years. Each steward's fee for 2023, 2024 and 2025 would be calculated using the average of the two figures. For example, if a steward paid 0.20% of the total Stewardship Ontario fees for 2021 and 0.24% in 2022, their fee would be equal to 0.22% of the total Stewardship Ontario fee budget for 2023, 2024 and 2025.

3. Why is Stewardship Ontario proposing this change now?

With the onset of the new Blue Box framework under the RRCEA, stewards have become "producers" and are assuming new obligations to recover their share of the printed paper and packaging material (as well as paper products and packaging-like products) supplied to the Ontario market. With these new obligations for stewards, Stewardship Ontario decided to review the Blue Box Transition Plan to see how the compliance burden on stewards and the cost of managing the current program might be reduced.

Data reporting has the most significant impact on stewards (other than the fees themselves); and receiving and validating steward data and calculating steward fee rates is a significant portion of Stewardship Ontario's program management costs. The imminent end to the program provides an opportunity to deploy a simpler approach and save money.

The fees paid by stewards may vary somewhat from what they would be if the current methodology was retained, but we felt it was important for stewards to have an opportunity to consider a simpler approach that would reduce their administrative burden with the new framework and the current program operating in parallel.

4. When would the change take effect and how long would it last?

If approved, the change would take effect in the beginning of 2022. The annual sales data filing that would otherwise be needed to set 2023 fee rates under the current model would be eliminated. The change does not affect the 2021 report submissions or the corresponding 2022 invoices that will be sent to stewards in January 2022.

5. When will a decision be made?

If there is broad steward support, we expect to put the proposal to RPRA for consideration shortly after the consultation ends in January 2022. We will strive to ensure it is considered before stewards need to begin work on their 2022 data report that would need to be submitted before May 31.

6. What are the risks to stewards in moving to this new method?

This approach “locks-in” each steward’s share of total fees over the remainder of the transition period. Unforeseen changes in the marketplace (such as relative changes in commodity prices and or other factors impacting fee rates), could mean that some stewards pay more under the Simplified Approach than they would otherwise would have paid if the current system was maintained. Of course, there is a similar potential for a steward to pay less under the proposed approach than they would have if no changes were made. The question for each steward is: does relief from submitting supply-to-market data and lower program management costs outweigh the risk of paying a somewhat higher share of fees during the transition? A reminder that total fees are expected to begin to decline in 2023 regardless.

7. What are the benefits to stewards?

There are two financial benefits for stewards. First, no longer having to submit information to Stewardship Ontario eliminates the administrative costs stewards incur to complete that work. Second, Stewardship Ontario’s annual costs to receive and validate steward data, and to calculate material specific fee rates would be substantially reduced. This would lower program costs and result in lower steward fees.

Stewards also benefit from making it easier to predict what their share of fees would be over the transition period, since their percentage of the total Stewardship Ontario fees would be known. It can also be noted that as the transition progresses and more municipalities move to the new framework, the Stewardship Ontario’s fees are expected decrease each year beginning in 2023.

8. How would the new methodology react to changes in my business such as packaging changes or decreasing sales?

Each steward's share would be finalized in 2022 for 2023, 2024 and 2025, and therefore shifts in market share or packaging choices would not have an impact on their total share of fees.

9. Can I opt out and stay with the current methodology?

The current methodology is a relative model that depends on all stewards submitting their obligated tonnage by material type so that fee rates can be calculated for each material, while considering the provincial recycling system and stewards relative supply of material in total. It would not be possible to accurately calculate the material fee rates without having all the steward data, and therefore it is not possible to have two separate approaches to fees.

10. This sounds good for 2023, but what if unforeseen circumstances emerge beyond 2023, what would my recourse be?

We are seeking steward feedback on this question. It is unknown what will happen over the next three years. This proposal would lock in each steward's share of total fees over the remainder of the program. Once we stop receiving steward data, there is no alternative fee setting method for the remainder of the transition period.

That said, as municipalities begin to exit the program in 2023, we expect that Stewardship Ontario's total fees will begin to decline regardless of what method we choose to set fees.

11. My company recently invested a lot of money to make our packaging more recyclable. Averaging the previous two years does not take into account the new packaging formats I will be putting into the market in 2022 and beyond. Would I be eligible for special consideration?

Efforts to improve the sustainability of packaging are applauded. As noted, the trade-off proposed to stewards is between simplicity and precision. While your changes would likely provide benefits to your company and the environment going forward, under the Simplified Approach, it is not possible for Stewardship Ontario to take into account these changes during the limited time that the current program will continue to operate.

12. My company suffered immeasurably from COVID-19 and is not expected to make a full recovery for years. Would my company be eligible for special consideration?

The proposed approach considers data from 2019 and 2020. Stewards whose sales dipped the lowest in 2020 would also see their relative share dip lower than those less impacted, and this would persist through the transition. Nevertheless, every steward experience is different, and by its nature the Simplified Approach cannot take into account the extent to which these circumstances vary. Stewards are being asked to assess the trade off between simplicity and their current data reporting, and fees that might not track to what they would under the status quo.

13. Does this change affect other provincial programs?

This change only applies to the current Ontario Blue Box program. It does not impact programs outside of Ontario or the future of Blue Box under the RRCEA in Ontario.

14. Does this mean I would not have to report tonnage and material information to RPRA too?

No, the reporting requirements for RPRA are detailed in the Blue Box Regulation. In fact, the need to report data to both RPRA and Stewardship Ontario, under different criteria and under a different format was a major factor in Stewardship Ontario's decision to suggest that stewards consider this Simplified Approach. If adopted stewards would only have one data report to complete for Ontario.

15. What would be the role of CSSA if simplified fee setting is adopted?

CSSA would continue to provide administrative support services to Stewardship Ontario, including finance, invoicing, accounts payable, human resources, IT, etc. Stewardship Ontario would also continue to look to CSSA to provide analytical support and advice, as well as steward support services, but without steward reporting and fee setting, these requirements would be reduced.

This proposal does not impact the services CSSA provides the other provincial programs it supports today: RecycleBC, MMSW, and MMSM.

16. What happens when new steward companies enter the market during the transition period? Would they have to pay fees?

Assuming the Simplified Approach is implemented, stewards entering the market after that date would pay fees. New stewards would be required to submit a report to Stewardship Ontario detailing the obligated packaging and paper they supply. The information would be used to determine their fee percentage for the remainder of the Blue Box transition.

17. What happens if my company ceases to be a steward either by leaving the Ontario market or by having my obligated tonnage fall below the de minimis level?

Any company that believes it is no longer a steward would have that claim evaluated by Stewardship Ontario. If verified, fees would be discontinued.

18. Newspapers pay their fees by offering advertising in their publications. Would this change with the new fee setting approach?

Fees for members of News Media Canada are unique in several respects. First, they only supply newsprint to the market. Second, their obligated tonnage has fallen dramatically with the

digitization of news media. Third, they pay some – but not all -- of their fees by supplying advertising to support the Blue Box program. This means that the fees paid by members of News Media Canada have an impact on Ontario municipalities.

Given the unique fee history and circumstances of this sector, Stewardship Ontario would continue to require annual reporting from these stewards and use that data to set their share of total fees.

19. If I have questions, who can I speak with?

Questions can be emailed to “info@stewardshipontario.ca”. Questions received before December 22 will be used to inform the Webinar to be held on January 6th.

All questions and comments will be compiled in a Consultation Report to be presented to the RPRA Board.