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Stewardship Ontario

Consultation on the Blue Box Fee Simplification Proposal

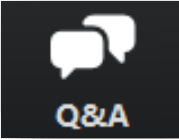
January 6, 2022

Introductions



Lyle Clarke
*Executive Director,
Stewardship Ontario*

Participation in Today's Webinar

- To ask a question, click the Q&A button on the bottom of your screen: 
- You may have to toggle your cursor on the screen to show the Q&A button.
- You can ask questions at anytime during the webinar.
- We will respond to stakeholders as soon as possible to any questions we don't get to during the webinar.
- This presentation and webinar recording will be available on the Blue Box webpage tomorrow: StewardshipOntario.ca/BlueBox-Transition

Scope of Today's Consultation

- Stewardship Ontario is seeking feedback on a proposed change to the Blue Box fee setting methodology.
- Stakeholder questions regarding the RRCEA regulation or the future Blue Box Program should be directed to RPRA or MECP.

RRCEA – Resource Recovery and Circular Economy Act

RPRA – Resource Productivity and Recovery Authority

MECP – Ministry of Environment, Conservation and Parks

Agenda



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- 1. Background and Context**
- 2. Fee Simplification Explained**
- 3. Next Steps**



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1. Background and Context



Blue Box Program Transition



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- Blue Box is moving to Individual Producer Responsibility
- Transition Plan was developed by SO and approved by RPRA
- That Plan is being executed and is both on schedule and on budget.

Transition Timeline

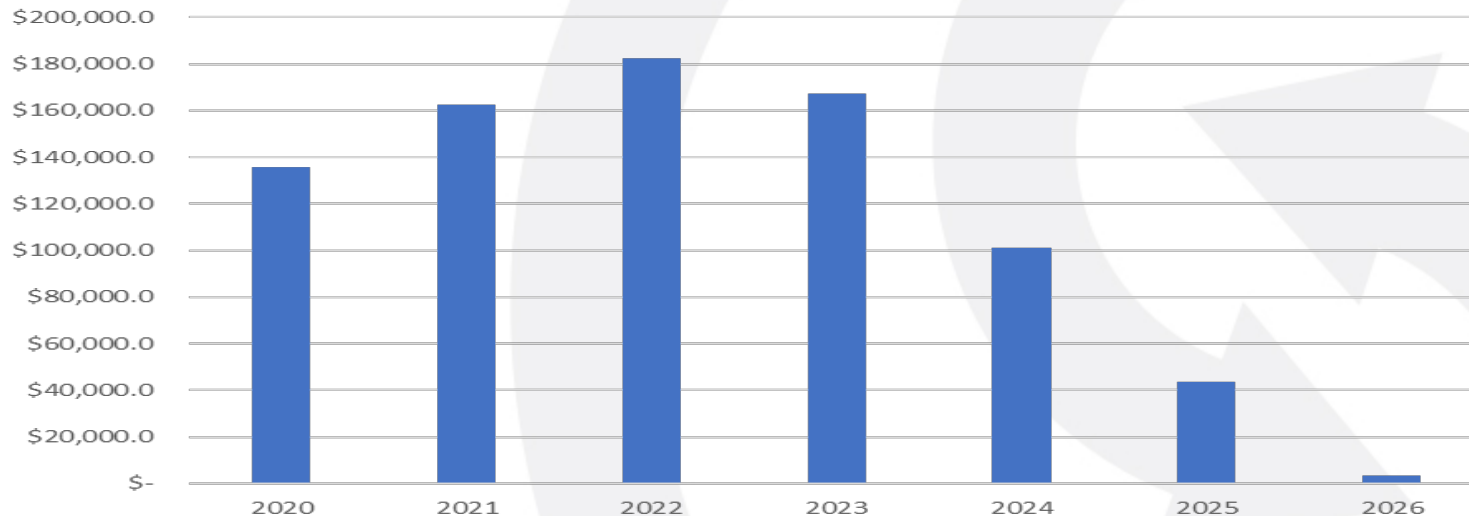
Date	Milestone
2021	<ul style="list-style-type: none">• Business as usual• Schedule set for transition of municipalities
2022	<ul style="list-style-type: none">• Business as usual and transition preparation
2023	<ul style="list-style-type: none">• First group of municipalities transition beginning July 1
2024	<ul style="list-style-type: none">• Transition continues, second group of municipalities transition
2025	<ul style="list-style-type: none">• Transition ends, last group of municipalities transition
2026	<ul style="list-style-type: none">• Corporate windup of Stewardship Ontario

Projected SO Costs to 2026

Consolidation/Summary of Projected SO Costs
2020-2026 (\$000 Includes HST)

	2020	2021	2022	2023	2024	2025	2026	Total
Steward Obligation to Municipalities	126,226.4	152,132.8	171,983.6	158,274.0	92,846.0	35,042.3	-	736,505.2
Program Operations	7,966.6	9,326.5	9,208.0	7,604.7	7,049.2	6,861.3	2,189.2	50,205.6
Transition	1,371.8	1,062.0	1,325.9	1,479.4	1,286.0	1,570.2	1,325.9	9,421.3
Total	135,564.9	162,521.3	182,517.5	167,358.2	101,181.3	43,473.8	3,515.1	796,132.1

Total Program Cost



Stewardship Ontario's Role

- Executes its responsibilities under the Blue Box Transition Plan including fee setting and minimizing program costs.
- Develops and consults on the Transition Plan with revisions submitted to RPRA.
- Maintains “business as usual” in its activities with minimal disruption until the Transition is complete.

Canadian Stewardship Services Alliance (CSSA)

- CSSA is Stewardship Ontario's primary service contractor.
- Scope includes steward support services but also finance, accounting, information technology, analytics and fee setting.
- Simplified fee setting would not impact the services CSSA provides to the RecycleBC, MMSW, and MMSM programs.

Resource Productivity and Recovery Authority (RPRA)

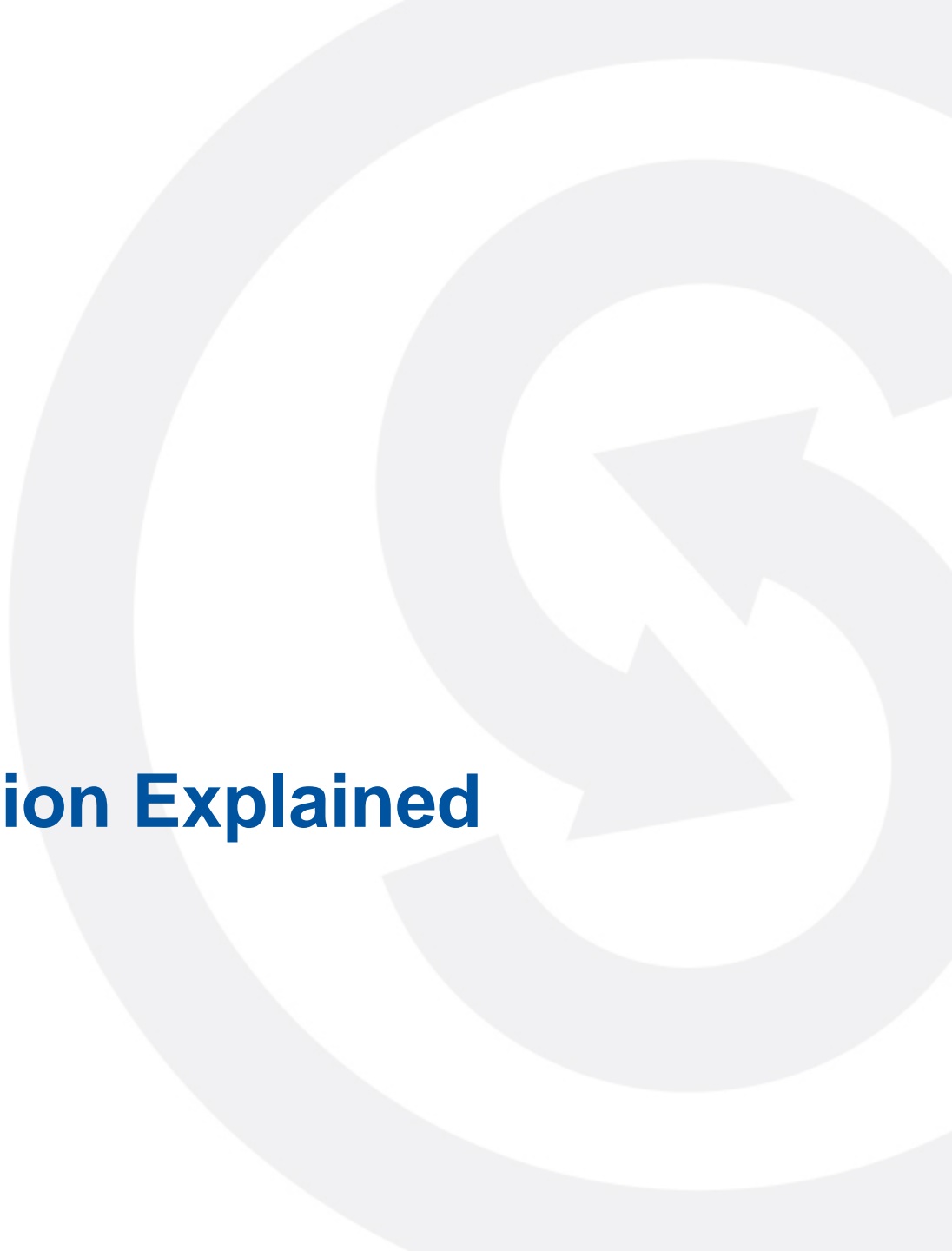
- As the regulator, consults on and approves any changes to the Blue Box Program Transition Plan.
- Oversees execution of Transition Plan.
- Manages annual municipal Datacall and determines the Steward Obligation that drives fee setting.
- Administers use of in-kind newspaper advertising.



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2. Fee Simplification Explained



History of Fee Setting

- Fee setting has been a subject of debate and consultation since the program began in 2003.
- It is a highly technical process requiring multiple sources of data, field studies, analysis and estimates, some of which are outdated.
- While it was vastly improved with the move to the four-step methodology (a process led by stewards), it remains complex and unpredictable.
- Unlike the other programs in Canada, Stewardship Ontario continues to use Activity Based Costing (not Material Cost Differentiation) as a key data input.

Current Fee Setting Process



The Case for Simplification

- Significant challenges for producers/stewards implementing the new regulatory framework.
- Without changes, stewards could be reporting supply-to-market data in three different formats (SO, RPRA, PRO).
- Windup of SO in 2026 – large fee decreases beginning in 2023, but mainly in 2024 and 2025.
- Long historical database of steward fees as an information resource to be leveraged.

SO – Stewardship Ontario

PRO – Producer Responsibility Organization

Steward Benefits

- Minimize the administrative burden to report supply-to-market data to SO.
- Free up internal steward resources dedicated to the SO reporting process.
- Lower Blue Box management costs by reducing the need for complicated fee-setting analytics and related services.
- Stewards would have more predictable fees.

How Would it Work?

- Share of the total approach
- Percentage of the total SO budget paid by each steward in 2021 and 2022 invoice years
 - Percentage paid in 2021 was based on 2020 report of sales made by stewards in 2019 (pre-covid)
 - Percentage paid in 2022 was based on 2021 report of sales made by stewards in 2020 (post-covid)
- Average of one pre-covid year and one post-covid year
- Percentage becomes baseline for that steward for the 2023 – 2025 budgets

The Possible Risk

- The future might not be a continuation of the recent past:
 - Pandemic or other 2021 - 2022 anomalies
 - Changes in end markets for recovered materials
 - Changes in product lines and / or their packaging.
- Stewards should weigh risk that they might pay more under simplified fee setting, versus the benefits of not having to report, and lower program administration costs for Stewardship Ontario.

If Stewards Say No . . .

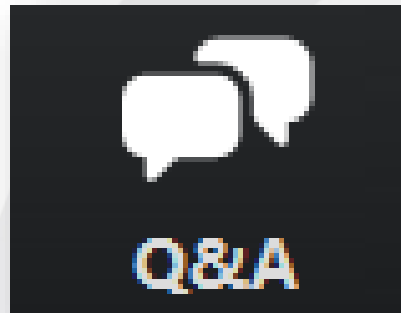
- If there is not a strong steward consensus to proceed with simplification, the current fee setting methodology will continue.
- The 2022 annual data submission will be due May 31.
- The proposal would be reconsidered for 2023 and/or 2024 data submissions, at the corresponding Annual Steward Meetings.

Common Questions

- Are all stewards eligible?
- Can my company opt out?
- What if my company has an acquisition/divestiture?
- What happens when stewards enter/exit the market?
- How much money will SO save?
- How will the decision be made?
- When will the decision be made?

Your Questions?

- Submit any questions now...





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3. Next Steps



What happens next?

- Presentation and recording available tomorrow
- Feedback due January 13
- Submit recommendation to the SO Administrator
- Following that, submit recommendation to RPRA
- RPRA to consult and consider recommendation
- If approved, begin implementation in late Q1

The Decision

- Do you support or oppose the proposal to proceed with the implementation of the Simplified Approach to fee setting?

Your feedback is essential in considering Fee Simplification



- Final feedback and completion of the survey on the Fee Simplification proposal due to consultation@stewardshipontario.ca by **January 13, 2022**.
- All questions and comments received will be included in the consultation report delivered to RPRA.



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Thank you!

[StewardshipOntario.ca/BlueBox-Transition](https://www.stewardshipontario.ca/BlueBox-Transition)

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