



Proposed Simplified Approach to Fee Setting January 6 Webinar Q&A

A Q&A document published prior to the webinar is [available here](#).

Note that similar questions submitted during the webinar have been combined in the below.

Questions		Answers
CALCULATING / ESTIMATING THE FEE		
1.	Is eligible baseline calculated on overall total or by each material type separately? The impact may be on stewards entering or exiting.	The baseline percentages are calculated using the total fee invoiced to a steward. They are not broken out by material type.
2.	If we opt in for the simplified fee setting, will it be based on fees or the weights from the prior two years?	Simplified fee setting would be based on fees paid and invoiced in 2021 and 2022 respectively, not the tonnages.
3.	Currently, we can validate our fees via the number of kg's we reported and the \$/kg. This is critical to our Finance department related to financial controls. How would this be managed in the simplified process if our fees are not based on actual submitted data? Will SO provide the baseline data used to calculate our fees to present to our Finance dept regarding controls?	The calculation of the future fee percentage is based on the individual steward fees for invoice years 2021 and 2022 (2019 and 2020 sales data years) and the total Stewardship Ontario budget for the corresponding year, which is public information. Simplified fee setting is not based on material tonnage and without detailed material reporting from all stewards it is not possible to determine specific material fees by weight. The proposed methodology provides collective, shared financial benefits for stewards but the trade-off is the loss of precision in determining an individual steward's fee.
4.	Please clarify using the average of one pre-COVID year and one post-COVID year, as a percentage of total. Does that mean the steward cost will generally be a simple average of those 2 years? Or how that might vary based on a percentage of total?	<p>The simplest way to answer your question is to explain how the proposed methodology would work. There are three steps:</p> <ol style="list-style-type: none"> 1. extract the invoiced fees including adjustments for each steward for invoice years 2021 and 2022 from the SO database 2. calculate the invoiced fees by year as a percentage of the total SO budget for 2021 and 2022 3. average the two percentages to set the fee percentage for 2023 – 2025. <p>For example, if steward “A” was invoiced \$402,000 in 2022 and the total budget was \$167.5 million, the corresponding percentage would be 0.24%. If the percentage for steward “A” for 2021 was 0.20%, its fee would be 0.22% of the Stewardship Ontario budget for each of 2023, 2024 and 2025. $((0.20\%+0.24\%)/2)$. Note that there could be minor</p>



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		adjustments to the percentage based on stewards entering and exiting the marketplace.
5.	We have not reported yet on a post-covid year so how do you average it?	<p>The confusion in using the "pre" and "post" covid terminology was an error on Stewardship Ontario's part. In calculating the fee percentages, it would have been more accurate to say we were averaging the fee percentages based on steward sales reporting for the calendar year immediately prior to the pandemic (2019) and the calendar year that followed (2020).</p> <p>For clarity, when invoicing stewards in 2021 (invoice year), we base this on reports submitted in 2020. Reports submitted in 2020 reference sales data from 2019. Our proposal, therefore, references the invoice years 2021 and 2022 which are based on sales data from 2019 (pre-COVID) and 2020 (COVID).</p>
6.	Which two years would be used for calculating the Fee (%) for 2025? What will be the covid and non-covid year for 2025? So, once calculated, will it be constant for the next three years?	<p>The years used to determine the baseline fee will be fixed as invoice years 2021 and 2022. The percentage cannot be adjusted subsequently as stewards will not report – and therefore Stewardship Ontario will not have the material tonnage data. Put simply, stewards will pay the same baseline fee percentage for all of 2023, 2024 and 2025, subject to any minor adjustments for entering and exiting stewards. If, from our prior example, you were assessed 0.22% of the Stewardship Ontario budget, this 0.22% would be used when determining your share of the 2023, 2024 and 2025 SO budgets.</p>
7.	Why would we not use 2019 and 2021 sales data as the average?	<p>Stewardship Ontario evaluated several different techniques and data scenarios in developing the simplified fee methodology. Those scenarios included eliminating the 2020 report year of 2019 data - the year most impacted by the pandemic. However, by comparing fee percentage forecasts against actual values it was determined that averaging the historical percentages for 2020 and 2021 report years of 2019 and 2020 data respectively, provided the fairest results.</p>



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8.	How do we know whether the simplified approach and the existing approach do not have any material impact on the fees that will be paid going forward?	Each steward situation is unique, but it is impossible to know at this time if implementing simplified fee setting would materially affect a steward's future fees. For example, stewards with businesses that are growing faster relative to the overall growth in the market may end up paying lower stewardship fees than they would have under the current methodology. In contrast, stewards whose market share is declining may pay more.
9.	Do you know what the fee would be at this time? Is there a way to find out what our company's percentage might be?	Stewards can estimate their future fees by calculating and then averaging, their individual fee percentages for each of 2021 and 2022. To do this a steward would divide their fees by the total Stewardship Ontario budget for the corresponding year. You would do this by referencing your invoices available via the WeRecycle Portal and the Stewardship Ontario budget published in the Annual Report to Stewards. These two percentages would then be averaged to produce a future fee percentage. That percentage is essentially fixed for the remainder of the Blue Box transition, save minor adjustments for entering and exiting stewards. Stewards could then estimate their fees for the transition period by multiplying the percentage by the projected Stewardship Ontario budget for a selected year (available in the webinar presentation). However, as a caution, municipal and First Nations recycling program cost increases could affect the accuracy of the estimate as could changes in the end markets for recovered materials.
10.	Would this change the current fee setting methodology used by colleges and universities who currently use a multiplier to calculate their annual obligation?	Yes, the fees paid by colleges and universities in the baseline years would be used to determine their fixed, fee percentage for remainder of the Blue Box transition and there would be no need to calculate your tonnages using a multiplier or other method.
11.	Could the information we report to RPRA be used by SO as an additional factor to allow fairness for all stewards?	No, that information submitted to RPRA is confidential (as per RPRA's Access and Privacy Code) and will not be shared with Stewardship Ontario. Once the fee percentage is fixed the only routine adjustments will be to account for the small number of stewards entering or exiting



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		the market over the course of a year. The data reported to RPRA follows the requirements of the new Blue Box Regulation, and is not comparable to the data reported to SO.
IMPACT OF COVID ON FEE SETTING		
12.	Our normal operations are not back to post covid, even in 2022. How does the proposed simplification recognize this?	We appreciate that the pandemic continues to have an impact on steward supply data, both positive and negative, and that it will take time for business to reach a "new normal". Stewardship Ontario evaluated several different techniques and data scenarios in developing the simplified fee methodology. Those scenarios included eliminating 2020 report year of 2019 data- the year most impacted by the pandemic. However, by comparing fee percentage forecasts against actual values we concluded that averaging the historical percentages for 2020 and 2021 report years is the approach most likely to approximate steward experience over remaining period of transition. Achieving the shared benefits for simplified fee setting requires that as much as possible a common approach be used for all stewards.
13.	You mentioned a pre-covid year and a post-covid year, however we have yet to reach a post covid year given the current circumstances. How can that be adapted?	The confusion in using the "pre" and "post" covid terminology was an error on Stewardship Ontario's part. In calculating the fee percentages, it would have been more accurate to say we were averaging the fee percentages based on steward sales reporting for the 2020 report year immediately prior to the pandemic (2021 invoice year reporting 2019 sales data) and the 2021 report year that followed (2022 invoice year reporting 2020 sales data).
ENTERING / EXITING STEWARDS		
14.	Has SO considered implementing a True-up at the end of each Fee year, to reflect any adjustments from exiting or entering stewards that have occurred after each steward's share has been calculated?	Actually, that will be done, with the true-up applied to the baseline fee percentages for the following year. Stewardship Ontario's research showed that the net impact of entering and exiting stewards is extremely small so any change to a steward's baseline percentage should not be material.



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DIVESTITURES / ACQUISITIONS		
15.	<p>What happens if a line of business has been sold during this time impacting the value of our average? Will the proposed averaging take these kind of significant changes into account?</p>	<p>If simplified fee setting is implemented, Stewardship Ontario will introduce a policy to adjust the 2020 and 2021 fee percentages where a material acquisition or divestiture has taken place. At a high level, the policy will require that offsetting adjustments be made to the historical fee percentages of the seller and the buyer for the impacted year. As such, it will require that the seller and the buyer submit relevant data to Stewardship Ontario. The data and the results of any adjustment will be used solely to calculate the simplified fee percentage for the remaining transition period, and not for any other purpose.</p>
ABILITY TO OPT OUT		
16.	<p>Will the process allow some companies to enter into the fee simplification process and for others to not to enter into the process? Or once a majority of companies vote for the fee simplification process then would all companies have to participate whether they were originally in favor of the fee simplification process or not?</p>	<p>If Stewardship Ontario receives the necessary steward support for implementing the proposed fee setting methodology, the change would affect all companies. There is no provision for stewards to opt out. The current methodology is a relative-share model that depends on all stewards submitting their obligated tonnage by material type so that fee rates can be calculated for each material. 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.</p>
DATA SUBMISSIONS		
17.	<p>If we agree to the Simplified Fee Setting, can you confirm the reporting requirements for 2022?</p>	<p>If Simplified Fee Setting is implemented, stewards would no longer report their obligated material tonnage to Stewardship Ontario. More specifically, the report on 2021 supply data currently due in May 2022 would not be required.</p>
18.	<p>We may save some money with this new methodology. However, how are we saving time since we still have to report our data to RPRA? After the exit of Stewardship Ontario in 2025 who will we be reporting to going forward?</p>	<p>Since the Blue Box Regulation came into force in July 2021, stewards have been required to confirm their obligations to report to both Stewardship Ontario and RPRA through the transition period. The RPRA reporting format is expected to be different from the one used by</p>



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		Stewardship Ontario. Stewards may realize internal time and cost savings with the elimination of the Stewardship Ontario reporting stream. We recommend you contact RPRA for more information on their format and producers' reporting requirements.
19.	Will we still need to report into BC, SK and MB if the Stewardship Ontario fee proposal goes through?	Yes. The reporting change affects Stewardship Ontario only.
CURRENTLY EXEMPT STEWARDS		
20.	If at present we submit reports, but are exempt from paying at the moment, how does this affect us moving forward?	Stewards who were exempt from paying fees in both of the baseline years, will continue to be exempt moving forward.
FREE RIDERS		
21.	What about stewards who have been selling in Ontario for numerous years, but have never submitted a report? How will they be handled in this scenario? Will SO try to get contributions from the free riders from e-commerce generators?	The process used to identify and bring non-compliant stewards into compliance will continue, with support from the Resource Productivity and Recovery Authority. This would not change with the introduction of the simplified methodology.
TRANSITION TO INDIVIDUAL PRODUCER RESPONSIBILITY (IPR)		
22.	Since SO is dissolving (eventually) and stewards are required to sign with a PRO, when can we transition to the new PRO? Do we need to wait until SO is done before we move?	Stewards are obligated to Stewardship Ontario until the process of transition is complete. When the Blue Box Regulation came into force July 2021, stewards were obligated to determine whether or not they had registration and reporting requirements as producers to RPRA. During the transition period, an entity will need to fulfill their reporting obligations as a steward under SO and a producer under RPRA. Post-transition, reporting obligations for all entities will be only as producers to RPRA. Both programs will operate during the transition process, meaning stewards/producers are responsible for reporting/paying fees to both SO and RPRA during that time. Producers who wish to learn more about working with a PRO to meet their obligations under the new regulation can visit RPRA's website



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23.	If we are part of the first municipality group to transition, how does our fixed fee change? Is it defaulted to 0 and switched to the Blue Box programs fee setting?	<p>Today, the SO Blue Box program helps collectively fund recycling across the province. Steward fees are allocated to participating municipalities and First Nations regardless of whether a steward's products enter the recycling stream in that jurisdiction. This principle will continue as the Blue Box program transitions to Individual Producer Responsibility (IPR). As municipalities and First Nations exit the current program, the corresponding requirement on stewards to fund those communities through their SO fees is eliminated. At that point, the financial responsibility for operating recycling programs shifts to individual producers, the vast majority of whom will be registered with Producer Responsibility Organizations.</p> <p>As long as any municipalities or First Nations remain in the SO program, stewards are required to proportionally support those communities with their SO fees. Please contact RPRA for information on producer obligations under the RRCEA.</p>
EXPECTED STEWARDSHIP ONTARIO COST SAVINGS		
24.	How much money is SO expecting to save on program management expenses with the proposed change? Is there a ballpark estimate of the amount the fee budget would decrease?	Stewardship Ontario is finalizing the expected value of program management cost savings, should simplified fee setting be implemented. We do not have an estimate to share at this time, as we continue to assess the cost of implementation, and what services we would continue to require under the simplified model.
25.	Since we will have to report to RPRA no matter what, there are minimal cost savings on the steward's side. Therefore, the main saving remains at SO, and we would need to understand the magnitude of the savings before being able to evaluate and support the proposal. What does savings mean?	<p>As shown in SO's annual reports for the last three years, the value for all program management costs is about 4% of the total budget. Fee setting and steward reporting are major components of these costs and we expect that simplified fee setting would generate significant savings, but the overall impact from an individual steward perspective would be more modest.</p> <p>It is important to note also that there can be significant differences between what stewards are required to report to SO and what they are required to report to RPRA.</p>



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PACKAGING REDUCTION / WASTE REDUCTION		
26.	<p>Is there an incentive to reduce waste in this methodology? Doesn't the simplified approach disincentivize stewards from making sustainable packaging changes which is contrary to the intention of moving to circular economy approach?</p>	<p>Efforts to improve the sustainability of packaging and reduce waste are applauded and would likely provide cost, production, and marketing benefits to your company and benefits to the environment. Unfortunately, it is not possible for Stewardship Ontario to take into account waste and packaging reductions occurring after the introduction of simplified fee setting.</p>
RECOVERY RATE CALCULATIONS / WASTE AUDITS		
27.	<p>Under the proposal, what would happen to annual recovery rate calculations and what do you mean by "enhanced waste audits" referred to in the consultation paper?</p>	<p>The annual recovery rate calculation would continue if the simplified fee methodology is introduced. As you may be aware SO is mandated to use generated tonnes when calculating its recovery rate. Generated tonnes are estimated using previous curbside audits, some of which are dated. The enhanced waste audits referred to in the consultation paper would be a new set of audits conducted at a selected set of municipalities and aimed at characterizing the changing material composition of the Blue Box.</p>
MISCELLANEOUS		
28.	<p>How do I find out my company's standing with SO?</p>	<p>Please contact National Steward Services at Canadian Stewardship Services Alliance (CSSA) to find information on your current company's standing with Stewardship Ontario: stewards@cssalliance.ca or 1-888-980-9549</p>
29.	<p>I already received my 2022 obligation invoice and it is due on January 31, 2022.</p>	<p>Simplified fee setting is proposed for the 2023, 2024 and 2025 invoice years. Your 2022 obligation which is based on your reported sales for 2020 is not affected.</p>
30.	<p>How will you treat in-kind contributions from newspapers?</p>	<p>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 free advertising to support the Blue Box program which has a positive impact</p>



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		<p>on Ontario municipalities. Given the unique 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.</p>
DECISION TO PROCEED		
31.	<p>How do you define strong enough consensus? Has SO considered using a formal voting process rather than just judging based on answers?</p>	<p>Stewardship Ontario believes that strong steward support is the necessary precursor to implementing the simplified fee setting approach. After careful consideration, Stewardship Ontario decided that the simplest way to measure support was to poll stewards directly using a survey. That survey was included with the webinar invitation and stewards have been subsequently provided with additional opportunities to respond. The deadline for responses is January 13. Should Stewardship Ontario decide to recommend the simplified approach, its rationale will be shared with stewards when the proposal has been submitted to RPRA.</p>
DECISION TIMING		
32.	<p>Realistically, when will a final decision be announced? With the RPRA consultation that would likely bring us close to April/May. We have to start preparing our reports much earlier than that.</p>	<p>Stewardship Ontario has engaged with RPRA throughout the development of the simplified fee setting proposal, so that the next stage of the decision-making process can be expedited as quickly as possible, ideally before the end of February.</p>