

4. Program Development Process (September 2002 – February 2003)

4.1 Establishment of an Industry Funding Organization

In response to a request from the Minister to submit a waste diversion program for Blue Box wastes, the WDO on September 24, 2002 directed that an IFO be incorporated as per Sections 23 and 24 of the WDA. As a result of this directive, Stewardship Ontario Inc. applied for incorporation on November 6, 2002.

The Founding Members of Stewardship Ontario are:

- Food and Consumer Products Manufacturers of Canada Tim Moore, President
Clorox Canada
- Canadian Council of Grocery Distributors Geoff Wilson, Vice-President Industry and Investor Relations
Loblaw Companies Limited
- Refreshments Canada Jeff O'Neill, President
Pepsi-Cola Canada Beverages
- Retail Council of Canada Diane Brisebois, President
Retail Council of Canada
- Canadian Paint and Coatings Association/
Canadian Consumer Specialty Products Association Ron Hoare, Vice-Chair, CEO
Para Paints Ltd.
- Liquor Control Board of Ontario Andrew Brandt, Chair
Liquor Control Board of Ontario
- Canadian Newspaper Association Anne Kothawala, President
Canadian Newspaper Association

The founding By-laws of the corporation are included as Appendix V.

Upon approval of the Blue Box Program Plan and expansion of the membership of the corporation, the composition of the Board of Directors and the by-laws of the corporation will be modified as outlined in Section 9.18.

4.2 Establishment of an IFO Secretariat

On September 24, 2002, the WDO further directed that:

- The designated IFO for Blue Box wastes take the lead in the development of a Blue Box Program Plan sufficient to meet all of the obligations and requirements outlined in the WDA and in the Minister's Program Request Letter; and

- This work be completed within a timeframe to allow the WDO to fulfill the Minister's request that a WDO approved Blue Box Program Plan be submitted to him no later than February 28, 2003.

To fulfill the requirements, the Board of Directors of Stewardship Ontario retained CSR: Corporations Supporting Recycling to serve as the Secretariat to the Corporation for the purposes of:

- Completing the incorporation and development of Stewardship Ontario;
- Developing the Blue Box Program Plan within the terms and conditions outlined in the WDA and the Minister's Program Request Letter;
- Completing the start up work required to support implementation of the plan in a timely manner;
- Implementing the approved Blue Box Program Plan; and
- Discharging the obligations of the members of the corporation under the WDA at the lowest possible cost.

To expedite the development of the Blue Box Program Plan for review by the WDO, Stewardship Ontario and WDO agreed to establish a Task Group made up of representatives of the Association of Municipalities of Ontario (AMO) and the IFO (Stewardship Ontario) (i.e., the AMO/Stewardship Ontario Task Group) to address key requirements of the Program Plan before submitting a draft document for review by the WDO Board.

4.3 AMO/Stewardship Ontario Task Group

The AMO/Stewardship Ontario Task Group of ten voting members was established on October 12, 2002. The Task Group was co-chaired by one representative from AMO and one representative from Stewardship Ontario. Stewardship Ontario and AMO each appointed five members to the Task Group and each was permitted three observers at each meeting.

The mandate of the AMO/Stewardship Ontario Task Group was to reach agreement on key Blue Box program development issues before a draft Program Plan was to be submitted to the WDO Board for approval. It was also agreed that the continuation and mandate of the AMO/Stewardship Ontario Task Group would be reviewed once the Blue Box Program Plan was submitted.

A Letter of Understanding regarding the terms of reference for this group was subsequently prepared by both parties (completed on October 12) to outline the principles, procedures and workplan for the group (Appendix VI).

Seven meetings of the Task Group were held between October 2002 and January 2003.

The AMO/Stewardship Ontario Task Group identified ten core issues stemming from the WDA and the Minister's Program Request Letter. Every effort was made to reach consensus on all issues:

- (1) Agreement on calculation of the 50% of net municipal Blue Box program operating costs, including the effective date of that funding to be used for the first year of the program.

- Status:*
- Agreement on 50% net cost calculation completed;
 - Results presented to WDO Board October 29; and
 - The final decision on the date of industry obligation is with the Minister.
- (2) Agreement on methodology and procedures for Effectiveness and Efficiency Fund to meet the Minister's request for a research and development program.
- Status:*
- Initial design completed by Task Group and approved in principle by the Stewardship Ontario Board on October 23, 2002; and
 - Fund outlined further in Section 6.6.
- (3) Municipal Funding Allocation Model.
- Status:*
- Completed;
 - AMO and Stewardship Ontario funded an update of the original model developed through the Interim Waste Diversion Organization; and
 - The revised model was presented to WDO Board on October 29, 2002.
- (4) Development of the overall program and material specific recovery targets for the Blue Box Program Plan.
- Status:*
- Completed;
 - AMO/Stewardship Ontario targets subgroup established and recommended a "Recycling Rate" measurement approach; and
 - Recommended approach to targets contained in Section 6.2.
- (5) Education and Public Awareness activities to support the Blue Box Program Plan.
- Status:*
- Summary of Education and Awareness activities contained in Section 6.5; and
 - Agreed that WDO has lead responsibility for management of this aspect of the program, including oversight by CNA and OCNA and \$1.3 million advertising contribution.
- (6) Letter of Understanding between AMO and the Industry Funding Organization (Stewardship Ontario).
- Status:*
- Completed October 12, 2002; and
 - Contained in Appendix VI.
- (7) Agreement on methodology and procedures for calculating net municipal Blue Box program operating costs in subsequent years.
- Status:*
- Principles for future calculations agreed upon and presented at October 29 WDO Board meeting; and
 - Design and data collection procedures are contained in Section 7.
- (8) Agreement on principles and implementation of the CNA/OCNA in-kind advertising program.

- Status:*
- Program options reviewed at Stewardship Ontario Board meeting on November 20, 2002;
 - AMO-CNA/OCNA subgroup formed to design 2003 Program Plan; and
 - The plan design is contained in Section 6.5.3.

(9) Institutionalizing AMO's participation in key Stewardship Ontario functions.

- Status:*
- An agreement reached to establish a permanent AMO-Stewardship Ontario committee of WDO as outlined in Section 5; and
 - AMO also to be represented in Efficiency and Effectiveness Fund process.

(10) An agreement on principles and implementation of the distribution of funding to municipalities of Stewardship Ontario collected stewardship fees.

- Status:*
- Completed as outlined in Section 6 and Section 7.

4.4 Industry Consultation Program Process and Findings

As directed by the WDO, to ensure the necessary input to the plan's development from key stakeholders, Stewardship Ontario undertook three separate consultation processes:

- An industry consultation process;
- A municipal consultation process; and
- A public consultation process.

This section examines the industry consultation process.

The industry consultation process carried out by Stewardship Ontario was designed to inform, consult with and take into account comments from industry stakeholders that will be affected by Ontario's *Waste Diversion Act, 2002*.

The industry consultation process that was approved by the Stewardship Ontario Board was comprised of several elements:

- Establishment of two Stewardship Ontario Advisory Committees: Materials and Packaging Advisory Committee (MPAC) and Data and Reporting Advisory Committee; and two subcommittees of MPAC: Activity Based Costing Subcommittee and Printed Paper Subcommittee;
- Design and launch of a new website and the production of a postcard to announce the site;
- Notice to CSR Members through CSR's *Quick Facts* electronic newsletter;
- Press Release to Industry and Retailers Associations;
- Letters and Postcards to Stewardship Ontario Database;
- Press Release to Ontario and National Business Media;
- Workshop Program (December 3, 2002 workshop and January 16, 2003 workshop);
- Webcast Program (December 17, 2002 webcast and January 16, 2003 simultaneous webcast); and
- Direct Responses to Comments and Questions submitted to Stewardship Ontario on the draft Blue Box Program Plan.

Details on each of these industry consultation process elements are contained in Appendix VII. The concerns expressed by industry to the proposed Blue Box Program Plan can be broadly categorized into four main areas: process concerns, concerns about the fee setting methodology, compliance costs/*de minimis* issues and concerns about the overall program costs (and cost control mechanisms).

4.4.1 Process Concerns

There are two related parts to the process concerns: a lack of adequate consultation on the Plan and a lack of time to review and comment. Many industry representatives have been critical about the lack of time to fully understand, prepare and budget for the Blue Box Program Plan as outlined. Despite the information presented through the website, workshops, webcasts, advisory committees and meetings held with associations and individual companies, a high degree of concern was expressed that the process has been rushed and that it has not been sufficient to allow for effective consultation resulting in a full understanding of the Blue Box Program Plan. There has been a specific concern expressed that the small and medium sized business sector has not been adequately involved (although significant efforts were made to encourage their involvement).

Stewardship Ontario acknowledges these concerns. They stem largely from the direction given by the WDO that a comprehensive draft plan be prepared in time to meet the Minister's request for submission by February 28, 2003 of a WDO-approved waste diversion program for Blue Box waste. As a consequence, stakeholder consultation (for industry and also for municipalities and the general public) has been compressed.

4.4.2 Stewardship Ontario Fee Setting Methodology

Substantial concerns have been expressed about the fee setting methodology outlined in Section 9 of the Plan. Some of the concerns expressed include:

- The formula is complicated and the weightings and amounts have changed over the course of the consultation program;
- Stewards require more details on the reporting requirements, rules and data required to better understand their obligations under the new program;
- Alternatives to the use of 'Activity Based Costing' (ABC) in the model, such as calculating costs on the basis of a uniform 'basket of goods' approach for packaging material fees would minimize potential dislocations in the market;
- Significant concern and debate has centred on whether the brand owner or the supplier should be responsible for reporting and paying fees on in-store and food service packaging;
- Collecting fees on all packaging material types although not all municipal recycling programs collect all packaging materials;
- The cost allocation used between printed paper and packaging appears intuitively unfair to packaging stewards; and
- A misunderstanding that the formula is a weight based formula.

The development of the fee setting methodology has been a very fluid process, in large measure because of extensive discussion and comment that has taken place around this key

element of the Blue Box Program Plan. Extensive consultation around numerous alternative approaches and scenarios has been undertaken.

The methodology outlined in Section 9.10 of the Plan, the principles, impacts and weightings, have been reviewed and approved by the Stewardship Ontario Board as being the fairest way identified to date to allocate costs among stewards. The definitions of Stewards in Section 9.3 have been modified to more clearly define the hierarchy of stewardship responsibility. The presentation of the fee setting methodology has left some participants with the misunderstanding that it is a weight-based formula whereas, in fact, the formula includes three separate factors (recovery rate, net cost (based on ABC protocols), and an equalization factor). The levy (Table 9.5) is simply expressed in terms of cents per kilogram.

4.4.3 *De minimis* and Compliance Cost Issues

A considerable number of industry comments received by Stewardship Ontario relate to the principles and financial implications of *de minimis* levels set out in Section 9.4, and the issue of non-compliance. Common comments include:

- The requirement for a *de minimis* violates the principle of a level playing field. Stewards do not want to pay for competitors who fall below the *de minimis*;
- Organizations such as the CFIB have strongly advocated that the *de minimis* level set out in Section 9.4 is too low and will have a negative impact on small and medium businesses;
- By contrast, most other stakeholders who recognize they will be obligated either state the *de minimis* level is too high or oppose a *de minimis* provision at any level; and
- The provision for some non-compliance in the fee calculation raises fee rates for all participating Stewards and the financial impact of any non-compliance should be shared with municipalities or absorbed by the provincial government.

Given the opposing views expressed, Stewardship Ontario recognizes that this is a difficult issue to come to consensus on. However, the Minister's Program Request Letter to the WDO expressly required a *de minimis* provision. The process approved by the Stewardship Ontario Board and described in Section 9.4 was developed through consensus building in the Data and Reporting Advisory Committee.

The fee setting methodology presented through the industry consultation process and in the first draft of the Program Plan included variable material compliance rates. This was to reflect the challenge of planning for the fiscal obligations of Stewardship Ontario to municipalities when the level of compliance in the first year of the program was projected to range between 60 to 80 per cent among categories of stewards. The impact of the variable compliance rates on an overall Stewards obligation ranged between 20 and 30 per cent. While it was explained that overpayments in the first year would be credited back to Stewards in future years, it became evident from comments received that this approach was not supported. Stakeholders opposed the concept of compliant Stewards paying a premium in the first year to cover non-compliant parties. As a result of these comments, Stewardship Ontario's revised approach allows for a total of 10 per cent of combined *de minimis* and non-compliance, resulting in a general lowering of material levies. This is further described in Section 9.10. It should be noted that overall program enforcement and compliance allocation was increased substantially in the program implementation plan as described in Section 8.2 to ensure the highest possible compliance in Year One.

4.4.4 Program Costs

Significant concerns have been expressed with regard to the projected total program costs as well as the projected costs to specific materials, industry sectors and individual companies. Some of the key criticisms include:

- Industry is responsible for 50% of the program costs but has no direct control over what costs are incurred by municipalities;
- The introduction of municipal indirect costs into the proposed funding calculations represents an entirely new area of costs not previously identified, that are highly variable, imprecise, difficult and expensive to monitor, audit and confirm;
- Costs that result from inefficient programs, failure to secure reasonable market revenues for recovered materials and excessive profits of private contractors should not be charged to Stewards;
- There must be more transparency in the calculation of municipal costs and enhanced program resources to audit these costs and to promote the adoption of best practices;
- Embedding responsibility for functions such as consultation, promotion and education within the WDO represents a potentially uncapped liability; and
- A requirement for all Stewards to complete detailed packaging audits would increase overall compliance costs and undermine existing industry support for the program.

As both Stewards and municipalities contribute 50% of the net cost of recycling, both have a shared concern about future recycling program costs and a shared interest in managing those costs. The Blue Box Program plan has a significant investment in market development to help reduce future net costs (described in Sections 6.4 and 8.2 of the Plan). The plan details how program reviews will be encouraged to identify program improvements and potential savings (Section 6.3). Additional work has also been done to balance how the Effectiveness and Efficiency Fund (as described in Section 6.6) can increase diversion and also drive costs out of the system.

4.4.5 Plans for Future Industry Consultation and Planning Processes

The Plan sets out rules and procedures for changing rules. WDO can direct Stewardship Ontario to consult on issues of substantive change. If so directed, the following process will be implemented:

- Affected industries will be alerted of changes or additions to the Plan through direct contact and through their respective industry associations and media;
- Pertinent information will be made accessible on the Stewardship Ontario website in advance of the consultation 'event';
- The event will take place at a Toronto area conference centre and/or via a webcast;
- The proceedings of the event will be archived on the Stewardship Ontario website for those unable to attend a live event;
- Questions will be received via the website and responded to via e-mail during the consultation period;
- Comments will be received by Stewardship Ontario in writing via regular mail or via e-mail; and
- Comments will be taken into consideration in the drafting of a revised Blue Box Program Plan.

Beginning in the second quarter of 2003, Stewardship Ontario will undertake an extensive 'steward recruitment' campaign aimed at reaching a minimum 95% of obligated companies and registering them as 'stewards' obligated under the *Waste Diversion Act*. Stewards will be reached through three levels of communication:

- Direct contact by Stewardship Ontario Membership Services staff (using Stewardship Ontario's database);
- Contact through each potential steward's respective industry association (mailing lists, newsletters, annual general meetings and conferences, etc.); and
- Contact through a Stewardship Ontario industry, stakeholder and public media awareness campaign. For ease of use, recruitment materials will be in both electronic and print formats. Registration will be undertaken online through the Stewardship Ontario website.

Stewardship Ontario communications and website will change in nature and content from a 'consultation' site to a 'recruitment' site in the second quarter of 2003. As the year progresses, it will evolve to also provide membership communications. Various secondary printed communication tools will supplement Stewardship Ontario Industry, Stakeholders, Government and General Public communication activities. The effectiveness of the organization's ability to meet Stewards' needs and communications will be closely monitored and periodically surveyed to promote solid long-term relationships with obligated companies.

4.5 Municipal Consultation Program Process and Findings

AMO, on behalf of Stewardship Ontario and the WDO, conducted a series of municipal consultation sessions to provide an update to municipalities on the WDO process and to obtain feedback from Ontario's municipalities on key elements of the Blue Box Program Plan.

AMO engaged the services of the Association of Municipal Recycling Coordinators (AMRC) and the Municipal Waste Integration Network (MWIN), the two associations that represent most of the municipalities operating Blue Box programs in Ontario, to organize and facilitate the consultation sessions. A total of six consultation sessions and one teleconference were held (see Appendix VII for details).

In total, 199 municipal representatives from 111 municipalities attended the six consultation sessions. A summary of the feedback from the six municipal consultation sessions is presented below. Copies of all comments received and the full summary report from the municipal consultations are available on the AMO website. Municipalities expressed concern in six different areas: total net costs in year one; Municipal Funding Allocation Model; Effectiveness and Efficiency Fund; waste diversion targets; CNA/OCNA funding contribution; and public education and awareness.

4.5.1 First Year Total Net Costs

There was general support from the municipal consultations for the principles and methodology developed by the AMO/Stewardship Ontario Task Group to determine the gross cost of municipal Blue Box waste management systems in future years (See Section 7.1). There was also general support for the concept of using a three-year rolling average for the calculation of gross material revenue. Rural municipalities and municipalities in eastern and northern Ontario expressed concern that the negotiated first year gross and net cost calculations were too low.

The process used to determine the first year gross and net costs (See Section 7.1) resulted in an average gross cost of \$185 per tonne, and a net cost of \$90 per tonne. During the municipal consultation sessions, it was noted that real gross costs in eastern, northern and rural municipalities ranged between \$250 and \$400 per tonne and real net costs ranged between \$185 and \$210 per tonne. The methodology for calculating total net costs in the future will address this concern (i.e., Section 7.3.4 of the Plan).

Municipalities also expressed concern about the difference in gross revenue estimates originally put forward by AMO and Stewardship Ontario. As part of the 2003 Datacall, to better understand revenue patterns, municipalities will be requested to provide their actual received gross revenue figures for the years 2000, 2001 and 2002.

4.5.2 Municipal Funding Allocation Model

While there was general support for the concepts that underlie the Municipal Funding Allocation Model (MFAM) (Section 6.7), most municipalities attending the consultation sessions expressed general disappointment, particularly those municipalities in Northern and Eastern Ontario, regarding the per tonne amount of funding they would receive in Year One under the model. While real net costs in the northern programs, for example, range between \$185 and \$210 per tonne, the model is providing between \$52 and \$62/tonne in funding, despite the density, slope and revenue discount factors built into the model to address this issue. AMO has brought together a group of municipal representatives to review the model to determine if other adjustments can be made in future years to address the issue of funding for northern municipalities. Future plans for updating the model are described in Section 6.7 of the Plan.

In some municipalities the level of funding will be lower than 50% of their net cost as they have a higher level of service (i.e., weekly collection programs are inherently more expensive than biweekly collection programs). While not specific to the model parameters, concerns were also expressed over the reduction in availability of first year municipal funding levels brought about by the negotiated first year net program cost calculation and the impact of the Minister's Program Request Letter (Appendix II) that funding rules must account for voluntary in-kind contributions from CNA/OCNA.

The municipalities were also concerned that the allocation of funding to each municipality be open and transparent. The agreement to have the WDO responsible for the administration of the funding allocation model and to post individual municipal payments on the WDO and Stewardship Ontario websites will ensure that this is the case.

4.5.3 Effectiveness and Efficiency Fund

During the Interim Waste Diversion Organization, municipalities supported in principle the concept that ten per cent of the funding to be raised from industry in support of Blue Box programs would be used to improve the effectiveness and efficiency of the Blue Box programs. During the current round of municipal consultation sessions, many comments were received indicating that ten per cent of the funding from industry to commit to effectiveness and efficiency is too much, and that there should be a cap on the fund. There were many reasons put forward to support a reduced commitment of funding for effectiveness and efficiency. From small rural and northern municipalities there was a concern that the funding would all go to large urban municipalities with the staff resources to submit applications. From large urban municipalities there was concern that, as there has been significant investment over the years to improve the effectiveness and efficiency of Blue Box programs there were an insufficient number of projects

that could be funded. Many felt that the money would be better spent on public education and awareness activities to increase participation and waste diversion rates, or to help small municipalities implement curbside recycling collection programs.

There were also questions raised around the funding priorities, screening criteria, and approval processes for applications under the Fund. Stewardship Ontario will continue to work in partnership with AMO in the development of the details of the Effectiveness and Efficiency Fund in order to address the issues raised and will work closely with municipalities when the details of the Fund are completed. Details of how this will be accomplished are outlined in Section 6.6 of the Plan.

4.5.4 Waste Diversion Targets

Municipalities were presented, for review and comment, three tonnage based waste diversion targets, including a scenario based on a recovery rate of 1,000,000 tonnes. Generally, there was little municipal support for an aggressive recycling target. There was overwhelming municipal support for the concept of measuring waste diversion using a recycling rate formula (i.e., total quantity diverted divided by total quantity generated) as opposed to a tonnage based formula. Many municipalities noted that they already calculate their diversion in this way, and that this approach also captures changes made in packaging types and weights over the term of the Plan. The issue of targets is discussed in detail in Section 6.2 of the Plan. Most of the comments received on this topic, however, related to Regulation 101/94, and specifically Parts I and II of Schedule 1 to the Regulation. It was noted that boxboard, corrugated containers, telephone directories, fine paper, magazines, and high density polyethylene bottles should be considered for removal from the supplemental list in Part II of the Schedule and placed on the mandatory list in Part I of the Schedule, and perhaps be further supported by investigating a province-wide ban on the disposal of these materials. It was further suggested that expanded polystyrene and plastic film should be considered for removal from Schedule 1 altogether or, as an alternative, that industry should look at establishing their own waste diversion systems to manage these two materials.

There were also many comments regarding coloured glass. Some felt that it should perhaps be delisted from the Schedule. Others said it should be considered a supplemental material and moved to Part II of the Schedule. Another alternative put forth suggested that the capping of LCBO funding might act as a disincentive for further change in the management of glass. These comments have been forwarded to the Waste Management Policy Branch of the Ministry of the Environment for their consideration.

Finally, questions were asked about the enforceability of the targets and the costs to achieve the targets. It was stated that it should be recognized that the net cost of the system will increase as higher diversion rates are achieved.

4.5.5 CNA/OCNA Contribution

It was noted during the municipal consultation sessions that few municipalities use newspaper advertising as a regular part of their Blue Box public awareness and education programs. As an alternative, municipalities suggested that the CNA/OCNA contribution should cover distribution costs for flyers, newsletters or other inserts, as well as for newspaper advertising. Many municipalities also noted that standard newspaper advertisements are not effective in either increasing participation in Blue Box programs or improving recovery rates. They indicated that targeted and municipality specific advertisements are required in place of generic advertising,

and that resources are required to hire staff for direct public outreach. As such, many municipalities questioned the value of the CNA/OCNA contribution towards increasing diversion or lowering costs.

These issues were raised with CNA/OCNA and many of them have been addressed as part of the allocation and administration of the CNA/OCNA contribution (See Section 6.5).

4.5.6 Public Education and Awareness

During the consultation sessions, municipal recycling program coordinators noted that the funds available in their budgets for public education and awareness have been reduced in the past five years as a result of pressures from Council and needs in other service delivery areas. They suggested that WDO or the Ministry of Environment (MOE) should spend dollars on recycling public education and awareness campaigns across the Province. It was also noted that communication and education programs can only go so far; that other motivators are required to increase diversion. The motivators might include, for example, tax incentives to encourage recycling, bag-tags, bag-limits, mandatory recycling, or other tools to enforce recycling. The Stewardship Ontario plan for public education and awareness is described in Section 6.5.

4.6 Public Consultation Program Process and Findings

The goal of the public consultation program was to provide an opportunity for people from across Ontario to contribute their ideas and opinions to the Blue Box Program Plan. Stewardship Ontario was responsible for funding the public consultation program and retained the Recycling Council of Ontario (RCO) to conduct the consultation. RCO subcontracted the facilitation support for the project. A steering committee was formed to oversee the process and included representatives from AMO, the Stewardship Ontario Board, Waste Diversion Ontario and Stewardship Ontario secretariat staff.

The core elements of the public consultation process were:

- Public open houses and workshops (in Thunder Bay, North York, London and Kingston, Ontario);
- Stakeholder workshops (in Toronto and Guelph with the general public also invited);
- RCO and Stewardship Ontario websites;
- Responsive newspaper advertising in selected community newspapers;
- CBC Radio 'Ontario Today' phone-in program; and
- RCO supported fax, e-mail and telephone responses.

Details are contained in Appendix VII regarding each of these public consultation program elements. Summarized below are the four main areas (i.e., recycling rate; blue box performance; education and public awareness; and Northern Ontario issues) where the public made comments to the draft Blue Box Program Plan.

4.6.1 Recycling Rate

- Strong consensus that this is an appropriate performance measure;
- A statistically valid method of sampling and auditing, that accounts for seasonal variations, is required;

- Focus on existing Blue Box materials, calculate rates for individual materials, and add new materials in future years (i.e., expand the list of mandatory materials to include boxboard (OBB), corrugated containers (OCC) and high density polyethylene (HDPE);
- Target 100% diversion of existing Blue Box materials;
- Reduction at source: targets should also focus on what is generated, not just what is recycled;
- Disposal rates should also be measured;
- Targets should also measure material specific shifts (e.g., from glass to plastics);
- Audits need to allow for measurement of multi-unit residential efficiency, distinct from residential efficiency;
- Recycling rate is a good target at this time. However, with improvements in efficiency, there must be awareness that the marginal costs of capturing remaining materials may be prohibitively expensive;
- Measure the effectiveness of educational programs against the change in the efficiency rate;
- Compare Ontario's recycling rate measure with other jurisdictions around the world;
- Diligence in sharing performance measures with communities and the public; and
- Consider an increase in the number of materials that can be captured and marketed as an additional performance measure.

4.6.2 Blue Box Performance Improvement and the Effectiveness and Efficiency Fund

- Strong consensus that the Effectiveness and Efficiency Fund is a good idea;
- Multi-unit residential (apartments, condominiums, etc.) recycling programs are a high priority, with the suggestion that Ontario could host an international conference to identify and share best practices regarding multi-family dwelling recycling;
- To meet Provincial diversion targets, enable municipalities to develop industrial, commercial and institutional (IC&I) recycling programs;
- Evaluation of programs with bag limits or user-pay systems and their impact on recycling rates;
- Public education programs that measure effectiveness of interventions should be eligible under the fund;
- Local focus groups and public consultation programs to improve municipal systems;
- A competition on Blue Box efficiency and effectiveness between Ontario communities, similar to the international "Communities in Bloom" competition. Rewards to top performing and innovative programs;
- Market development including both traditional materials and new materials;
- The effectiveness and efficiency of Blue Box recycling needs to be continually compared against deposit-return rates;
- Municipal award programs for individuals who use the Blue Box well, or who are community recycling leaders;
- Educational programs and curriculum materials for schools;
- Beyond the Fund, consider business research and development tax incentives or other government incentives to encourage market development, expansion, technology development, incorporation of recyclables into new products, or other diversion efforts; and
- There should be more commonality amongst communities regarding what is recycled in each program.

4.6.3 Education and Public Awareness

- Provide standard, generic promotional materials across the Province, recognizing the variations among communities, i.e., standard icon, print content, radio and television ads, etc.;
- Target youth;
- Hold an Ontario-wide competition among public school and high school students to design a standard icon and related media campaign;
- Work through existing community organizations in a “train-the-trainer” format to maximize resources, tap into community energy, and improve participation among diverse ethnic and cultural communities;
- Use celebrities and testimonials to endorse the Blue Box program;
- Specific education and awareness building programs targeted to multi-unit residential buildings;
- Use electronic messages (including subscription services) employed successfully by some municipalities to advertise local recycling program information;
- More emphasis on social marketing techniques;
- School curriculum materials, inserted into Provincial curriculum if possible;
- Focus on message frequency and consistency, regardless of medium. Halton Region research revealed that message frequency was a far more effective method than the use of any specific medium or message;
- Information and knowledge sharing between municipal councillors and staff across the Province; and
- Encourage ‘EARTH Shop’: Environmental Awareness Through Retail Tendencies and Habits.

4.6.4 Northern Ontario Issues

The open house and stakeholder workshop in Thunder Bay provided an excellent opportunity to learn more about the issues and perspectives of northern stakeholders. Participants noted that people in Northern Ontario are keenly interested in recycling and are strong participants. There was a general consensus that the funding program is appreciated, but the funding will provide only partial assistance to the operation and sustainability of expensive community programs. Curbside collection is challenging, the high cost to transport of materials to distant markets is an impediment, tax bases are generally lower than in the south, and cooperation in collection among small municipalities is difficult because large geographic distances separate them.

Several participants noted that the cessation of provincial operational and capital funding that previously sustained programs has had a major detrimental effect, resulting in program changes and leaving many communities in debt. Some participants felt that the original *Act*, by requiring curbside collection for communities over 5,000 inhabitants, does not recognize the realities of the north. In some communities, a user pay garbage collection service combined with recycling depots is seen as the most effective and efficient method of promoting recycling, however this is prohibited by law (i.e., with populations over 5,000 or for those municipalities under 5,000 that provide curbside garbage collection, they must also provide curbside recyclables collection).

With regard to the Effectiveness and Efficiency Fund, participants suggested that there could be a separate fund pool or award criteria specific to the needs of northern, rural and remote communities. Participants also noted that municipal councillors might require additional opportunities to learn about Blue Box waste diversion so they can be more supportive of local

programs and efforts to apply to the Fund. There was general consensus that the flow of information about best practices and innovations is not directed to the north. Participants need more opportunities to participate in workshops, visit other municipalities to learn directly about other programs, and assurance that learning and information-sharing opportunities will be available in the north.

4.7 Summary of Public Consultation Findings

It is difficult to succinctly summarize the public's comments given the range of opinions expressed. As noted in RCO's report on this project (which will be posted on RCO's website), the public workshops were focused on three main questions. The website/email responses were especially wide-ranging in scope.

The public's comments on the idea of developing and using an Ontario 'Recycling Rate' were very positive. There were a number of other factors that they wanted to have measured. Generally, however, the public felt that the focus on reducing the amount of Blue Box material that is inappropriately disposed into the waste stream from the household was an appropriate target. As with the municipal consultations, many of the public's comments focused on expanding the range of materials that are accepted in their program. On the negative side, some of the public comments indicated that the targets were too low, i.e., far more material should be recycled and far less waste should be produced in the first place. Stewardship Ontario's response to these concerns are contained mainly in Section 6.2 of the report, i.e., there will be a strong emphasis on measuring a number of blue box performance indicators in addition to measuring against the main target as outlined.

With regard to the Effectiveness and Efficiency Fund and ways to improve current municipal operations, the public was virtually unanimous in its support for the idea of a fund but very divergent in their ideas about how the funds should be invested in their community. One unexpected finding was that many of the public participants thought that, as a top priority, the fund should invest in public education and awareness. There was also a clear message that recycling in apartments in cities and additional funding for programs in the north and rural areas should be priority areas. These suggestions, i.e., an emphasis on education and awareness and an emphasis on recycling from multi-family buildings, will be incorporated into the Effectiveness and Efficiency Fund priority considerations for 2004. There was also the suggestion that application procedures should not be so onerous that only big municipalities with comparatively large staff are successful in applying for money.

The education and awareness question invariably led to the most active discussions in all of the workshops. Two of the most common themes were the importance of engaging youth (i.e., the citizens and consumers of tomorrow), and the importance of frequent advertising/messaging regardless of the medium deployed. Again, these insights will support the education and awareness activities that are to be developed through the Public Affairs Committee of WDO.

The final report from the public consultation will be posted on RCO's and Stewardship Ontario's websites.

4.8 Start Up Financing

Start up financing for the IFO was discussed at a special meeting of CSR's Board of Directors in March 2002. At that meeting, funding for start up of the IFO was approved by the Board, with

funds that would be set aside from CSR's existing reserves. As a condition of providing this start up funding, it was also agreed that once the Blue Box Program Plan was approved, operational, and fees generated, CSR members who initially funded the IFO start up would be repaid these funds through credits against their first and second year Stewardship Ontario financial obligation. At its January 8, 2003 Board meeting, Stewardship Ontario approved this borrowing from CSR.

At that time, it was estimated that the IFO start up costs would be approximately \$1.8 million.

4.9 WDO Review and Approval

The Board of Directors of the WDO was kept apprised of the development of the Blue Box Program Plan through reports and presentations made to the Board at its meetings on September 25, 2002 and November 27, 2002.

On January 21, 2003, the WDO was presented with a copy of the Proposed Blue Box Program Plan and provided with a detailed briefing which included:

- A brief summary of the key issues addressed within each section of the plan;
- An identification of outstanding issues on which the AMO/Stewardship Ontario Task Group had not yet reached agreement; and
- Other outstanding issues for which Stewardship Ontario required further direction from the Board.

As a result of this meeting, Stewardship Ontario was directed to continue with discussion and analysis of all outstanding issues with AMO and other stakeholders in order to achieve consensus where possible, or to present the Board with recommendations on these matters. Subsequently, a special meeting of the WDO Board was held on January 29, 2003 at which these issues were discussed. Key policy decisions related to the Blue Box Program Plan taken by the WDO at the meeting and/or subsequently agreed with AMO concluded that:

- The assumed program start date be May 1, 2003, while recognizing that the date of obligation would be the date of approval of the Program Plan by the Minister, which could be earlier or later than this date (Section 7.2.1);
- The LCBO financial contribution to Stewardship Ontario in 2003 would be \$5 million, regardless of the program start date and that Stewardship Ontario would develop rules for allocation of these funds (Section 8.2.4);
- The \$1.3 in in-kind advertising to be donated by CNA/OCNA would be deducted from the 50% municipal net cost calculation in a given program year (prorated to the date of obligation in 2003) (Section 7.1);
- The WDO Board would develop a policy position on the minimum requirements for approval of an ISP (Section 3.2 and Section 10.4);
- In principle, municipal indirect costs would be included in the 50% net cost calculation in future years of the program and that further detailed work on this issue would be completed through WDO's Municipal-Industry Programs Committee (Section 5.4);
- 10% of the annual net cost calculation would be applied to the Stewardship Ontario Effectiveness and Efficiency Fund (Section 6.6);
- Stewardship Ontario would have access to raw municipal program data (Section 6.3.1);
- The waste diversion targets outlined in the draft program plan be adopted as reasonable planning targets, subject to further review and comment by the MOE (Section 4.6.4);

- Powers to undertake municipal program reviews and audits have been established as outlined (Section 6.3.2);
- Provision be made in the plan for use of Sectoral Calculators on an ongoing basis, subject to satisfying MOE concerns respecting the veracity of the data generated (Section 9.8);
- Stewardship Ontario to incorporate procedures for altering the rules outlined in the program plan and to submit all future rule changes to the WDO for approval. The WDO to identify any rule changes that are considered to constitute a "material change" to the Program Plan as per the WDA (Section 9.18); and
- No additional funding required from Stewardship Ontario to support WDO promotion and education initiatives in 2003 (Section 8.2.7).

A revised Blue Box Program Plan was submitted to the WDO on February 14, 2003 and reviewed in detail at the meeting of the Board on February 19, 2003.

The final program plan was approved by the WDO Board on February 19, 2003.