

## 8. Stewardship Ontario Program Delivery and Cost Estimates

### 8.1 Program Delivery Costs

#### 8.1.1 Start up Costs

Start up costs of \$1.5 million were budgeted for the period October 1, 2002 to April 30, 2003. These costs were approved by Stewardship Ontario's Board of Directors on October 23, 2002. Start up costs will be covered by CSR, as approved by CSR's Board of Directors in March of 2002, on the condition that these funds will be repaid by crediting current CSR members' fees that will be due to Stewardship Ontario.

Program delivery costs during the start up period and for the remainder of 2003 are comprised mainly of allocations of CSR's staff salaries, direct costs for data management programming and capital acquisitions, and communications initiatives for website development combined with the requirements for funding WDO and Stewardship Ontario consultation programs. Table 8.1 details these costs through 2003. A brief outline of each of the program budgets is provided in Section 8.3.

**Table 8.1: Start up Budget and 2003 Budget for Program Delivery and Administration**

<b>Cost Category</b>	<b>Startup Oct 1, 2002 to Apr 30, 2003</b>	<b>Budget May 1, 2003 to Dec 31, 2003</b>	<b>Total</b>
<b>Program Delivery</b>			
Recruitment & Registration	\$ 124,800	\$ 164,800	\$ 289,600
IT and Data Management	\$ 401,900	\$ 240,000	\$ 641,900
Commodity Revenue Analysis	\$ 46,100	\$ 60,400	\$ 106,500
Market Development	\$ 45,200	\$ 62,800	\$ 108,000
Technical Leadership	\$ 236,000	\$ 262,600	\$ 498,600
Accounting	\$ 100,700	\$ 199,000	\$ 299,700
Communications	\$ 184,800	\$ 180,000	\$ 364,800
Committee & Board Support	\$ 71,000	\$ 83,700	\$ 154,700
Total Program Costs	\$ 1,210,500	\$ 1,253,300	\$ 2,463,800
<b>Administration</b>	\$ 289,500	\$ 589,000	\$ 878,500
<b>TOTAL COSTS</b>	<b>\$ 1,500,000</b>	<b>\$ 1,842,300</b>	<b>\$ 3,342,300</b>

#### 8.1.2 Municipal Blue Box Support Payments

Based on the negotiated Year One net cost of the Blue Box Program Plan of \$62.5 million, as outlined in Section 7.1, as industry is responsible for 50% of the net cost of Blue Box recycling programs, industry is responsible for providing funding of \$31.25 million. However, given that industry Stewards cannot be obligated until the Blue Box Program Plan is approved by the Minister and given that this date remains uncertain, the initial date of obligation for the first year of the program is projected for the purposes of this analysis to be May 1, 2003. Therefore, based on the assumed obligation date, municipal Blue Box programs payments will cover the period of May 1 to December 31, 2003 or 2/3rds of the year (Table 8.2). For 2003 only, it has

been agreed that industry will not hold back 10% of the municipal payments to fund the Effectiveness and Efficiency Program, but rather will distribute the entire amount.

**Table 8.2: Year One Municipal Support Payments**

<b>Cost Category</b>	<b>Value</b>
Net Cost	\$62,500,000
Whole Year Industry Obligation (50% of Net Cost)	\$31,250,000
<b>2/3<sup>rd</sup>s Industry Obligation</b>	<b>\$20,833,333</b>
CNA/OCNA In-kind Contribution	\$866,667
<b>Total Industry Cash Contribution</b>	<b>\$19,966,666</b>

## 8.2 Additional Program Elements

In the Minister's Letter of September 25, 2002, a number of additional program elements were outlined as required as part of the Blue Box Program Plan. To address these points, Stewardship Ontario has included a number of areas of activity, some of which are focused on ensuring accurate information gathering and analysis, improving curbside recycling performance, and reducing program costs for Stewards. These areas are:

- Data Collection and Analysis: Analyzing municipal recycling program tonnages and costs and conducting program reviews to identify ways to reduce these costs;
- Measuring Program Improvements: Conducting detailed waste sorts with municipal partners to measure waste generation, target progress and program improvement results;
- Green Procurement: To promote (and report on) private sector and public sector use of recycled materials;
- Market Development Projects: Including a 2003 Action Plan on Glass and material specific plans for 2004 for all other targeted materials; and
- Enforcement: MOE enforcement support and Stewardship Ontario compliance initiatives.

### 8.2.1 Data Collection and Analysis

The implementation of the Blue Box Program Plan will require a much more rigorous and comprehensive data collection process. A form will be developed for the 2003 3Rs Datacall. Information on tonnes recovered, households served, materials managed, and program costs will be collected. This will be combined with a thorough review of the responses received through the Datacall. This process, to be undertaken under the direction of the MIPC, will take three months each year to complete (April through June).

Using the data from the 3Rs Datacall process, combined with the results from the waste audits, and program reviews (Section 6.3), material recovery rates and detailed costs for the management of each material will be calculated. In turn, those results will form the basis for the development of Stewardship Ontario levies for each program year.

The cost to complete the 3Rs Datacall process is projected to be \$75,000 for 2003. This cost is incorporated into the WDO budget and is not part of the Stewardship Ontario budget. The

financial audits and program reviews (outlined in Section 6.3) have an estimated cost of \$200,000 for 2003.

### **8.2.2 Measuring Program Improvements**

In order to accurately estimate Blue Box waste generation in the province (and therefore accurately measure waste diversion rates and progress towards future targets), it will be important that current and consistent waste audits be completed across a broad range of municipalities on an annual basis. The protocol for completing residential waste audits was developed and applied by more than 20 municipalities across Ontario under the IWDO. This same protocol will be followed annually with the costs for the audits being paid for using funds from the Effectiveness and Efficiency Fund once it is operational (Section 6.6). Audits need to be completed in large, medium and small municipalities, in both southern and northern Ontario, representing both single and multi-family dwellings and within and outside of the Greater Toronto Area. It is also important that the audits be completed across all seasons in order to capture variations in waste generation patterns (e.g., more beverage containers are generated in the summer months and more paper is generated around the Christmas season).

A minimum of 36 individual audits, covering a minimum of 50 households per audit day over a period of two weeks each (i.e., two days per audit sample), across all seasons and inclusive of all demographic groups, will be completed on an annual basis and used to establish the waste generation table which will be used to determine overall generation and diversion rates for both Blue Box wastes and other wastes.

Assuming an approximate cost of \$7,000 per two-day audit, the total annual cost to complete 36 audits will be \$250,000.

### **8.2.3 Green Procurement Program**

In addition to material specific market development work, materials for all Blue Box wastes will be enhanced by promoting procurement practices that favour use of increased quantities of recycled materials. For 2003, \$100,000 have been allocated for the design, development and detailed implementation planning for a "WDO Green Procurement Program". The key components of this program when fully developed will include:

- Preparation of a green procurement code for all stakeholders in the WDO process (i.e., industry, municipal and provincial governments);
- Development of product catalogues and suppliers;
- Training in green procurement; and
- Promotion and education targeted at key target groups (i.e., procurement managers, highway engineers, etc).

Costs of this program will be increased in subsequent years with investments in trials and demonstration projects estimated to be up to \$250,000 in future years (assuming the procurement program is approved in 2003).

### **8.2.4 Market Development Programs**

Many materials currently collected in Blue Box programs (including coloured glass, mixed broken glass, plastic film and mixed plastics) have experienced reduced demand, tighter specifications and lower revenues. In the first year of the Program, glass, one of the largest

tonnage contributors to the overall quantity of recyclables recovered in the Blue Box, will require particular focus and investment. A Glass Markets Task Group comprised of representatives from municipalities, Stewardship Ontario and glass end markets has been established to address this issue. This group is assessing various approaches to:

- Increase the quality of glass currently being recovered, thereby making it easier to market; and
- Identify other potential market outlets for mixed broken glass (e.g., aggregate substitute).

For 2003, Stewardship Ontario envisions a significant market development program focused on green and mixed coloured glass and funded primarily through the LCBO financial contribution. Given the severity of the problems associated with marketing of mixed and green glass in particular; and given that the LCBO financial contribution to Stewardship Ontario is expected to be greater than the 50% cost sharing calculation for materials for which LCBO is the Steward, a portion of the surplus LCBO funds will be dedicated to an aggressive glass market development program as follows:

- \$500,000 will be allocated in 2003 to support detailed business planning, feasibility studies, pilot projects and negotiations related to establishment of facilities as required (in accordance with the criteria as set out in Section 6.4.4 of the Program Plan); and
- \$2.5 million in 2003 for direct investment (implemented in 2004).

A detailed project plan for the Glass Markets Investment Fund will be completed no later than the end of 2003. Municipalities (e.g., through the Glass Task Group and AMO's involvement in the MIPC of WDO) will be consulted on the development of this initiative.

Notwithstanding this provision, should the date of approval of the Blue Box Program Plan (and therefore the date of obligation for Stewards) extend beyond July 1, 2003, the allocation of \$2.5 million will be reduced by \$250,000 for each month that the program approval is delayed, with these funds added to the pool of funds to be distributed under the municipal Blue Box support payments in 2003. If the Blue Box Program Plan is not approved in calendar year 2003, \$4 million of the LCBO contribution for 2003 will be distributed to municipalities using a similar methodology as employed to distribute the LCBO contribution in 2002.

Also during 2003, Stewardship Ontario, in consultation with MIPC, will assess needs and opportunities for other market development initiatives for implementation in 2004. Priorities will be given to those materials for which:

- Projected recovery is expected to exceed known demand;
- Opportunities are identified for reducing those materials recycling costs; and
- Opportunities are identified for increasing those materials' revenues.

As information on market opportunities are identified, an allocation of \$200,000 will be made in support of best practices education and awareness.

### **8.2.5 MOE Enforcement**

Under the WDA, the MOE may charge reasonable fees to an IFO for enforcement activities. Recognizing that a high compliance rate across all Stewards is critical to meeting the projected fee rates, it is prudent to include funds to support enforcement proceedings from program

initiation to ensure that the significant penalties included in the *Act* are utilized. Stewardship Ontario will attempt to identify and notify all obligated Stewards. Compliance initiatives to be undertaken by Stewardship Ontario are outlined in Section 8.2.6. Stewardship Ontario may notify the MOE of Stewards not in compliance, as outlined under Enforcement Procedures in Section 9.16.

Stewardship Ontario and the Ministry have agreed to an initial budget for MOE Enforcement of \$200,000 for the first full year of the program. This amount can be increased if required, or alternatively can be shared in future years among other IFOs that may be developed. This level of funding will allow for the dedication of two FTE enforcement officers.

### **8.2.6 Stewardship Ontario Compliance Initiatives**

Through the maintenance of a public registry of identified Stewards and the development of a tracking system to monitor compliance, Stewardship Ontario will provide additional compliance support. Field research will be performed by teams of temporary staff who will follow up on leads generated by complying Stewards, or independently through store shelf audits. In addition, Stewardship Ontario institute a non-compliance notification process, including written notification of when fees are due and payable, as well as a 30 day, 60 day, 90 day and 120 day notification follow up. If the Steward's registration and data submission process is not complete at the end of the 120 days, Stewardship Ontario will forward the non-compliant Steward's information to the MOE for enforcement action. In Year One, a total of \$200,000 have been assigned for the program.

### **8.2.7 Promotion and Education/Public Awareness**

Section 6.5 of the Plan describes how promotion and education activities will be led by WDO with support from municipalities and Stewardship Ontario. Included in this section is a description of how the CNA/OCNA \$1.3 million program will be managed through WDO (including funding for the program's administration and annual evaluation). Section 5.3 describes the activities of WDO-PAC both in terms of overall education and awareness planning/oversight and ongoing program consultation requirements.

Stewardship Ontario will contribute to this area in three ways:

- Support "best practice" communication research and results diffusion: Research conducted by AMO and Stewardship Ontario indicates that Ontario municipalities spend about \$1.5 million each year for recycling program promotion and advertising. It is recognized that this will increase in future years as 50% of these costs will be eligible for funding support. In support of this activity, Stewardship Ontario will focus on best practice research so that future dollars expended are put to optimum use. \$200,000 have been allocated to this activity for 2003 (this activity may be supported in future years through the Effectiveness and Efficiency Fund as determined by the MIPC);
- Coordinate existing Stewards' communication and awareness activities to enhance these programs overall benefits and impacts; and
- Participate in WDO education planning, evaluation and oversight as outlined in Sections 5.2 and 6.5.2 of this Plan.

No additional funds have been allocated for education, awareness or consultation functions to WDO for 2003, since WDO's 2003 costs are already covered by the LCBO's 2002 \$1 million allocation as approved by the WDO Board of Directors.

## 8.2.8 Summary of Program Implementation Costs

The result of the implementation of each of the programs outlined within Section 8.2, it is an expenditure of an additional \$4.15 million (in addition to the start up and administration costs outlined in Section 8.1) (Table 8.3).

**Table 8.3: Summary of Programs and Costs**

<b>Program</b>	<b>Cost</b>
Data collection and analysis (incl. in WDO budget)	\$0
Financial Audits/Program Reviews	\$200,000
Measuring Program Improvements (Waste audits)	\$250,000
Green Procurement Program	\$100,000
Market Development Programs	
Glass Market Development Technical Projects/Feasibility Studies	\$500,000
Glass Markets Investment Fund	\$2,500,000
Best Practices	\$200,000
MOE Enforcement	\$200,000
Stewardship Ontario Compliance Initiatives	\$200,000
WDO Contributions (Year 1)	\$0
<b>TOTAL</b>	<b>\$4,150,000</b>

## 8.3 Program Implementation

### 8.3.1 Staff Costs

Stewardship Ontario has retained CSR to serve as the Secretariat to the organization for the purposes of developing and operating the Blue Box Program Plan. As a result, and as outlined in the budget presented to and approved by the Stewardship Ontario Board of Directors, CSR estimated that during the start up period and Year 1, current staff would spend approximately 75% of their time on Stewardship Ontario program planning, development and implementation. The terms of acceptance, as agreed upon by the Stewardship Ontario Board, were that all costs and allocations from CSR would be reviewed quarterly by the Treasurer and approved as part of the annual Business Plan process.

There will also be a need to hire additional staff on a full time, contract or seasonal basis (particularly in the area of membership recruitment, data management, report verification, member support services, compliance initiatives and accounting) to successfully implement the Plan. Budgeted new hires are detailed at the end of Section 8.3.2.

### 8.3.2 Program Budgets for Program Delivery

The following details the key functions within program budget areas.

#### Management and Administration

- Cost control;
- Legal, audit and insurance compliance;
- Office space planning;

- Office maintenance;
- Staffing; procurement of office supplies and equipment;
- Telephone and network communications; and
- Support, security and maintenance of the computer network.

#### Program Management

- Policy and strategic planning;
- Design and management of the Program Plan development process;
- Liaison with AMO in the development of the Program Plan;
- Development of the Stewardship Ontario governance structure and funding formula; presentations to key stakeholders;
- Drafting the Blue Box Program Plan to be submitted to the WDO Board; development of a web-based data reporting and management system; and
- Program implementation planning; and
- Providing progress reports to the Stewardship Ontario and WDO Boards of Directors and the MOE.

#### Recruitment and Registration

- Identification and notification of obligated Stewards. Extensive outreach activities have been initiated.

#### Compliance Initiatives

- Identification of Stewards that are not in compliance and initiation of actions necessary to ensure compliance.

#### Information Technology and Data Management

- Development, project management and programming of the online data management system to handle obligated Stewards' registration and data submission requirements. This program is outlined in detail in Section 8.3.3 and 9.7.

#### Commodity Revenue Analysis

- Research and confirmation of market prices for commodities to be used in the net cost calculations.

#### Market Development

- Research and development of alternative end markets. This program is outlined in detail in Section 6.4.

#### Technical Leadership

- Development of municipal and industry cost models;
- Analysis of waste/recycling material;
- Monitoring key cost drivers;
- Consultation with key stakeholders;

- Program definitions;
- Program audits;
- Development and implementation of the Effectiveness and Efficiency Fund;
- Final review of data;
- Submissions;
- Rulings; and
- Request for exemptions.

#### Accounting

- Accounting, finance and customer service functions including:
  - Financial reporting;
  - Budget preparation and compliance;
  - Payroll and benefits administration;
  - Online membership registration and data submission;
  - Invoicing and collections; and
  - Customer service administration.

#### Communications

- Communication with all stakeholders through advertising, brochures, access through website, as well as consultation/industry information sessions.

#### Committee and Board Support

- Attendance and reporting or “lead” at advisory committees and task groups to ensure transparency and to request support and input for all initiatives. To provide feedback and support to Stewardship Ontario’s Board of Directors on all issues. Committees, Boards and working groups included are as follows:
  - AMO/Stewardship Ontario Task Group;
  - Data and Reporting Advisory Committee;
  - Material and Packaging Advisory Committee;
  - Stewardship Ontario Board of Directors; and
  - WDO Board of Directors.

#### Budgeted New Hires

- Budgeted new hires are outlined in Table 8.4.

**Table 8.4: Budgeted New Hires by Category**

<b>Program</b>	<b>Function</b>	<b>FTE Allocation</b>
Recruitment and Registration	Membership Recruiter	2.00
Compliance Initiatives	Compliance Officer	2.00
Accounting	Bookkeeper	1.00
Accounting	Customer Service Supervisor	3.00
	<b>Total new hires</b>	<b>8.00</b>

### Summary Staff Complement

- Full-time Equivalent at December 31, 2002 was nine (9) and is broken down by function below. New hires of eight (8) are planned for 2003. Final headcount is expected to be 17 at the end of 2003 (Table 8.5).

**Table 8.5: Staff Complement Summary**

<b>Category</b>	<b>Existing Headcount</b>	<b>2003 New Hires</b>	<b>Headcount Dec. 31, 2003</b>
Recruitment and Registration	1	2	3
Compliance Initiatives	0	2	2
IT and Data Management (contract)	0	0	0
Commodity Revenue Analysis	1	0	1
Market Development	0	0	0
Technical Leadership	2	0	2
Accounting	2	4	6
Communications	1	0	1
Committee and Board Support	1	0	1
Administration	1	0	1
<b>Total</b>	<b>9</b>	<b>8</b>	<b>17</b>

### 8.3.3 Data Management

Stewardship Ontario is in the process of developing a secure, web-based data reporting and management system. The objective of the system is to handle:

- Online Stewardship registration;
- Online data submission;
- Data analysis;
- Fund calculation;
- Invoicing;
- Financial reporting; and
- Collections.

The decision process for developing this system internally was made after extensive evaluation of a UK-based program, where it was decided that by acquiring this company's software, their basic architecture could be utilized in the Stewardship Ontario program. This software was purchased and has been used in the planning and structuring process, with necessary modifications made to meet the unique needs of an Ontario system.

In development of the new structure, programming costs were identified for three major phases of this project (Table 8.6).

Hardware requirements to support this system are estimated at \$110,000. The capital acquisitions include:

- Servers to support the web-based program as well as to house the database;
- E-mail servers;
- Software licenses;

- Security and backup hardware; and
- Accounting software.

**Table 8.6: Phases of the Data Management System Development**

<b>Phase</b>	<b>Description</b>	<b>Cost</b>
Phase 1	<ul style="list-style-type: none"> <li>• Business process and design;</li> <li>• Restoration of UK software; and</li> <li>• Installation and configuration of computer hardware.</li> </ul>	\$40,000
Phase 2	<ul style="list-style-type: none"> <li>• Data management system development</li> </ul>	\$100,000
Phase 3	<ul style="list-style-type: none"> <li>• Acceptance of live data; and</li> <li>• Identify and troubleshoot problems.</li> </ul>	\$ 40,000
	<b>Total programming costs</b>	<b>\$180,000</b>

Phase 2 of system development is in progress. Completion of this phase of the programming will be in March 2003 at which time a two-month testing period will commence with actual data from volunteer Stewards.

### 8.3.4 Customer Services

A customer services group will be formed to handle Stewardship support. This group will be responsible for registration, monitoring the data submission process, reviewing and processing data submissions, and dealing with or redirecting all online or telephone queries or requests. To ensure efficient workflow, this group will operate within a “call centre” structure.

A senior customer service supervisor will manage day-to-day operations, staff hiring, staff training, performance evaluation, workflow and the data management system. To ensure continuity of knowledge and support, this will be a permanent position within Stewardship Ontario.

Four customer service representatives have been budgeted. Two existing CSR employees will fill these roles, and two staff will be hired on a contract basis during the annual registration and data submission period. As the work requirements will be seasonal, it is the intention on a going forward basis to staff this area with contract personnel. Staff will be hired on an “as needed” basis, in direct relation to increases in registrants. In the initial stages, it is expected four support staff will be adequate. This complement will be monitored closely during the start up period.

## 8.4 Year One Program Budget Summary

For 2003, to meet the Blue Box Program Plan requirements set out in the Minister’s Program Request Letter to the WDO, \$4.15 million in required additional program costs and \$3.34 million in program start up and administration costs will be incurred, for a total Stewardship Ontario program cost in 2003 of \$27,458,966 (Table 8.7).

The Year One administrative and overhead cost budget represents 6.7% of Year One total program costs. Administrative costs projected out to Year Four will decline relative to total program cost projections.

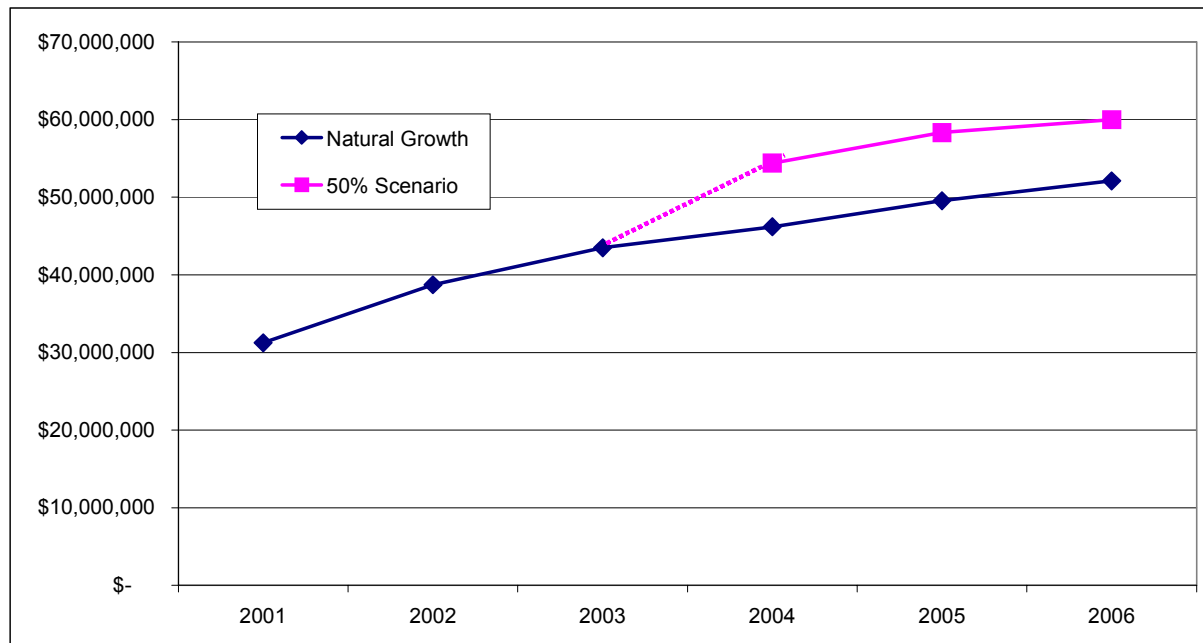
**Table 8.7: Year One Program Budget Summary**

Cost Category	Budget	Percentage
Payments to Municipalities	\$19,966,666	72.7%
Program Implementation Costs	4,150,000	15.1%
Start up Costs (7 months)	1,500,000	5.5%
Administrative and Overhead Costs (8 months)	1,842,300	6.7%
<b>Total Program Costs</b>	<b>\$27,458,966</b>	<b>100.0%</b>

### 8.5 Five Year Obligation Projections

Because of the complexity of projecting future Blue Box Program Plan costs, it is difficult to determine future Stewardship Ontario costs. However, based on the information provided in Figure 7.1 (Section 7.4), Figure 8.1 provides order of magnitude estimates for Stewardship Ontario program costs through 2006 under the Natural Growth and 50% scenarios. The costs shown are reflective of the 50% share of municipal Blue Box program costs only, i.e., none of the future additional program costs (e.g., audits, market development, promotion and education, consultation, etc.) are included at this point.

**Figure 8.1: Total Industry Obligation Under Different Recovery Rate Assumptions**



It is estimated that Stewardship Ontario payments to municipalities in 2004 (based on municipal costs for 2002) will increase to approximately \$38.7 million and to \$43.5 million in 2003. After 2003, the total will be contingent upon how many tonnes of recyclables are recovered. If a 50% recovery rate is achieved in 2004, these costs could total \$54.4 million. Through 2005 and 2006, industry’s obligation could increase to \$58.3 million and \$60.0 million respectively. For more information on five year costs, refer to Section 5.7. These costs do not include any provisions for additional programs or administration.