

# Guide to the Blue Box Program



November 16, 2005



45 Sheppard Avenue East, Suite 920, North York, Ontario, M2N 5W

---

## *Table of Contents*

<b>1. Background</b>	<b>1</b>
<b>2. How WDO Calculates Municipal Blue Box System Costs</b>	<b>1</b>
2.1 Allowable program costs	1
2.2 Annual WDO municipal survey	2
2.3 Verifying municipal costs	3
2.4 Calculating Stewardship Ontario's funding to municipal programs	3
2.5 Distributing municipal program funding	5
<b>3. How Stewardship Ontario Calculates Fees for Stewards</b>	<b>6</b>
3.1 Municipal financial payments	6
3.1.1 CNA/OCNA in-kind advertising	7
3.2 Other program delivery and administration costs	7
3.2.1 Direct program delivery	7
3.2.2 Market development costs	8
3.2.3 WDO and Stewardship Ontario administration costs	8
3.3 Calculating material-specific fees	9
3.3.1 Fees associated with municipal payments	9
3.3.2 Market development fees	10
3.3.3 Program delivery and administration fees	10
3.3.4 Calculation of fees	11
3.3.5 Schedule of stewards' fees - 2003 to 2006	11
3.3.6 Funding formula review and related changes to BBPP for 2007 fees	11
<b>4. Increasing the Recycling of Blue Box Wastes</b>	<b>12</b>
<b>5. Improving the Effectiveness &amp; Efficiency of Municipal Recycling</b>	<b>12</b>
5.1 Efficiency and Effectiveness Fund	12
5.2 Municipal program reviews	13
5.3 Cost containment initiatives	14

---

### **List of Tables**

Table 2.1	Summary of 2001 to 2004 Blue Box System Costs and 2003 to 2006 Stewards Fees	5
Table 3.1	Schedule of Stewards' Fees - 2003 to 2006	11
Table 4.1	Generation and Recovery of Blue Box Wastes in 2004	12

### **List of Figures**

Figure 1	2004 Blue Box System Net Cost	5
Figure 2	2006 Stewardship Ontario Costs	6
Figure 3	2006 CNA/OCNA In-Kind	7
Figure 4	2006 Program Delivery Costs	7
Figure 5	2006 Market Development Costs	9
Figure 6	2006 Start-up & Administration Costs	9

### **List of Appendices**

Appendix A	Definition of Residential Blue Box Materials	15
Appendix B	Verification of Municipal Datacall Submissions	16
Appendix C	Cost Containment Initiatives	17
Appendix D	Sources of Additional Information	19
Appendix E	Glossary	20

---

## **1. Background**

On February 15, 2005, Waste Diversion Ontario (WDO) issued the first Guide to the Blue Box Program. The Guide is being issued annually in conjunction with WDO's approval of 2006 Blue Box stewards fees to provide stewards and stakeholders with updated information on the Blue Box program.

Please refer to the February 15, 2005 Guide<sup>1</sup> for information on the *Waste Diversion Act* (WDA)<sup>2</sup>, Regulation O. Reg. 273/02 by which Blue Box Wastes were designated under the *Act*<sup>3</sup>, the Minister's request to WDO to develop a diversion program for Blue Box Wastes<sup>4</sup>, the Industry Funding Organization for Blue Box Wastes called Stewardship Ontario<sup>5</sup> and the Blue Box Program Plan<sup>6</sup> (BBPP).

Stewards of Blue Box Wastes, defined as brand owners and first importers in the Minister's program request to WDO, can fulfill their financial obligations under the WDA either through membership in Stewardship Ontario or by implementing their own plan, called an Industry Stewardship Plan (ISP)<sup>7</sup>, with approval from WDO.

Under the BBPP, stewards are invoiced by Stewardship Ontario for the following costs:

- Payments to municipalities (outlined in Section 3.3.1); and
- Direct program delivery, market development and program administration costs (outlined in Sections 3.3.2 and 3.3.3).

## **2. How WDO Calculates Municipal Blue Box System Costs**

### **2.1 Allowable program costs**

The BBPP specifies expenses to be included in calculating gross Blue Box system costs:

- *Direct Service Delivery Costs* include collection and processing costs for residential Blue Box Wastes, whether the service is contracted to the private sector, delivered by the public sector, or a combination thereof.

---

<sup>1</sup> The February 15, 2005 Guide to the Blue Box Program can be found at both the WDO and Stewardship Ontario websites.

<sup>2</sup> The Waste Diversion Act can be found at [www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm](http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm).

<sup>3</sup> O. Reg. 273/02 designating Blue Box Wastes and amended to designate Stewardship Ontario as the IFO for Blue Box Wastes can be found at [www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm](http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm).

<sup>4</sup> The Minister's correspondence requesting a diversion program plan for Blue Box Wastes can be found at [www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm](http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm).

<sup>5</sup> For more information on Stewardship Ontario, refer to [www.stewardshipontario.ca](http://www.stewardshipontario.ca).

<sup>6</sup> The Blue Box Program Plan can be found at [www.stewardshipontario.ca/index.asp?ID=43](http://www.stewardshipontario.ca/index.asp?ID=43).

<sup>7</sup> For more information on Industry Stewardship Plans, refer to WDO's Procedures for Industry Stewardship Plans at [www.wdo.ca/content/?path=page81+item38390](http://www.wdo.ca/content/?path=page81+item38390).

- 
- *Public Awareness and Public Education Costs* including graphic design, production costs, printing, postage, lineage rates, air time, etc.;
  - *Amortized Capital Costs* including the amortized capital cost of municipally-owned collection vehicles, Material Recovery Facilities (MRF), fixed and mobile equipment within the material collection facility, collection containers and Blue Boxes,<sup>8</sup> where the capital costs do not form part of the contract service price from a private sector contractor.
  - *Indirect Administrative Costs* including financial, human resources, information technology and legal costs directly related to direct service delivery issues such as review of tender documents or contract disputes.

For the 2004 Datacall, interest on municipal debt to acquire buildings, equipment or vehicles with an amortization period of seven years or more are calculated at the average of the prime interest rate for the year in which the item was commissioned for items commissioned in or after 2004 and at the average of the prime interest rate less 1¼% for the year in which the item was commissioned for items commissioned prior to 2004.

For the 2004 Datacall, administration costs are calculated at 1% of gross cost for programs that contract for Blue Box services and 3% for programs that provide Blue Box services directly.

The BBPP outlines the following revenues to be included in the calculation of the gross Blue Box system revenues:

- *Revenue from the Sale of Blue Box Wastes*, excluding revenue retained by private sector contractors under revenue sharing agreements with municipalities, on the basis that this risk sharing arrangement reduces direct service delivery costs;
- *Processing Fees*, including processing fees charged at municipal MRFs for processing residential Blue Box Wastes from other municipalities;
- *Revenue from the Sale of Curbside Containers*, where the purchase cost of containers is included in the gross cost calculation;
- *Revenue from Grants or Other Funding*, including funds intended to offset direct service delivery or public awareness and education costs.

## 2.2 Annual WDO municipal survey

WDO is responsible for collecting program data from municipalities. The Municipal Tonnage Datacall requests program data and previous year's tonnage data for Blue Box materials. The program and tonnage data are used to populate the Municipal Funding Allocation Model which is used to allocate funding to municipal programs.

---

<sup>8</sup> The WDO Board has approved an amortization policy for Blue Boxes to apply only to boxes purchased for distribution to the majority of a municipality's households. Boxes purchased for annual replacement are expensed.

---

The 2003 Blue Box Financial Datacall was the first comprehensive survey of all municipal Blue Box programs in Ontario and provides a baseline for year-over-year comparison of future costs. The Blue Box Financial Datacall is used to determine the net Blue Box system cost and to calculate stewards' 50 percent contribution.

The Blue Box Tonnage and Financial Datacall results by municipality are available on the WDO website at [www.wdo.ca](http://www.wdo.ca).

**See Appendix A** for a detailed definition of residential Blue Box materials used to support the Blue Box Tonnage and Financial Datacall.

### **2.3 Verifying municipal costs**

WDO undertakes a comprehensive verification process of both the Tonnage and Blue Box Financial Datacall submissions to confirm that the data are accurate and attributable to the Blue Box program.

Verification of Blue Box Tonnage Datacall submissions involves a year-over-year comparison of Blue Box tonnes marketed in relation to households served; materials marketed in relation to materials available in the residential waste stream; and household recovery rates by material.

Verification of Blue Box Financial Datacall submissions involves year-over-year comparison of Blue Box costs in relation to households served, year-over-year variance calculation for each cost category for each program, and analysis of gross costs, revenues and net costs by groupings of similar municipalities.

**See Appendix B** for a more detailed description of the verification process.

### **2.4 Calculating Stewardship Ontario's funding to municipal programs**

Following verification of the Blue Box Tonnage and Financial Datacall submissions, WDO calculates Stewardship Ontario's annual obligation as follows:

Total gross cost
- three-year rolling average revenue
- reasonable cost band
= Net Blue Box system costs
X 50%
<b>= Stewardship Ontario funding to municipal programs</b>

---

A weighted three-year rolling average for Blue Box revenue is used to balance fluctuations in commodity markets and thereby minimize volatility for stewards and municipalities. It is obtained by:

- Calculating the revenue per tonne for the previous two years and the year of the current Datacall;
- Taking an average of these three figures;
- Multiplying the number of tonnes marketed in the Datacall year by the resulting average revenue per tonne.

A reasonable cost band has been calculated for the 2004 data year or the 2006 funding year using an Efficiency and Effectiveness Factor for each program:

$$\frac{\text{Net Cost per Tonne (representing Efficiency)}}{\text{Percent Recovery (representing Effectiveness)}}$$

Better performing programs have a low E&E Factor resulting from a relatively low per tonne in the numerator combined with a relatively high recovery rate in the denominator.

The reasonable cost band for the 2004 data year and the 2006 funding year is set at the mean of the E&E Factors plus one standard deviation for the better performing programs in each of the municipal groups as defined by similar characteristics. Reasonable cost bands for the 2004 data year and the 2006 funding year were set at about the 75<sup>th</sup> percentile (the better 75% of programs) as measured by the E&E Factor and affect programs managing just under 40% of the Blue Box system tonnes.

If a program's E&E factor was above the reasonable cost band for the 2004 data year and the 2006 funding year, a revised net program cost was calculated assuming the program performed at the reasonable cost band while maintaining the quantity of materials marketed. The difference between the program cost reported in the Municipal Datacall and the revised calculated net program cost represents the amount by which the program's costs are above the reasonable cost band for their municipal group. This calculation resulted in a \$10 million cost reduction applied to the 2004 year.

After deducting the 3 year rolling average revenue and the \$10 million reasonable cost band, the net 2004 Blue Box system cost is \$110.9 million. The stewards' portion of the 2004 net Blue Box system cost is \$55.46 million.

**Table 2.1**

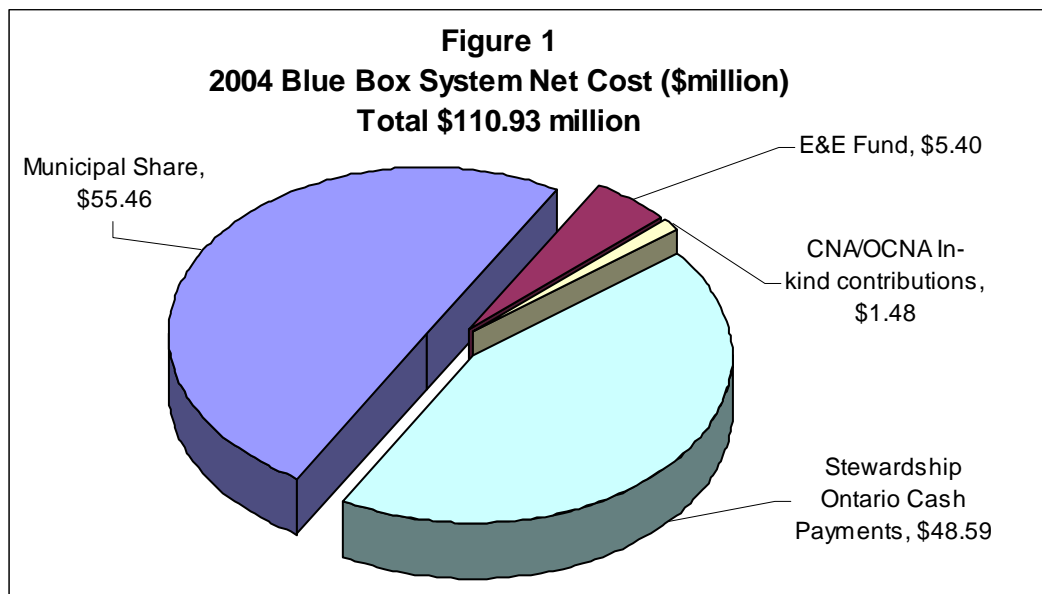
**Summary of 2001 to 2004 Blue Box System Costs and 2003 to 2006 Stewards Fees**

	2001 Data for Feb – June 2004 Fees	2002 Data for July - Dec 2004 Fees	2003 Data for 2005 Fees	2004 Data for 2006 Fees
Tonnes recovered	693,547	726,726	779,844	823,635
Gross system cost	na	na	na	\$194.54 m
3 year rolling average revenue	na	na	na	\$73.61 m
Reasonable cost band	na	na	na	\$10 m
Agreed net cost	\$62.5 m	\$84.0 m	\$117.5 m	\$110.9 m
Industry funding	\$31.25 m	\$42.0 m	\$58.77 m	\$55.46 m

## 2.5 Distributing municipal program funding

Funding for municipal programs is based on Stewardship Ontario’s share of the net Blue Box system cost, which is distributed in the form of quarterly cheques to municipal programs as shown in Figure 1. The amount available for distribution is equal to:

- Fifty percent of the net Blue Box system costs;
- Less an in-kind contribution from the Canadian Newspaper Association (CNA) and the Ontario Community Newspaper Association (OCNA);
- Less 10 percent, which is set aside for an Efficiency and Effectiveness (E&E) Fund (see Section 5.1).



Stewardship Ontario fees for 2006 are based upon reported municipal data for 2004 (given the lag time to collect and verify program data). The total funding available for distribution is then apportioned to each municipal program based on the tonnage of each

---

material sold and a series of agreed-upon municipal characteristics including size of program and population density. Payments to individual municipal programs therefore may be less than or greater than 50 percent of their actual net costs. This provides municipalities with an incentive for continuous improvement.

A municipality will be allocated:

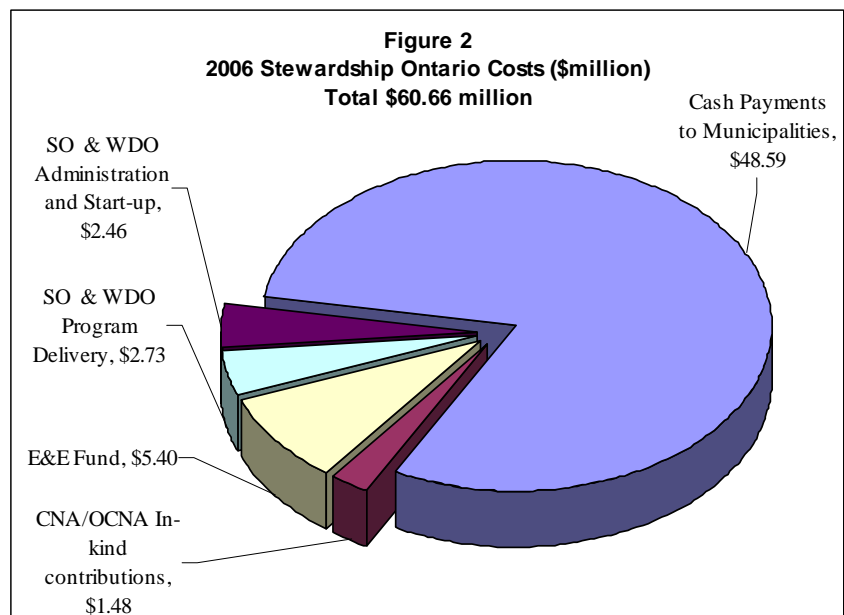
- **Relatively greater funding** if it has a low population density, is a relatively smaller program and collects a wide variety of materials (especially less dense plastics);
- **Relatively lower funding** if it has a high population density, is a large program and collects relatively few and easily recycled materials.

A program may increase the level of funding it receives, as a percentage of its actual cost, by increasing recovery cost-effectively and by reducing its program costs.

### ***3. How Stewardship Ontario Calculates Fees for Stewards***

Proposed stewards' fees for 2006 total about \$60.66 million and, as shown in Figure 2, comprise:

1. Payments to municipalities;
2. CNA/OCNA in-kind contributions;
3. E&E Fund;
4. Direct program delivery costs;
5. WDO and Stewardship Ontario start-up and administration costs.



#### **3.1 Municipal financial payments**

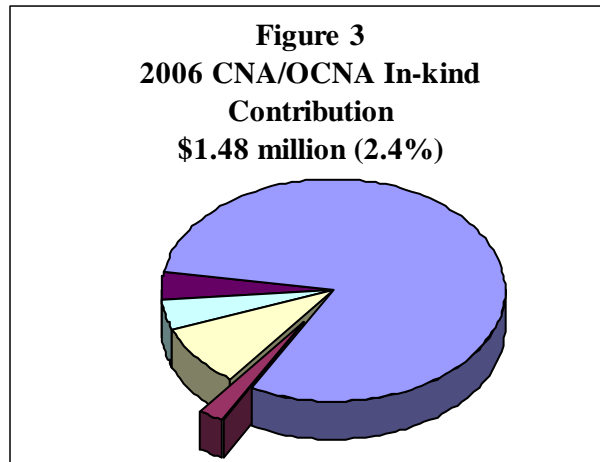
Payments to municipalities make up by far the largest portion of the stewards' fees, approximately 92 percent in 2006. Stewards' annual obligation to municipalities is calculated to be 50 percent of the net 2004 system cost, amounting to \$55.46 million for 2006 (cash payments plus CNA/OCNA plus the E&E fund).

---

### 3.1.1 CNA/OCNA in-kind advertising

The CNA/OCNA share of the municipal financial payments is paid through an in-kind contribution of advertising space.

In December 2004, the Minister requested that CNA/OCNA in-kind contribution be expanded to cover their entire municipal financial obligation, amounting to \$1.48 million for 2006, thus reducing the total cash payment to municipalities. This amount represents about 2.4 percent of the total fees, as shown in Figure 3.



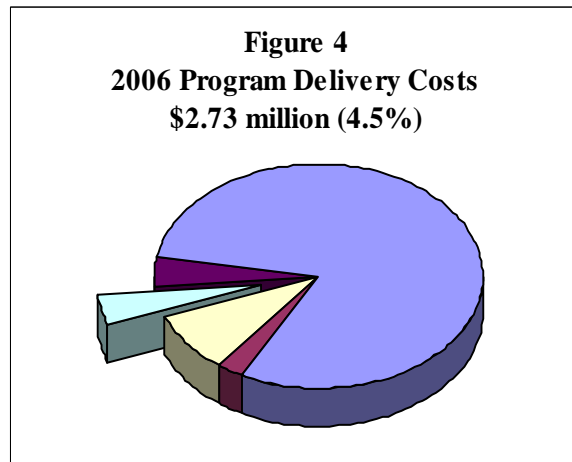
### 3.2 Program delivery and administration costs

In addition to the payments to municipalities, stewards' fees include the cost of additional program delivery activities required as part of the approved BBPP and the cost of Stewardship Ontario and WDO administration.

#### 3.2.1 Direct program delivery

There are many activities required of Stewardship Ontario and WDO to implement the approved BBPP. These primarily relate to:

1. Assessing the cost of the Blue Box system and setting fees for specific materials.
2. Registering stewards, collecting fees and ensuring compliance.
3. Distributing funding to municipalities.
4. Ministry of the Environment enforcement and Stewardship Ontario compliance costs.



These costs, totaling about \$2.73 million for 2006 are incorporated into the stewards' fees and make up approximately five percent of the fees in 2006 as shown in Figure 4.

---

### 3.2.2 Market development costs

Stewardship Ontario implements a program of market development activities to:

1. Ensure there are sufficient markets for recovered Blue Box material – to meet overall and material-specific recovery targets to be established over time.
2. Enhance the revenue received for materials – to lower the overall net Blue Box system cost.

In the first year, the market development program focused on green and mixed glass – which represents a large portion of the weight in the packaging stream – because municipalities typically incur a cost when they market this material.

The glass market investment program includes two projects currently being implemented:

1. Approximately \$2 million to develop a processing system for glass collected by programs in and around the GTA.
2. Support for smaller glass diversion projects in other regions for which approximately \$500,000 has been earmarked. Five projects have been approved to date, totaling \$300,000.

In addition to the glass market investment program, anticipating higher recovery rates for plastics in the future, \$100,000 was incorporated into the 2005 fees for preliminary plastics market development feasibility and planning in 2005.

Given the continuing implementation of the glass diversion and investment funds and the plastics market development initiatives, no new market development fees have been included in the 2006 fees.

### 3.2.3 WDO and Stewardship Ontario administration costs

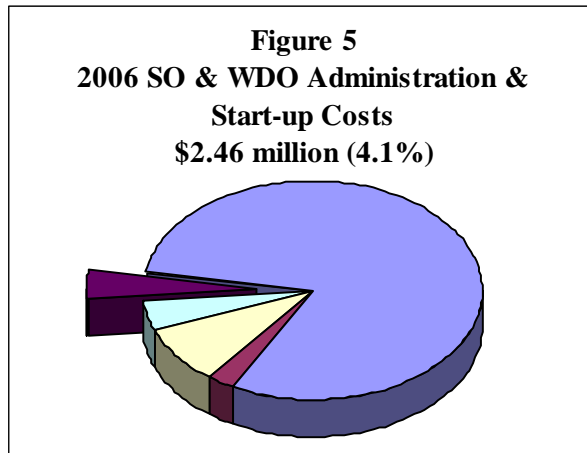
When the Minister approved the BBPP, she requested policies and practices be established to ensure that Stewardship Ontario and WDO administration costs do not exceed five percent of total program costs. For 2006, these costs total \$1.57 million, representing 2.6 percent of the fees.

<p style="text-align: center;"><b>Glass Market Development Projects Approved</b></p> <ol style="list-style-type: none"><li>1. Nexcycle, based in Guelph, to retrofit their existing operations to process residential mixed broken glass.</li><li>2. Siscor, based in Brampton, to contribute to a business plan examining the use of recycled glass in the manufacture of high performance industrial ceiling tiles.</li><li>3. Niagara Recycling, to install advanced handling and bagging equipment to manufacture glass based landscaping materials.</li><li>4. Rancor, based in Belleville, to assist in marketing glass as an aggregate substitute and to conduct business planning on higher value end-use opportunities.</li><li>5. Try Recycling of London to conduct market related to winter sand and filter media sand.</li></ol>
---

---

In accordance with the policies approved by the Minister<sup>9</sup>, administration costs for Stewardship Ontario and WDO include:

- Legal and accounting fees;
- Information technology support;
- Stewardship Ontario customer service centre;
- General administration costs, e.g. salaries, rent and supplies.



In addition to these administration costs, fees include repayment of the Blue Box Program start-up costs incurred by Stewardship Ontario and WDO before the BBPP commenced in February 2004. Repayment is scheduled over three years. These costs represent just over one percent of the program cost. The 2006 fees will complete recovery of these start-up costs.

As shown in Figure 5, the combined program administration and start-up costs total \$2.46 million and represent approximately four percent of total fees.

### 3.3 Calculating material-specific fees

The cost of the Blue Box Program is apportioned to specific materials according to rules approved by the Stewardship Ontario Board.

There are separate formulas for allocating each of:

1. Municipal financial payments.
2. Market development costs.
3. Program delivery and administration costs.

#### 3.3.1 Fees associated with municipal payments

Municipal payments are apportioned to Blue Box Wastes according to three factors:

##### 1. Net Cost – 40 percent

The WDA stipulates that stewards' fees reflect the cost to manage each material in the Blue Box system. Therefore, 40 percent of municipal payments are allocated in

---

<sup>9</sup> Refer to the approved policies and practices to ensure administration costs incurred by Stewardship Ontario and WDO are no more than 5% of total program costs at <http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm>.

---

direct proportion to the net cost to manage each material. The higher the net cost to manage a material, the higher the net cost payment assigned.

The cost to manage each material is determined through detailed, activity-based, cost studies of representative recycling programs and takes into consideration the average price for recycled materials over the previous three years.

## **2. Recovery Rate – 40 percent**

The funding formula also is designed to provide an incentive to increase the recovery of Blue Box materials. Therefore, 40 percent of the municipal payments are allocated according to the relative percent recovery rate of each material. The higher the recovery rate of a material, relative to others, the lower the recovery rate payment assigned for each tonne of that material. Materials with the same recovery rate would assume the same recovery rate payment.

The recovery rate is determined through the annual datacall, together with generation estimates obtained through an on-going program of waste audits and stewards' reports.

## **3. Equalization – 20 percent**

This factor is designed to add an element of fairness to the formula, by considering the cost to achieve a common recovery rate for each material. Twenty percent of the municipal payments are allocated in direct proportion to the incremental cost to achieve a recovery rate of 75 percent for each material. Therefore the lower the current recovery rate and the higher the cost to manage a material, the higher the equalization payment.

### ***3.3.2 Market development fees***

Any market development costs required are apportioned to specific materials that benefit from targeted market development activities for those materials. There are no market development fees for 2006.

### ***3.3.3 Program delivery and administration fees***

Since Stewardship Ontario and WDO program delivery and administration costs are incurred to the benefit of all materials, these costs are allocated according to the relative number of stewards in each category of material (i.e. printed paper, paper packaging, plastic, steel, aluminum and glass). Costs are further allocated to sub-categories according to the relative quantity of each material in the group.

The net effect of the three-factor formula is to transfer a small portion of the costs that would have been incurred by those materials with the highest recycling rates, to those materials with the lowest recycling rates.

The formula is intended to offset the costs of increased diversion.

---

### 3.3.4 Calculation of fees

The fee rates (*dollars per tonne* or *¢ per kilogram*) are calculated by dividing the total fee for each material type by the corresponding number of tonnes of each material generated.

Companies that fall below a threshold of \$2 million in sales in Ontario, or which generate less than 15 tonnes of Blue Box Wastes in Ontario, are exempted from paying fees.

### 3.3.5 Schedule of stewards' fees - 2003 to 2006

**Table 3.1**  
**Schedule of Stewards' Fees - 2003 to 2006**

Category	2003 Fee Rates	2004 Fee Rates	2005 Fee Rates	Proposed 2006 Fee Rates*
	(cents/kg)	(cents/kg)	(cents/kg)	(cents/kg)
<b>PRINTED PAPER</b>				
Newsprint	0.028 ¢/kg	0.026 ¢/kg	0.271 ¢/kg	0.182 ¢/kg
Newsprint - Non CNA/OCNA	0.028 ¢/kg	0.026 ¢/kg	0.786 ¢/kg	0.733 ¢/kg
Magazines and catalogues	0.081 ¢/kg	0.310 ¢/kg	0.862 ¢/kg	1.479 ¢/kg
Telephone books	0.081 ¢/kg	0.687 ¢/kg	1.302 ¢/kg	1.190 ¢/kg
Other printed paper	0.251 ¢/kg	1.318 ¢/kg	9.029 ¢/kg	7.961 ¢/kg
<b>PACKAGING</b>				
Paper based packaging	4.728 ¢/kg	5.987 ¢/kg	7.904 ¢/kg	7.673 ¢/kg
Plastics packaging	6.692 ¢/kg	9.610 ¢/kg	13.907 ¢/kg	13.556 ¢/kg
Steel packaging	3.633 ¢/kg	4.391 ¢/kg	4.745 ¢/kg	4.601 ¢/kg
Aluminum cans	-5.465 ¢/kg	-3.193 ¢/kg	-1.093 ¢/kg	-0.476 ¢/kg
Foil & other aluminum packaging	-5.465 ¢/kg	-3.193 ¢/kg	5.502 ¢/kg	3.577 ¢/kg
Clear glass packaging	3.723 ¢/kg	3.682 ¢/kg	3.761 ¢/kg	3.309 ¢/kg
Colour glass packaging	4.016 ¢/kg	3.916 ¢/kg	4.432 ¢/kg	3.602 ¢/kg

\* Proposed fees for 2006 have been approved by the WDO and are currently before the Minister for approval.

### 3.3.6 Funding formula review and related changes to BBPP for 2007 fees

The approved funding formula has been used successfully for setting fees for the first three program years of the plan during the start-up period of 2003 through 2005 and proposed fees for 2006 currently are before the Minister. While minor modifications have been implemented within the BBPP during this period to address specific issues, some stewards and stakeholders have suggested other modifications to the funding formula. While the BBPP states that the Stewardship Ontario Board will review the weightings to the three factors within the funding formula on an annual basis and make modifications as required to support the overall goals and objectives of the BBPP, the Stewardship Ontario Board has decided to review by means of a stakeholder consultation, all aspects of the approved funding formula and possible related aspects of the BBPP, before setting fees for 2007.

---

#### ***4. Increasing the Recycling of Blue Box Wastes***

On December 22, 2003, the Minister of the Environment requested that WDO consider a series of new measures and enhancements to the BBPP, including achieving a goal of 60 percent diversion of Blue Box materials. This is consistent with the Province of Ontario's goal of 60 percent diversion of waste from disposal by 2008.

The quantity of residential Blue Box materials recovered<sup>10</sup> by Ontario municipal programs in 2003 was 779,844 tonnes. Recovery in 2004 was 823,635 tonnes, an increase of 5.6 percent over 2003. Table 5.1 shows generation estimates and reported recovery by material group, indicating overall diversion of Blue Box Wastes to be about 55 percent.

**Table 4.1**  
**Generation and Recovery of Blue Box Wastes in 2004**

<b>Material</b>	<b>Quantity Generated (tonnes)</b>	<b>Quantity Recovered (tonnes)</b>	<b>Recovery Rate</b>
<b>Printed Paper</b>			
Newspaper & Magazines	530,571	399,982	75.39%
Other Printed Paper	129,400	51,519	39.81%
<b>Printed Paper Total</b>	<b>659,971</b>	<b>451,501</b>	<b>68.41%</b>
<b>Packaging</b>			
Paper Packaging	332,200	168,349	50.68%
Plastics	221,700	39,803	17.95%
Steel	71,509	33,544	46.91%
Aluminum	26,882	10,754	40.01%
Glass	189,634	119,683	63.11%
<b>Packaging Total</b>	<b>841,925</b>	<b>372,133</b>	<b>44.20%</b>
<b>GRAND TOTAL</b>	<b>1,501,897</b>	<b>823,635</b>	<b>54.84%</b>

Note: Blue Box materials are also recovered through recycling channels other than municipal Blue Box programs. Province-wide recovery rates for materials (e.g. aluminum) will be higher than reported here.

The quantity of Blue Box material recovered and recycled is projected to continue to increase through population growth, new programs, extended recycling services and higher capture rates.

#### ***5. Improving the Efficiency and Effectiveness of Municipal Recycling***

##### **5.1 Effectiveness and Efficiency Fund**

Ten percent of the Stewardship Ontario municipal transfer payments are distributed through projects designed to encourage greater effectiveness and efficiency of the

---

<sup>10</sup> The quantity of materials recovered is calculated by subtracting the quantity of residue as a result of processing materials for sale from the quantity of materials collected.

---

municipal Blue Box system. The Effectiveness and Efficiency (E&E) Fund began in July 2004 with a total of \$3.3 million. \$5.7 million has been allocated for 2005 and another \$5.55 million (10% of the total municipal payments) will be allocated in 2006. The objective of the fund is to reduce the net cost of municipal recycling and to increase diversion of Blue Box Wastes. Given continued increases in diversion and significant increases in costs to stewards over the first two years of the program, the current focus of the fund is to reduce system costs and minimize future increases in these costs while recovering more materials.

**The E&E Fund priority areas for 2006 are:**

1. MRF rationalization and optimization
2. Promoting recycling in apartment and other multi-family buildings
3. Innovative financing and compliance schemes
4. Benchmarking studies and waste audits
5. Communication and education
6. Cost containment, including the identification and implementation of best practices for collection, processing and transfer, recycling contracts and enhancing material revenue

Examples of approved E&E Fund projects include:

- \$1.6 million to support the implementation of a user pay system to enhance recycling in multi-residential buildings in Toronto.
- \$65,000 to support the development of a strategy to support recycling in Northern Ontario.
- \$45,000 to pilot a help desk for developing recycling contracts using the model recycling tender and contract tool developed through the E&E Fund.
- \$100,000 to develop a web-based resource, information sharing and learning "hub".
- \$ 33,000 to Quinte Waste Solutions to identify best practices for rural depot recycling.

Funding priorities are reviewed annually and funds are allocated to projects on the basis of applications from municipalities. After a project concept is approved, detailed applications are evaluated by a team of peer reviewers before consideration by Stewardship Ontario, AMO and WDO.

Funding for project applications is generally up to 50 percent, but greater than 50 percent funding may be available for priority projects.

Stewardship Ontario, together with AMO and WDO, are proactive in developing projects with municipalities to ensure the effectiveness of the E&E Fund.

## **5.2 Municipal program reviews**

Stewardship Ontario or AMO may also recommend that a municipal recycling program be reviewed because its reported costs are high relative to similar communities for no obvious reasons. Program reviews are intended to identify programs areas where improvements can be made, possibly through application to the E&E Fund. Detailed program reviews are also conducted in a sample of municipalities to determine the cost to manage each material type for the purpose of setting stewards' fees.

---

### 5.3 Cost containment initiatives

When the Minister approved the BBPP, the Minister also requested that WDO establish principles, policies and practices to contain the cost of the Blue Box Program. The Minister approved WDO's report entitled "*Cost Containment Principles, Policies and Practices*" on December 30, 2004. WDO's cost containment report outlines cost containment initiatives to be implemented by municipalities, WDO, Stewardship Ontario and stewards.

WDO has facilitated an agreement between Stewardship Ontario and AMO for the following system cost containment:

- A *reasonable cost band* that reduces the 2004 system cost by \$10 million for setting 2006 fees; and
- A *reasonable cost band* that will reduce the 2005 system cost by \$14 million for setting 2007 fees.

WDO is currently working with Stewardship Ontario and AMO to define *best practice costs* to reduce the system cost from the reported 2006 system cost for setting 2008 fees.

**See Appendix C** for a more detailed list of cost containment initiatives.

---

## Appendix A

### Definition of Residential Blue Box Materials

For the purpose of the Blue Box Tonnage and Financial Datacall, WDO has defined residential Blue Box materials as materials originating from the following sources:

#### *For collection*

- Municipal collection<sup>11</sup> of single and multi-family dwellings of permanent or seasonal residences (including rental, cooperative or condominium residential);
- Municipal collection of senior citizen residences and long-term care facilities;
- Municipal collection from public and secondary schools, collected as part of a residential collection route;
- The residential component of publicly operated (municipally-owned or contracted) drop-off depots, at dedicated depots or depots at landfill sites;
- Permanently-placed, public-space recycling containers anchored in the ground – if they are collected as part of a residential collection route.

#### *For processing*

- Public or municipal contract-based collected materials from single and multi-family dwellings of permanent or seasonal residences (including rental, cooperative or condominium residential);
- Public or municipal contract-based collected materials from senior citizen residences and long-term care facilities;
- Privately collected materials from senior citizen residences and long term care facilities, where the materials are processed at a municipally-owned Material Recovery Facility;
- Public or municipal contract-based collected materials from public and secondary schools;
- Privately collected materials from public and secondary schools where the materials are processed at a municipally-owned MRF;
- Residential components of publicly operated (municipally owned or contracted) drop-off depots, located either at dedicated depots or landfill sites;
- Permanently-placed bins that may be anchored in the ground (e.g. OMG Media Bins or equivalent) or permanent fixtures within a location (e.g. bins in public parks) public-space recycling containers where the materials were collected as part of a residential collection route.

---

<sup>11</sup> Municipal collection includes collection by municipal forces or collection by private companies under contract to municipalities.

### Verification of Municipal Datacall Submissions

Verification of Blue Box **Tonnage Datacall** submissions involves the following activities:

- Year-over-year comparison of Blue Box tonnes marketed, in relation to households served;
- Comparison of materials marketed to materials available in the residential waste stream, to ensure materials recovered from industrial, commercial and institutional generators are excluded;
- Comparison of household recovery rates, by material, to ensure that materials recovered from industrial, commercial and institutional generators are excluded;
- Direct communication with municipal programs to request clarification or additional information where discrepancies are identified;
- Adjusting Blue Box tonnes marketed where discrepancies are confirmed or where the municipal program cannot provide additional supporting information.

Verification of Blue Box **Financial Datacall** submissions involves the following activities:

- Year-over-year comparison of Blue Box costs in relation to households served;
- Year-over-year variance calculation for each cost category for each program;
- Analysis of gross costs, revenues and net costs by municipal groups; to calculate the mean and one standard deviation above and below the mean;
- Direct communication with municipal programs for all costs greater than one standard deviation above the mean, to request additional information to support higher-than-average costs for that program's municipal group;
- Direct communication with municipal programs for all revenues less than one standard deviation below the mean, to request additional information to support the lower-than-average revenues for that program's municipal group;
- Adjusting Blue Box costs and revenues where discrepancies are confirmed or where additional supporting information cannot be provided by the municipal program;
- Removing costs associated with tonnage adjustments.

### Cost Containment Initiatives

#### *Municipal cost containment initiatives*

Municipal programs typically use a number of different strategies to control program costs, such as:

#### **To contain incurred service costs:**

- Multiple-bidder publicly advertised tender processes;
- Stringent review of bids or ‘managed competition’;
- Regular contractor reviews/audits;
- Standard contract wordage for cost-of-living escalators and extension of unit pricing to added households;
- Use of publicly-owned material recovery facilities to ensure a competitive bidding process for operations.

#### **To contain incurred departmental costs:**

- Annual budgetary reviews of all items from first principles;
- Specific reviews of new, special and/or additional projects;
- Review by council of annual Municipal Performance Measurement Program data related to collection costs, number of public complaints per 1,000 households;
- Analysis of the usefulness of public information and education activities.

#### **Other cost containment programs**

- User pay and bag limits;
- Landfill bans of specific recyclable material;
- Regular reviews of market pricing/revenues from sale of recycled material;
- Membership in professional organizations, to facilitate exchange of best practices.

Municipal programs may be constrained to achieve cost containment where circumstances are outside of their control such as:

- Wages and benefits for employees as determined by the provincially-run arbitration process;
- Costs of the Ontario Municipal Employees Retirement System pension fund;
- Provincial regulatory requirements and program standards.

Initiatives outlined in “*Cost Containment Principles, Policies and Practices*” that will be implemented by Ontario municipalities include:

- Adopting user-pay waste management charges/bag limits;
- Co-operating with other municipalities and private sector operators to integrate recycling program services - to improve economies of scale and cost effectiveness;
- Adopting best practices identified by WDO through analysis of municipal Datacall data and other research.

---

### ***WDO cost containment initiatives***

Working co-operatively, through the Municipal-Industry Program Committee (MIPC) of Waste Diversion Ontario, Stewardship Ontario and the Association of Municipalities of Ontario are implementing initiatives outlined in the cost containment plan. They include:

- Setting a \$10 million *reasonable cost band* to reduce the 2004 net system cost for the purpose of setting fees for 2006 and a \$14 million *reasonable cost band* to reduce the 2005 net system cost for the purpose of setting fees for 2007;
- Identifying collection and processing contract arrangements and program characteristics that reduce costs, while maintaining or increasing material recovery, and sharing these best practices with municipalities;
- Determining the *best practice costs*, for setting fees in 2008.

### ***Stewardship Ontario cost containment initiatives***

Initiatives outlined in the cost containment plan, to be implemented directly by Stewardship Ontario, include:

- Establishing *green* procurement protocols;
- Developing higher-value glass markets;
- Assessing market development levies for materials other than glass, to support stronger markets for these materials;
- Administering the Efficiency and Effectiveness (E&E) Fund;
- Designing a voluntary, co-operative marketing service.

### ***Stewards cost containment initiatives***

Stewardship Ontario is also responsible for coordinating initiatives that will be implemented by stewards of Blue Box Wastes. These include:

- Minimizing use of materials that generate Blue Box Wastes;
- Using, where possible, materials that can be cost-effectively managed in the Blue Box program;
- Enhancing material markets through procurement and other market development initiatives, to maximize revenues;
- Promoting householder participation in municipal recycling programs, through education and marketing campaigns.

**Sources of Additional Information**

**Waste Diversion Ontario**

45 Sheppard Avenue East, Suite 920  
North York, Ontario M2N 5W9  
T: 416 226 5113  
F: 416 226 1368  
Email : [wdo@wdo.ca](mailto:wdo@wdo.ca)  
[www.wdo.ca](http://www.wdo.ca)

**Stewardship Ontario**

26 Wellington Street East, Suite 601  
Toronto, Ontario M5E 1S2  
T: 1-888-288-3360 - Customer Service  
F: 416-594-3463  
Email: [customerservice@stewardshipontario.ca](mailto:customerservice@stewardshipontario.ca) / [info@stewardshipontario.ca](mailto:info@stewardshipontario.ca)  
[www.stewardshipontario.ca](http://www.stewardshipontario.ca)

**Association of Municipalities of Ontario**

393 University Avenue, Suite 1701  
Toronto, Ontario M5G 1E6  
T: 416 971 9856, toll free 1 800 426 6527  
F: 416 971 6191  
[www.amo.on.ca](http://www.amo.on.ca)

**Ministry of the Environment**

135 St. Clair Avenue West, 7th Floor  
Toronto, Ontario M4V 1P5  
T: 416 325 4440  
F: 416 325 4437  
[BlueBox@ene.gov.on.ca](mailto:BlueBox@ene.gov.on.ca)  
[www.ene.gov.on.ca](http://www.ene.gov.on.ca)

**Glossary**

BBPP	Blue Box Program Plan
CNA	Canadian Newspaper Association
CNA/OCNA	Canadian Newspaper Association / Ontario Community Newspaper Association
E&E	Effectiveness and Efficiency (Fund)
IFO	Industry Funding Organization
ISP	Industry Stewardship Plan
MIPC	Municipal-Industry Program Committee
MRF	Material Recovery Facility
OCNA	Ontario Community Newspaper Association
WDA	Waste Diversion Act
WDO	Waste Diversion Ontario