

# Stewardship ONTARIO

October 20, 2004

Mr. Bas Balkissoon  
Chairman  
Waste Diversion Ontario  
45 Sheppard Avenue East  
Toronto, Ontario, M2N 5W9  
Via email

Dear Bas,

Attached please find the proposed Stewardship Ontario fees for continuation of the Blue Box Program Plan (BBPP) in 2005. As you and I have discussed, gaining the agreement by the Board of Directors of Stewardship Ontario to recommend these fees to the WDO has proven extremely challenging. This is based on what obligated stewards have seen (and had to communicate back to their constituent members) concerning fees in the last nine months, since the program was approved in December 2003. The obligated amount has increased:

- From \$62.5 million to \$84 million (an increase of 34%) for the program year 2004, and
- From \$84 million to \$117.5 million (an increase of 40%) for the program year 2005. Even though half of this increase was due to the fact that \$84 million was a negotiated number, the real increase in municipal operating costs (20%) was still very high.

Furthermore, the staff of Stewardship Ontario has warned that more increases are expected next year given:

- Projected increases in blue box wastes diverted
- Operating cost increases reflecting at least increases in the CPI
- Proposed incorporation of additional cost categories in the BBPP cost calculations

Aggressive action is required to control such cost increases – they are a hardship to both municipalities and industry. Continuing industry support for the WDA and the BBPP is seriously at risk given that individual companies cannot project and budget for cost increases of this magnitude, which from the outside seem to be without control, even if they are ‘validated’ according to the common measures agreed for the current Blue Box Plan. We need to make changes to both the Blue Box Program Plan and to the specific Cost Effectiveness plan as we go forward, and we will look to the support of the WDO board to do so.

The WDO recognized the need for a greater focus on cost containment within the BBPP when it established the Cost Effectiveness Committee and agreed the cost containment plan subsequently approved by the WDO and submitted to the Minister of Environment. Given the significant cost increases that we have seen since approval of that document; and given that key elements of that strategy are not likely to have a significant effect on cost containment until at least 2008;

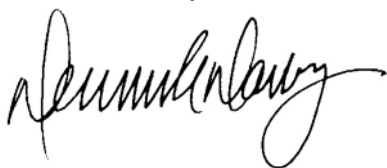
Stewardship Ontario has directed that I forward the 2005 fees with the following recommendations to the WDO:

1. That the WDO request that the Minister of Environment set aside the cost containment strategy previously submitted by the WDO.
2. That the WDO direct AMO and Stewardship Ontario to re-negotiate the proposed cost containment strategy and submit to the Minister of Environment by March 1, 2005 a revised cost containment strategy based upon the following key elements:
  - a. Defining for the purposes of calculating the annual net costs of the BBPP agreed cost bands by appropriate municipal groupings for the purposes of setting the 2006 fees.
  - b. Defining acceptable cost categories to be included within the calculation of net municipal costs under the BBPP, specifically in regards to the inclusion of interest on municipal capital debt, direct and indirect municipal costs.
  - c. Defining policies for calculating and maximizing revenues from the sale of blue box wastes.
  - d. Accelerating programs for providing technical assistance to municipalities for optimizing the operation of and/or contracting for recycling services and for maximizing revenues from the sale of recovered materials.
  - e. Increasing the percentage of BBPP funds allocated to the Effectiveness & Efficiency fund.
3. That the revised cost containment strategy be forwarded to the Minister of Environment for public consultation and approval prior to setting the Stewardship Ontario fees for 2006.

At the direction of the Stewardship Ontario Board, I am notifying the WDO Board that it is our intention to revise the BBPP incorporating these and other required changes to the BBPP prior to submitting to the WDO appropriate fees for the 2006 program year.

Together we have made tremendous strides over the last nine months in creating a shared financial structure to ensure the continuation of Ontario's municipal Blue Box programs. To ensure continuing support for this program, however, it is now imperative that we take stronger measures to assist municipalities to control their costs and to provide greater cost certainty for Stewards.

Yours Sincerely,



Dennis Darby  
Chairman  
Stewardship Ontario

cc: Ms. Glenda Gies, Waste Diversion Ontario  
Stewardship Ontario Board of Directors