



2010 Blue Box Steward Fees Explanatory Note

On September 10, 2009 Stewardship Ontario hosted a stakeholder consultation presentation to present preliminary steward fees for the Blue Box Program Plan (BBPP) for 2010. Stewardship Ontario accepted comments on fees until September 30 at info@stewardshipontario.ca. The fees were presented to the Board of Directors of Stewardship Ontario for approval on October 19, 2009, and the Board of Directors of Waste Diversion Ontario considered the final fee schedule on October 28, 2009. The following outlines the key factors that determined the change in fees from those set for 2009.

1. Introduction

The Blue Box Program Plan (BBPP) fee setting methodology underwent a thorough public review in 2006 and it was determined that the current structure and factor weightings to allocate costs across Blue Box materials were confirmed as the most appropriate to meet the legal and policy requirements of the *Waste Diversion Act, 2002 (WDA)* and the BBPP. No changes have been made to the approved fee setting methodology used to calculate the fees for 2010.

A description of the approved methodology is available on the Stewardship Ontario website at www.stewardshipontario.ca/bluebox/pdf/fees/Fees_Methodology_04_2006.pdf. The detailed tables can be found at www.stewardshipontario.ca/bluebox/xls/2010_PIM.xls

2. Change to the Stewardship Ontario Financial Obligation to Municipalities for 2010

- For 2010, stewards' obligation to Ontario municipalities is: \$83,492,926
- The obligation for 2009 was: \$78,525,218
- This represents a difference of: \$ 4,967,708 (+6.3%)

Factors Contributing to Increase in Stewards Financial Obligation to Municipalities

Cost Driver	Change
<p>Increased operating costs: Operating costs increased due to negotiation of both new and existing contracts, exercising of fuel surcharge clauses, an increase and continuing shift in the mix of materials collected and in some cases, increasing service levels. In 2008, municipalities marketed about 27,000 more tonnes than in 2007. The largest portion of the increase is plastics and paper packaging. As the majority of this material is lightweight and requires additional sorting to be marketable, this increases both collection and processing costs.</p> <p>Also, many municipalities renegotiated contracts with their service providers to compensate for lost revenue when the amount of wine and spirit containers recovered in the Blue Box program diminished following implementation of the deposit program.</p>	\$9 M
<p>Costs for managing wine and spirit containers had to be added back to municipal Blue Box programs despite deposit system program: Since 2007, Stewardship Ontario has removed the cost associated with managing in the Blue Box wine and spirit (LCBO) containers on deposit on the understanding that those containers would be exempted from the program. For 2009, that cost was \$7.7 million, 50% of which was removed. However, no regulation formally exempting LCBO containers has been filed. Therefore,</p>	\$3.9 M

Cost Driver	Change
for 2010 Stewardship Ontario must include that cost in the budget and must seek to be reimbursed for 50% of those costs from LCBO.	
New municipal capital costs and associated interest: Municipalities continue to invest in upgrades to existing collection fleets, new collection containers, particularly larger wheeled carts, and to commission new or re-engineered processing facilities.	\$1.1 M
Administration: Calculated administration on municipal and contracted service increased directly related to the overall increase in the system cost. Administration costs have been pegged to gross cost to prevent excessive claims.	\$0.4 M
Promotion and education: Municipalities continued to inform their residents about changes to recycling facilities and new services.	\$0.4 M
Adjustments for incorrect reporting in previous year: Each year the obligation includes adjustments for errors in municipal reporting for previous years. The net adjustments for the 2010 obligation are much lower than for the 2009 obligation, reflecting improvements in reporting year on year. This offsets the increase in obligation over last year.	-\$1.9 M
Negotiated reduction in obligation to reflect best practice operation: As required by the Cost Containment Plan approved by the Minister of the Environment, the BB steward fees are to be based on best practice system costs. Therefore, Stewardship Ontario negotiated a reduction in the 2010 obligation to reflect what the reported cost would be if recognized "best practices" were more widely adopted.	-\$3.6 M
Higher reported commodity prices partially offset the increased costs in 2009: The increase in tonnage marketed was generally among the less valuable materials. As a result, the average price per tonne was slightly lower in 2008 than in 2007. However, 2008 was a very strong year for prices notwithstanding the dramatic fall in commodity prices and difficulty moving material precipitated by the downturn in economy experienced in the last two months. When combined in the three-year average, two strong revenue years improved the overall revenue for 2008.	-\$4.3 M
Total Change	\$5.0 M

3. Blue Box (BB) Program Budget for 2010

The total budget for BB in 2010 is currently set at \$88.4 Million as shown in the figure, with:

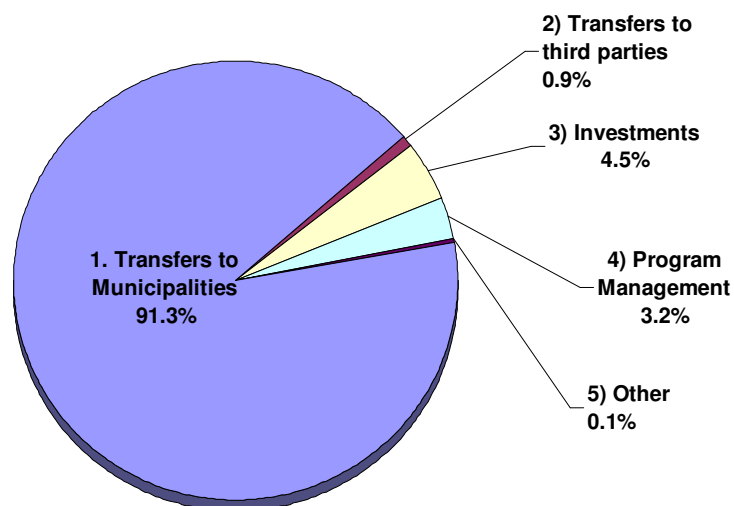
- 91% or \$80.6 million¹ are transfers to municipalities to cover industry's share of BB system costs, either as cash payments or investments to improve the system through the Continuous Improvement Fund (CIF)²
- 4.5% or just over \$4 million is earmarked for investments, including \$3 million for plastics market development to ensure technologies and end markets for expensive-to-recycle "other plastics". The funds for plastics market development are being allocated from prior years' surpluses generated by non-bottle plastics. No allocation is provided for this investment in the 2010 fees.

¹ The \$80.6 million budgeted for municipal transfers reflects Stewardship Ontario projected expenditures in 2010 including cash payments and Effectiveness and Efficiency (E&E) Fund and CIF project grants. The overall obligation of \$83.5 million noted in item 2 is different and reflects the total steward contributions for 2010 which is cash payments, in-kind contributions of newspaper ad space and contributions to CIF (see footnote #2).

² 20% of stewards contributions are used to capitalize the Continuous Improvement Fund (CIF), <http://www.wdo.ca/cif/>

- Program management costs take up just over 3% of the budget, or \$2.8 million, a decrease of about \$900,000 from last year, and
- About 1% or \$130,000 constitute transfers to third parties for program oversight and compliance; namely, WDO and the Ministry of the Environment (MoE),

Breakdown of 2010 for Blue Box Program Budget



4. Material-specific Blue Box Stewards' Fees for 2010

The following fee rates for 2010 reflect the verified financial obligation of \$83.5 million and other program costs budgeted for 2010.

Material	2009 Fees	2010 Final Fees	Absolute Change	% Change	Fees (\$)
	Fee Rate (cents/kg)	Fee Rate (cents/kg)	(cents/kg)	(%)	(\$)
CNA/OCNA Newsprint	0.154	0.17	0.016	10%	\$404,961
Other Newsprint	1.346	0.71	-0.636	-47%	\$1,072,637
Other Printed Paper	3.373	1.97	-1.403	-42%	\$2,706,705
OCC and OBB	8.020	7.81	-0.210	-3%	\$23,148,768
Other Paper Packaging	13.508	19.65	6.142	45%	\$7,797,995
PET Bottles	12.484	12.98	0.496	4%	\$7,088,712
HDPE Bottles	11.372	12.49	1.118	10%	\$2,911,032
Other Plastics	19.027	24.65	5.623	30%	\$34,364,170
Steel	4.998	5.54	0.542	11%	\$3,151,636
Aluminum Food and Beverage	-2.984	-2.20	0.784	-26%	-\$558,920
Other Aluminum Packaging	5.921	1.39	-4.531	-77%	\$47,231
Clear Glass	3.461	3.80	0.339	10%	\$3,414,453
Coloured Glass	4.344	4.10	-0.244	-6%	\$1,022,727
Total Blue Box Program Fees (\$)	\$74,954,939				\$86,572,108
CNA/OCNA In-Kind Contribution (\$)	\$3,301,404				\$1,440,885

4. Recovery for 2008

The following table shows total recovery and recovery rates for Blue Box materials from 2003 to 2008. The 2008 recovery is used to calculate the 2010 fees. Generation rates are based on a comprehensive waste audit program conducted from 2005 to 2007 and cross checked with trends from data reported by stewards. Recovery rates are based on recovered tonnages from the approved WDO Datacall and cross-checked with data reported by stewards.

Material	2003	2004	2005	2006	2007	2008	
	Quantity Recovered	Quantity Recovered	Quantity Recovered	Quantity Recovered	Quantity Recovered	Quantity Recovered	Recovery Rate
	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(%)
PRINTED PAPER							
Newsprint - CNA/OCNA	198,666	213,943	215,716	235,716	236,301	224,344	88%
Newsprint - Non-CNA/OCNA	102,334	101,656	103,390	112,976	113,257	109,790	88%
Magazines and Catalogues	68,898	72,240	73,043	79,815	80,013	80,112	88%
Telephone Books	11,254	12,143	16,950	17,966	17,493	13,500	88%
Other Printed Paper	49,463	51,519	47,419	52,371	53,018	59,844	49%
Printed Paper Total	430,614	451,501	456,519	498,845	500,083	487,590	80%
PACKAGING							
Old Corrugated Containers	100,279	107,357	115,442	125,046	125,904	155,563	92%
Gabletop	1,222	1,638	2,110	2,244	2,363	3,576	24%
Paper Laminants	420	425	377	388	384	393	1%
Aseptic Containers	268	356	458	487	513	784	18%
Old Boxboard	54,712	58,573	67,799	73,440	73,943	85,092	65%
Paper Packaging Total	156,902	168,349	186,185	201,605	203,107	245,408	68%
PET bottles and jugs	18,120	20,143	23,515	27,205	27,116	28,240	57%
HDPE bottles	11,551	12,133	13,328	15,272	15,201	15,717	57%
Plastic Film	2,993	4,213	4,995	3,515	4,822	4,220	7%
Plastic Laminants	574	581	256	264	292	301	1%
Polystyrene	541	374	394	847	417	777	3%
Other Plastics	1,603	2,358	3,594	4,389	5,353	7,464	14%
Plastics Total	35,382	39,803	46,083	51,493	53,201	56,718	23%
Steel Cans	30,447	31,347	31,434	32,476	31,833	31,317	62%
Aerosols	1,008	1,037	1,040	1,075	1,054	1,168	26%
Paint Cans	1,128	1,161	1,164	1,203	1,179	1,652	29%
Steel Total	32,583	33,544	33,638	34,754	34,066	34,137	56%
Aluminum Cans	9,832	10,455	10,842	11,306	10,527	9,586	41%
Other Aluminum Packaging	282	299	310	324	301	1,107	28%
Aluminum Total	10,113	10,754	11,152	11,629	10,829	10,693	39%
Clear Glass	69,976	69,976	80,949	88,915	77,917	76,687	89%
Coloured Glass	44,273	44,273	46,787	50,738	23,297	18,295	76%
Glass Total	114,249	114,249	127,736	139,653	101,213	94,982	86%
PACKAGING TOTAL	349,230	366,700	404,795	439,134	402,415	441,938	55%
TOTALS	779,844	818,201	861,313	937,979	902,498	929,529	
RECOVERY RATE	53%	54%	58%	64%	63%	66%	