

**Ministry  
of the  
Environment**

Office of the Minister

135 St. Clair Ave. West  
12th Floor  
Toronto ON M4V 1P5  
Tel (416) 314-6790  
Fax (416) 314-6748

**Ministère  
de  
l'Environnement**

Bureau du ministre

135, avenue St. Clair ouest  
12<sup>e</sup> étage  
Toronto ON M4V 1P5  
Tél (416) 314-6790  
Télé (416) 314-6748



ENV1283MC-2004-7391

December 30, 2004

Mr. Bas Balkissoon  
Chair  
Waste Diversion Ontario  
45 Sheppard Avenue, Suite 920  
North York ON M2N 5W9

Dear Mr. Balkissoon:

Congratulations on your first year of the Blue Box Program Plan (the Plan) implementation. I am delighted to see this innovative cost-sharing program succeed. It is a credit to Waste Diversion Ontario (WDO), Stewardship Ontario (SO) and the Association of Municipalities of Ontario (AMO) to have worked cooperatively to achieve this success.

I am pleased to advise you of my approval of the 2005 schedule of stewards' fees and associated rules under the Plan as submitted by WDO on October 27, 2004. However, I am requesting that WDO submit an amendment to the Plan by February 28, 2005 that would expand the existing in-kind contribution of members of the Canadian Newspaper Association and Ontario Community Newspaper Association. This would not have an effect on the fees structure as it applies to other industry stewards. In developing the amendment, please address the areas I have described in the Addendum to this letter.

I am also advising you of my approval of the cost-containment plan as submitted by WDO on July 12, 2004, with an accelerated timeframe. I am also asking the WDO to undertake three additional actions as outlined below. The details of these approvals are in the attached Notice of Approval.

We continue to work on many challenging issues, but there are two overriding imperatives. Ontarians want greater diversion of waste, and municipalities, particularly those that are exporting their waste, need to rely less on landfills. This makes the Blue Box program, and the sustainability of the Blue Box program through public-private cost sharing an essential element of the province's overall waste management strategy.

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I have approved the 2005 schedule of stewards' fees, recognizing that the fees are higher than in the previous year because they have been phased-in over the first three years. The 2005 fees, for the first time, fairly reflect a 50-percent share of Blue Box net costs, which is the legislated cost-sharing arrangement under the *Waste Diversion Act*.

Having reached a 50-50 cost-sharing arrangement, going forward I want to ensure that municipalities and stewards remain vigilant in holding the line on Blue Box program costs. Municipalities must continuously implement measures to increase efficiency and contain costs. Industry stewards must continuously take steps to reduce costs through better design for recyclability of packaging and printed paper destined for the Blue Box system, and through support of markets for recycled materials.

I also consider it very important that WDO and its partners ensure greater understanding and transparency with respect to Blue Box costs, the calculation of the fees, and the actions being taken to contain costs and promote efficiencies.

That is why I am requesting that WDO undertake the following three initiatives:

1. Implement the cost-containment plan that WDO approved and submitted to me on July 12, 2004, but on an accelerated timetable. I would like to see the 'reasonable cost' bands implemented in 2006 rather than 2008 as proposed. Please resubmit the final revised cost-containment plan to me by January 31, 2005.
2. Please provide a report to me by March 31, 2005 on possible areas of future cost savings in municipal Blue Box programs, specifically addressing:
  - a. The current capacity and location of Material Recovery Facilities (MRFs) in Ontario and options for creating greater efficiencies in siting new MRFs or replacing aging MRFs, through measures such as consolidating existing public and/or private MRFs.
  - b. An analysis and comparison of the cost of current municipal contracts with waste management companies to deliver their recycling services, and options on how to ensure value for money and increase the competitiveness of the bidding process.
3. Please prepare a plain language report on the Blue Box program, in consultation with the Ministry of the Environment, which includes:
  - a. Information on the performance of the Blue Box program.
  - b. The calculation and verification of Blue Box costs.

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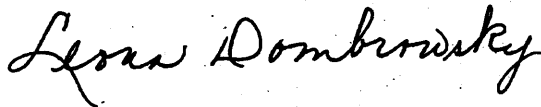
- c. The calculation and verification of stewards' fees.
- d. The actions being taken to contain costs incurred by WDO, and SO.
- e. Actions being taken to contain costs incurred by municipalities to operate their Blue Box systems.
- f. Actions being taken to promote efficiencies.
- g. Actions being taken by stewards and municipalities to improve markets and revenues, and to improve the recyclability of packaging and printed paper destined for the Blue Box.

The report is to be an annual report and sent to every obligated industry steward and municipality. Please prepare the first report for the 2004 calendar year and send it to stewards and municipalities no later than February 15, 2005. In future years, please ensure that the report accompanies the notice to the stewards of WDO's approval of the fees for the following year.

I believe that with these measures, WDO, SO and municipalities will be in a good position to maintain control over Blue Box costs and to find efficiencies while promoting increased diversion and sending less waste to landfills.

Thank you for your continued commitment to the Blue Box program and seasons greetings. As always, please express my best wishes to your Board of Directors, and to everyone involved in developing the 2005 fees and cost-containment plan.

Sincerely,



Leona Dombrowsky  
Minister of the Environment

Attachment

- c: Dennis Darby, Stewardship Ontario  
Glenda Gies, Waste Diversion Ontario  
Roger Anderson, Association of Municipalities of Ontario  
Jagoda Pike, Canadian Newspaper Association  
Don Lamont, Ontario Community Newspaper Association

## **Addendum**

### **Expansion to the In-Kind Contribution for Members of the Canadian Newspaper Association and Ontario Community Newspaper Association**

Pursuant to section 7 of the *Waste Diversion Act, 2002*, the Minister requests that Waste Diversion Ontario (WDO) prepare and submit for the Minister's approval an amendment to the blue box program plan, which would expand upon the existing in-kind contribution of members of the Canadian Newspaper Association and Ontario Community Newspaper Association in accordance with the following principles:

- The expanded in-kind contribution would only be applied in lieu of direct payments to municipalities. It would not affect Canadian Newspaper Association (CNA) and Ontario Community Newspaper Association (OCNA) members obligation to pay for WDO and Stewardship Ontario administration costs, program start up and delivery costs, and their share of program shortfall costs.
- The 2005 stewards' fees structure approved by the Minister shall remain unchanged. The reduction in anticipated 2005 fees from CNA and OCNA would be replaced by in-kind contributions to municipalities, not by direct payments from the remaining stewards.
- For the period prior to the approval of the plan, the existing in-kind CNA and OCNA members' contribution, pro-rated over this period, would serve as their payment.
- CNA, OCNA, WDO and the Association of Municipalities of Ontario (AMO) are requested to reach agreement on the nature of the in-kind contribution in lieu of fees. Currently, the in-kind contribution is limited to advertising space only. This could be expanded to other services, such as home delivery of municipal, provincial and WDO waste diversion public information materials.
- CNA, OCNA, WDO, Stewardship Ontario and AMO are requested to propose a mechanism to insulate municipalities from the effects of a significant decline in the price of old newspapers for example, a formula that would take into account market fluctuation over time.

The Minister requests that the WDO consult with the Canadian Newspapers Association, Ontario Community Newspaper Association, Stewardship Ontario and the Association of Municipalities of Ontario in preparing the proposed amendment to the blue box program.

"Please submit this proposed amendment to the Blue Box program plan to me by February 28, 2005. In accordance with s. 26(4) of the Waste Diversion Act, upon receipt of the proposed amendment, I will have a notice of proposal posted on the Environmental Registry for a mandatory 30-day public review and comment period before rendering a final decision."

Waste Diversion Act, 2002

**Notice of Approval**

**Waste Diversion Program for Blue Box Waste (Blue Box Program Plan)**

Pursuant to Waste Diversion Act, 2002, section 27, the undersigned hereby approves changes to the waste diversion program for Blue Box Wastes.

This approval applies to precise changes related to the cost containment principles, policies and practices that require action on the part of:

1. Municipalities
2. Stewardship Ontario
3. Stewardship Ontario and the Association of Municipalities of Ontario (AMO) working cooperatively through Waste Diversion Ontario
4. Stewards

and that are described in the following documents:

1. Letter dated July 12, 2004 from Waste Diversion Ontario regarding Blue Box Program Plan New Measures and Enhancements.
2. Report dated July 12, 2004 entitled *Cost Containment Principles, Policies and Practices - Efficiency and Effectiveness Policies and Practices - Small Business Measures*.

This approval also applies to precise changes related to the rules for stewards with respect to payment of fees (2005) that are described in the following documents:

1. Letter dated October 27, 2004 from Waste Diversion Ontario regarding 2005 Blue Box Program Plan Fees and Rules.
2. Document entitled *Rules for Stewards with respect to Payment of Fees (2005)*.