

**Preliminary Fees
for 2010 Blue Box
& Phase 1 MHSW Materials**
September 10, 2009

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Welcome!

- In the room: ~80
- Via webcast: ~ 110
 - speaker moves slides
 - enlarge slide for larger view
 - sound slider for volume
 - box for questions/ comments at left
 - technical issues:
webcast@newswire.ca

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Agenda

- 1:30 – 1:45 Evolution of Stewardship Ontario (SO)
 - Policy & Legislative Changes
 - SO Priorities
- 1:45 – 2:45 Blue Box Presentation & Questions
 - Performance, costs & cost drivers
 - Fee rates & changes
- 2:45 – 3:00 Break
- 3:00 – 4:00 MHSW Presentation & Questions
 - Performance, costs & cost drivers
 - Fee rates & changes
- 4:00 – 4:05 Closing Remarks

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Shifting Policy & Legislative Environment

- Revised Waste Diversion Act expected
 - full Extended Producer Responsibility (EPR) for all programs
 - shift from today's "Collective Responsibility" model to "Individual Producer Responsibility"
 - measures to ensure program performance & target achievement

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Roles for Key Entities

- Ministry of the Environment (MOE)
- Waste Diversion Ontario (WDO)
- Industry Funding Organization (IFO)

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Our Mandate

- Fulfill legal obligations of stewards as mandated by MOE under WDA via WDO
 - develop & revise stewardship plans that contribute to waste diversion
 - identify appropriate program costs
 - manage costs & identify efficiencies to extent possible (in light of limited control)
 - apportion costs fairly among stewards of both programs
 - make payments to municipalities & other service providers
 - ensure programs meet targets

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Our Current Focus of Activity: Blue Box (1)

- Continue to meet current obligations & targets
 - maintain 60%+ diversion performance, despite challenges created by changing mix of materials
 - invest in changes that will preserve packaging choice (e.g., plastics market development)
 - promote “best practices”
 - develop green procurement code



Our Current Focus of Activity: Blue Box (2)

- Plastics Market Development
 - most significant challenge to date, & critical to fulfilling expectations for program improvement
 - more than one barrier - requires construction of complete “supply chain” from collection to commodity, & involvement of many key players (SO, CIF/municipalities & processors)
 - “venture” projects that require prudent, staged approach, with each investment resting on success of previous stage
 - promising solutions have been identified & are being tested for commercial potential at a large scale
 - planning to scale up to accommodate enough material to meet or exceed recovery targets



Current Focus of Activity: Blue Box (3)

- Revise Blue Box Program Plan (BBPP) as directed by Minister
 - achieve a new diversion target of 70%
 - include additional materials
 - improve how diversion is calculated
 - work with WDO on
 - greater consistency among municipalities regarding what materials are collected
 - proposed solutions for dealing with problem materials

Due to WDO March 2010



Current Focus Of Activity: MHSW

- Continue to develop & **optimize** program delivery infrastructure for 9 Phase 1 MHSW materials
- Develop performance benchmarks against which to measure progress on targets **and** costs
- Prepare to implement & **integrate** Consolidated MHSW Program in July 2010 (23 materials)



Preparing for the New World (1)

- Stewardship Ontario is in transition
 - established to fund programs operated by others (BB), SO now undertakes direct program operation (MHSW)
 - substantial investments already made by stewards in longest standing (BB) & most extensive/complicated (MHSW) diversion programs
 - fundamental changes in progress or pending:
 - 14 new materials/100% per Consolidated Plan
 - new demands for BB program under current model
 - 100% financial/operational responsibility for BB pending
 - shift in SO role & mandate pending



Preparing for the New World (2)

- Need to build organizational capacity to secure steward investments in light of new responsibilities
 - secure people/talent to enable in-house delivery of core functions, focus on performance & reduce costs
 - develop robust information & data gathering systems to measure performance & identify opportunities for improvement
 - benchmark performance against best practices in other jurisdictions
 - expand our outreach to stewards



Preparing for the New World (3)

Helping stewards adjust to transition by...

- *Preparing to meet future obligations at the lowest-possible cost*
- *Ensuring effective/efficient delivery against current obligations*

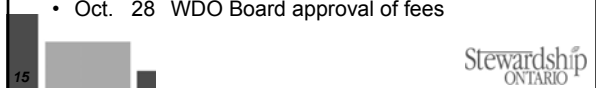


Fee-Setting



Fee-Setting Timeline: 2010

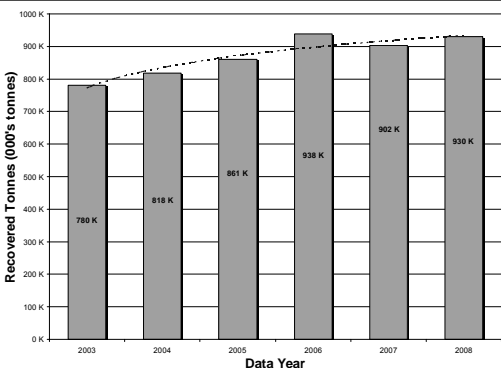
- July 14 Board direction for consultation
- Aug. 1 Official BB obligation from WDO
- Aug. 27 Finance Committee approval of budgets
- Sept. 10 Preliminary BB & MHSW fees to stewards
- Sept. 30 Deadline for comments
- Oct. 19 SO Board approval of fees
- Oct. 28 WDO Board approval of fees



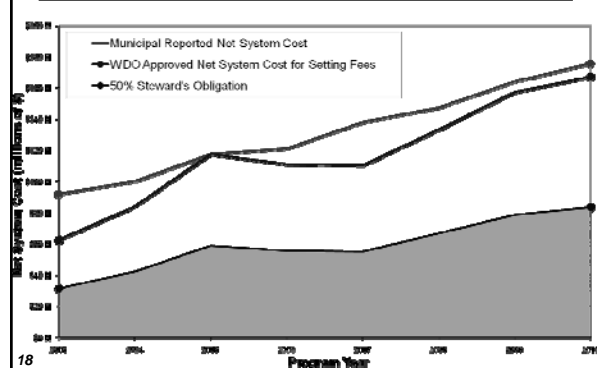
Blue Box Program Performance & Preliminary Fees 2010

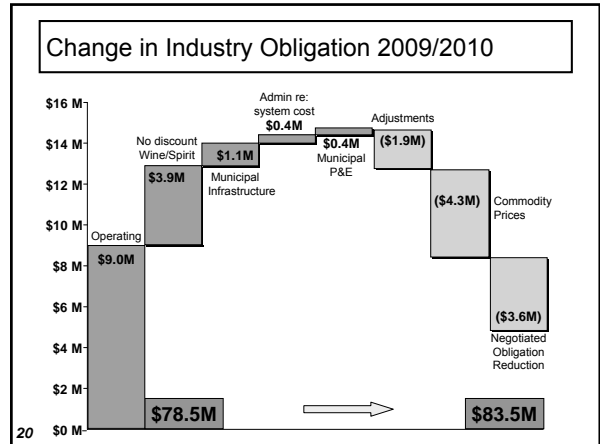
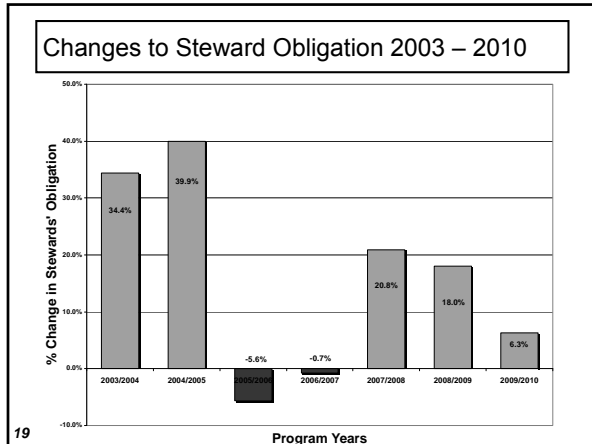
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System Performance 2003 - 2008



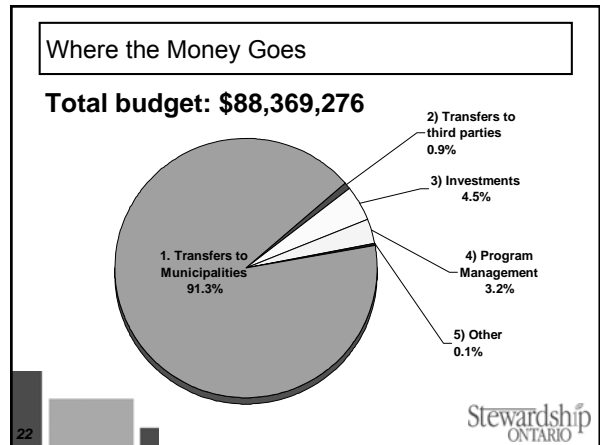
Net System Costs 2003 - 2008





How Costs Are Turned Into Fees

- Costs comprise:
 - municipal obligation (largest component)
 - other program investments (e.g., market development)
 - program management
 - transfers to other external parties (WDO, MOE)
- Three factor formula applied: 35–40–25
 - 35%: quantity recovered
 - 40%: net cost of managing material
 - 25%: equalization (combination of recovery & cost)



Preliminary 2010 Blue Box Fees

Material	2010 Preliminary Fees (¢/kg)
CNA/OCNA Newsprint	0.163
Other Newsprint	0.709
Other Printed Paper (magazines & catalogues, directories)	1.976
Cardboard and Boxboard	7.743
Other Paper Packaging (gable top containers, aseptic containers, paper laminants)	21.335

2010 Preliminary Blue Box Fees

Material	2010 Preliminary Fees (¢/kg)
PET Bottles	12.916
HDPE Bottles	12.478
Other Plastics (PS, other rigid plastics, LDPE/HDPE film, LDPE/HDPE film carry out bags, plastic laminants, biodegradable plastic film & rigid plastic containers)	24.797
Steel (food, beverage, paint cans, aerosol)	5.536
Aluminum Food & Beverage	-2.192
Foil and Other Aluminum Packaging	1.378
Clear Glass	3.796
Colour Glass	4.098

Factors Influencing Fee Rates

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Changes in Fees—CNA/OCNA Newsprint

"In-kind" Ad Space 2009	"In-kind" Ad Space 2010	Absolute Change	% Change
\$3.3M	\$1.4M	\$1.9M	- ~50%

Newsprint 2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
0.154	0.163	0.009	6%

- Large decrease in 'in-kind' contribution (< \$1.9M) & small increase in cash fees
 - lower net cost due to lower generation, recovery & high commodity prices
 - offset by smaller tonnage base

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Changes in Fees—Non-CNA/OCNA Newsprint

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
1.346	0.709	-0.637	-47%

- Large decrease in fee rate
 - higher commodity prices

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Changes in Fees—Other Printed Paper

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
3.373	1.976	-1.397	-41%

- Large decrease in fee rate
 - strong commodity prices & revenue
 - new information on cost of collection, sorting & marketing mixed fibres which shows lower gross costs

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Changes in Fees—Cardboard & Boxboard

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
8.020	7.743	-0.277	-3%

- Small decrease in fee
 - increased tonnage recovered but...
 - since costs spread over larger base, fee rate is decreasing
 - strong commodity prices offset net cost

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Changes in Fees—Other Paper Packaging

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
13.508	21.335	7.827	58%

- Large increase in fee rate
 - more "other" paper packaging collected
 - these small, lightweight materials require additional handling
 - reflected in higher cost per tonne

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Changes in Fees—PET bottles

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
12.484	12.916	0.432	3%

- Small increase in fee rate
 - continued increase in recovery & higher net cost
 - stewards reported broader use of PET
 - spreads fees over wider base & limits increase



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Changes in Fees—HDPE Bottles

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
11.372	12.478	1.106	10%

- Increase in fee rate
 - higher generation
 - increased recovery
 - higher net cost



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Changes in Fees—Other Plastics

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
19.027	24.797	5.770	30%

- Increase in fee rates
 - increased generation & recovery
 - higher costs to handle, collect, sort & market
 - low value in current markets



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Changes in Fees—Steel

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
4.998	5.536	0.538	11%

- Increase in fee rate
 - less generation
 - lower base against which to spread costs



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Changes in Fees—Other Aluminum Packaging

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
5.921	1.378	-4.543	-77%

- Large decrease in fee rate
 - higher recovery
 - lower net cost
 - more revenue
 - increase in generation



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Changes in Fees—Alum Food & Bev Cans

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
-2.984	-2.192	0.792	27%

- Substantial fee increase
 - increase in recovery
 - more 'other aluminum' than previously assumed
 - lowers net revenue & reduced credit for this category



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Changes in Fees—Clear Glass

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
3.461	3.796	0.335	10%

- Increased fee rate
 - general increase in net cost



Changes in Fees—Coloured Glass

2009 Fees (¢/kg)	2010 Preliminary Fees (¢/kg)	Absolute Change (¢/kg)	% Change
4.344	4.098	-0.246	-6%

- Decrease in fee rate
 - collection, sorting & marketing costs reduced by greater commingling & SO's investment in glass markets
 - reinforced by continued inclusion of wine & spirit (deposit) containers



EU Material Fee Rates Compared to SO

Material Category	Difference between 2010 BB fees & average of selected 2009 PRO EUROPE fees
Corrugated/Boxboard	42%
Aseptic/Gable Top Cartons	261%
Paper Laminant	273%
Plastic Laminant	311%
PET Bottles	612%
HDPE Bottles & Jugs	637%
Polystyrene	207%
Plastic Film	295%
Other Plastics	295%
Steel Cans/Aerosols/Other steel & metal containers	95%
Aluminum Cans	1274%
Other Aluminum	-1767%
Glass	69%

Changes to Rules for Blue Box Stewards

- Simple administrative changes
- Greater clarity
 - add concept of "Supplied for use" in Ontario
 - add concept of "Commercial Connection" on obligated material
- Additions
 - requirement to report textile carry-out bags designed to be reused & replace single-use carry-out bags
 - no associated fee – gathering data to determine appropriate policy on potential calculation and payment of fees
 - new sub-category – Aluminum aerosol containers
 - break out from other aluminum packaging to provide data to move reporting & payment of fees to Consolidated MHSW program

Conclusions

- Change in BBPP coming & inevitable
 - SO laying groundwork to be prepared
 - working to guide stewards through challenges
- Financial diligence
 - effecting costs where we have control
 - negotiating to mitigate increases
- Increase in system costs
 - primarily program related
- Allocating costs fairly
 - based on recovery, net cost & equitable share of administrative expenses
- Looking ahead
 - finding solutions to problem materials, optimizing system in preparation for full EPR

Break (15 minutes)

Getting started: Setting up the infrastructure

- Establishing communication & promotion channels to get message out to consumers, stewards, service providers & other stakeholders:



Paid ad campaign reach = 72M
 Earned media launch reach = 16M
 Municipal Media calendars reach = 1.7M
 Consumer brochure = 1/4M + in circulation

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Getting started: registering stewards

- Approximately 400 MHSW stewards reporting in one or more categories after 12 months
- Continuing to "find" more stewards

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Getting started: tracking & monitoring

- Information systems to track collection, diversion activities & costs under development
- Performance management baselines & systems under development

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Expanding the MHSW Program

- New plan development for additional 14 MHSM over lay Phase 1 implementation
- Plan approved by SO & WDO boards
- Pending MOE approval
- Expected launch date: July 1, 2010
- New fees will kick in for all 23 materials at that time
- New Phase 1 fee schedule required for January 2010 to run until new program is launched

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Material Performance vs. Targets – First 12 Months(1)

	Plan Target (te)	Actual Collected to June 30 (te)	Variance Plan to Actual (te)	Variance Plan to Actual %
Paint & Coatings	6,643	6,202	-441	-7%
Solvents	557	1,348	791	142%
Antifreeze	3,574	1,508	-2,066	-58%
Oil Filters	12,012	7,040	-4,972	-41%
Oil Containers	1,193	426	-767	-64%

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Material Performance vs Targets – First 12 Months (2)

	Plan Target (te)	Actual Collected to June 30 (te)	Variance Plan to Actual (te)	Variance Plan to Actual %
Pressurized containers:non-refillable	85	157	72	85%
Pressurized containers: refillable	544	708	164	30%
Single-use Batteries	308	366	58	19%
Pesticides	68	36	-32	-47%
Fertilizers	47	77	30	64%

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Challenges Affecting Program & Budget

1. Gap between projected & actual fees, 6% to 81% depending on material
 - exacerbated by economy & pesticide ban
2. Higher costs to manage 5 of 9 materials
3. Higher start-up & infrastructure costs
4. Stretched capacity to build infrastructure & operate programs
5. Finding appropriate transporters & processors

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Highlights of 2010 Budget & Fees

1. Implement year 2 as approved in original MHSW Program Plan
2. Recover all material-specific deficits within 1 year
3. Use projected surpluses in under-performing auto categories (antifreeze, oil containers, used oil filters) to improve performance
4. Amortized start-up cost & 2nd year of amortized plan development costs
5. Use 'market-share fee model' for pesticides & fertilizers
6. Employ aggressive P&E to help meet targets

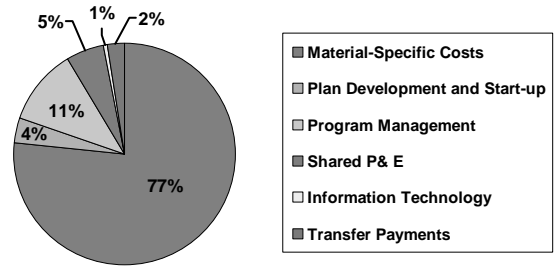
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Budget: 2010 Compared to 2009 (000s)

	2008-2009 Approved 18 months	2008-2009 Forecast 18 months	2010 12 months
Revenues - Fees	\$42.5	\$36.0	\$39.6
Costs – all expenses	\$42.5	\$39.7	\$35.9
Deficit		-\$3.7	\$3.7

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MHSW 2010 Budget Components



Total 2010 budget: \$35,940,466

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Material Specific 2010 Budget Breakdown

Material	Material Mgmt & Operating Costs (\$000s)	Deficit Recovery & Contingency (\$000s)	Total Fees (\$000s)
Antifreeze	2.0	0.1	2.1
Batteries: single use	0.8	(0.1)	0.7
Fertilizers	0.2	0.4	0.6
Solvents	1.8	1.3	3.1
Oil Containers	2.7	0.3	2.9
Oil Filters	12.0	0.8	12.8
Paint & Coatings	9.5	6.1	15.6
Pesticides	0.2	0.2	0.3
Pressurized Containers: non-refillable	0.5	0.5	1.0
Pressurized Containers: refillable	0.5	0.01	0.5
Totals	30.1	9.5	39.6

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Preliminary Material Specific 2010 Fees (1)

Material Category	Sub-category	Y2 Fee Rates \$s	Absolute Change	% Change
Antifreeze	Bulked	0.072	-0.001	-0.8%
	Packaged	0.085	0.012	17.0%
Batteries: single use	Lithium	0.182	0.057	45.6%
	Metal			
	All others	0.102	-0.023	-18.2%
Fertilizers		Measured return share		
Solvents		0.724	0.528	269.5%
Oil Containers		0.043	-0.002	-4.0%
Oil Filters	< 8"	0.594	0.095	19.1%
	>8"	1.189	0.191	19.1%

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Preliminary Material Specific 2010 Fees (2)

Material Category	Sub-category	Y2 Fee Rates \$s	Absolute Change	% Change
Paint & Coatings	<250 mL	0.044	0.020	83.0%
	>250 mL – 1 L	0.166	0.077	86.5%
	>1 – 5 L	0.665	0.307	85.7%
	> 5 L	3.320	1.531	85.6%
Pesticides	Measured return share			
Pressurized containers	-non-refillable	0.595	0.261	78.1%
	- refillable	1.611	1.245	340.1%

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Factors Influencing Fee Rates

- Substantial differences between plan *guesstimates* and year 1 baseline
 - deficits (5/9 materials)
 - lower than projected revenues in year 1
 - higher than projected municipal costs
 - addition of commercial collection not budgeted in year 1 (paint)
 - over-collection (4/9 materials)
 - amortization of year 1 start up costs that were not budgeted in original plan

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Changes to Rules for MHSM Stewards (1)

- Simple administrative changes
- Greater clarity
 - add concept of “Supplied for use” in Ontario
 - add concept of “Commercial Connection” on obligated material

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Changes to Rules for MHSM Stewards (2)

- Changes resulting from April 2009 ban on sale of cosmetic pesticides
 - define “market share” using generation reported by stewards for purpose of calculating fees for pesticides & fertilizers
 - define reporting period for generation of pesticides & fertilizers for purpose of calculating market share (April 2008 through March 2009)
 - continued reporting for non-banned pesticides and fertilizers in each quarter in 2010
 - payment required after Stewardship Ontario files a market share statement
 - add sub-categories for banned & non-banned pesticides & fertilizers to gather data for calculating numeric fee rate for non-banned material in future

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Changes to Rules for MHSM Stewards (3)

- Additional sub-categories
 - add sub-categories for packaged & bulked antifreeze to account for differences in cost to manage containers
 - add 3 sub-categories for batteries: AIMn/AI, ZnC/Zn Air - same fee
 - Li Metal – different fee

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Conclusions for MHSW Program

- Clearing up deficit will stabilize program & create “true” baseline for measuring future performance assuming status quo
- But program is in flux & will be changing again under Consolidated Plan where new cost components (e.g. collection) & requirements have been added
- Focus in future phases of program implementation will be on system optimization

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Questions & Comments



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Closing Remarks

- Reminder: comments due to by September 30
- Send to:
info@stewardshipontario.ca
- Presentation slides and webcast slides & sound available on our website
stewardshipontario.ca
- Appreciate your participation & your questions & comments



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Thank you!