

Guide to the Blue Box Program



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1. The Waste Diversion Act

The Waste Diversion Act (WDA)¹ was passed into law on June 27, 2002. The purpose of the WDA is to promote the reduction, reuse and recycling of waste in Ontario and to provide for the development, implementation and operation of waste diversion programs.

The Minister of the Environment may designate a material through a regulation under the WDA and request that Waste Diversion Ontario (WDO) develop a diversion program for the designated material. The Minister has designated Blue Box Wastes, Used Tires, Used Oil Material, Waste Electronic and Electrical Equipment (WEEE) and Municipal Hazardous or Special Waste (MHSW). When designating MHSW, the Minister set aside the Used Oil Material designation and included used oil filters and oil bottles in the MHSW designation.

WDO, working co-operatively with an Industry Funding Organization (IFO), responds to the Minister's request by developing a diversion program plan and submitting it to the Minister for approval. After the Ministry of the Environment posts the plan on the Environmental Registry website for a minimum of 30 days for comment, the Minister will approve or reject the plan.

If approved, the Minister files a regulation under the WDA designating the IFO as the organization responsible for implementing the approved plan, with authority to collect fees from industry stewards to cover implementation costs, administer the IFO and contribute to the costs of WDO.

2. The Blue Box Program Plan

Blue Box Wastes were designated under the WDA by regulation O. Reg. 273/02 on September 23, 2002². For the purpose of the *Act*, the regulation defines Blue Box Wastes as: *Waste that consists of any of the following materials, or any combination of them:*

- Glass;
- Metal;
- Paper;
- Plastic;
- Textile³.

On September 23, 2002 the Minister requested that WDO develop a diversion program for Blue Box Wastes⁴. In response, WDO created an IFO for Blue Box Wastes, called Stewardship

¹ The Waste Diversion Act can be found at <http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm>.

² 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 <http://www.ene.gov.on.ca/envision/land/wda/bluebox/bluebox.htm>.

³ Textile is defined in the Blue Box Program Plan (Table 9.2) as 'Natural and synthetic based textile packaging'.

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

Ontario⁵. 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)⁶, with approval from WDO.

Stewardship Ontario, in consultation with industry stewards and interested stakeholders, developed the Blue Box Program Plan⁷ (BBPP). The Plan further defines Blue Box Wastes as consumer packaging material and printed papers commonly found in the residential waste stream.⁸ The goal of the BBPP is to increase the diversion of municipal Blue Box materials in an economically sustainable manner.

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

- Payments to municipalities (outlined in Section 4.1); and
- Direct program delivery, market development and program administration costs (outlined in Section 4.2).

The Guide to the Blue Box Program is issued annually in conjunction with WDO's approval of Blue Box stewards fees to provide stewards and stakeholders with updated information on the Blue Box program.

3. How WDO Calculates Municipal Blue Box System Costs

3.1 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.
- *Public Awareness and Public Education Costs* including graphic design, production costs, printing, postage, linage rates, air time, etc.

⁵ For more information on Stewardship Ontario, refer to www.stewardshipontario.ca.

⁶ For more information on Industry Stewardship Plans, refer to WDO's Procedures for Industry Stewardship Plans at <http://www.wdo.ca/content/?path=page81+item38390>.

⁷ The Blue Box Program Plan can be found at www.stewardshipontario.ca/plans/bbpb2003.htm.

⁸ For more information on the definitions of printed papers and packaging, refer to Section 2.1.1 and 2.1.2 of the Blue Box Program Plan at www.stewardshipontario.ca/pdf/BBPP2003/BBPP_Feb28_Chapter2.pdf.

- *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,⁹ 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 2006 Datacall, interest on municipal debt to acquire buildings, equipment or vehicles with an amortization period of seven years or more is 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 2006 Datacall, administration costs are calculated at 3% of gross cost for programs that contract for Blue Box services and 5% 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.

3.2 Annual WDO municipal survey

WDO is responsible for collecting program data from municipalities. The Municipal Datacall requests program information and prior year tonnage, cost and revenue data for Blue Box materials. The Blue Box cost and revenue data are used to determine the net Blue Box system cost and to calculate stewards' 50 percent contribution.

Municipal Datacall data by municipality are available on the WDO website at 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.

⁹ 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.

3.3 Verifying municipal costs

WDO undertakes a comprehensive verification process of Blue Box tonnage, cost and revenue data provided in Municipal Datacall submissions to confirm that the data are accurate and attributable to the Blue Box program.

Verification of Blue Box tonnage 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 costs and revenues 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.

3.4 Adjusting for wine and spirits deposit system

Beginning February 5, 2007, wine and spirits containers in Ontario are subject to a deposit at the point of sale with redemption of the deposit available upon return of the containers to The Beer Store.

As the Liquor Control Board of Ontario (LCBO) will not be required to pay Blue Box stewards' fees on wine and spirits containers subject to deposit, WDO has adjusted the reported 2006 Blue Box data, on which 2008 fees are based, to remove tonnes, costs and revenues associated with those containers that will be subject to the deposit system in 2008.

Tonnes were adjusted by deducting the quantity of wine and spirits containers, calculated as a percentage of all containers marketed. Costs were adjusted by multiplying the tonnes of wine and spirits containers removed by the gross cost per marketed tonne of each material derived from activity-based costing. Revenue was adjusted by calculating a weighted three year rolling average revenue for the wine and spirits containers removed and deducting this revenue from the three year rolling average revenue calculation.

3.5 Calculating Stewardship Ontario's funding to municipal programs

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

Total gross program cost*
- three-year rolling average program revenue*
= Net Blue Box system costs
X 50%
= Stewardship Ontario funding to municipal programs
*after adjusting for wine and spirit containers

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.

The total gross cost used to calculate stewards' obligation in 2008 is the gross cost reported by Ontario municipalities in the 2006 Municipal Datacall, on the basis that a comparison of reported costs to the costs resulting from the KPMG best practice cost model¹⁰ indicate that reported costs are at the lower range of the best practice costs projected by KPMG.

After adjusting for the wine and spirits container deposit system and deducting the three year rolling average revenue, the net 2006 Blue Box system cost is \$133,047,808. The stewards' portion of the 2006 net Blue Box system cost is \$66,523,904 (see Table 3.1).

¹⁰ To review the Final Report of the Blue Box Program Enhancement and Best Practices Assessment Project, refer to <http://www.wdo.ca/content/?path=page80+item126018>

Table 3.1
Summary of 2001 to 2006 Blue Box System Costs and 2003 to 2008 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	2005 Data for 2007 Fees	2006 Data for 2008 Fees
Tonnes recovered	693,547	726,726	779,844	823,635	861,313	937,979
Gross system cost	na	na	na	\$194.54 m	\$200.97 m ³⁾	\$223.38 m ³⁾
Reasonable cost band	na	na	na	\$10 m	\$14 m	na
3 year rolling average revenue	na	na	na	\$73.61 m	\$76.88 m ³⁾	\$90.34 m ³⁾
Agreed net cost	\$62.5 m	\$84.0 m	\$117.5 m	\$110.9 m	\$110.1 m	\$133.05 m
Industry funding	\$13.0 m ¹⁾	\$21.0 m ²⁾	\$58.77 m	\$55.46 m	\$55.05 m ³⁾	\$66.52 m

¹⁾ 5/12ths of annual funding

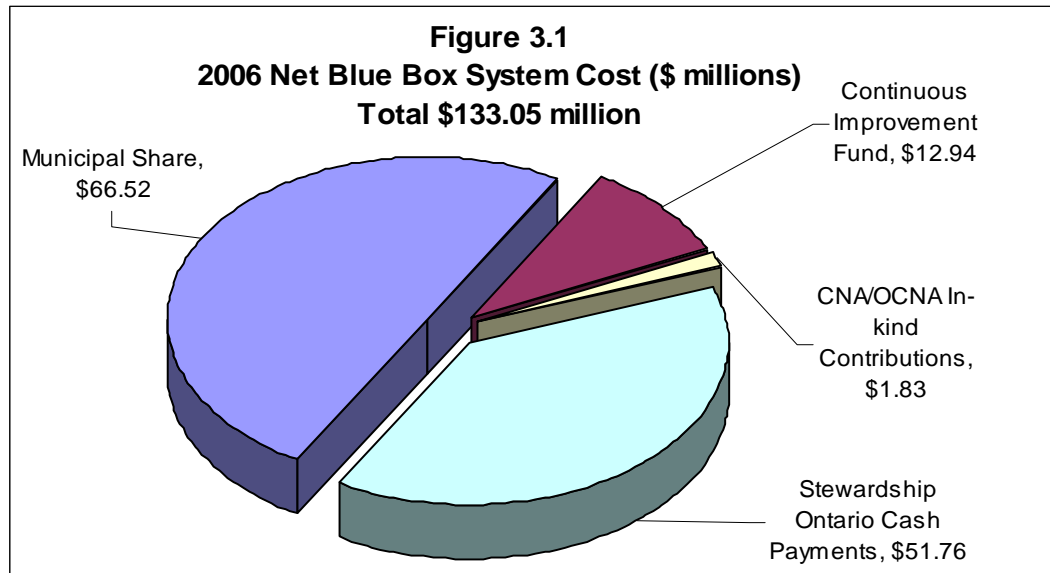
²⁾ 6/12ths of annual funding

³⁾ Adjusted to exclude containers to be managed in the wine and spirits deposit system

3.6 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 3.1. 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 Newspapers Association (OCNA);
- Less 20 percent, which is set aside for a Continuous Improvement Fund (CIF) (see Section 6.1).

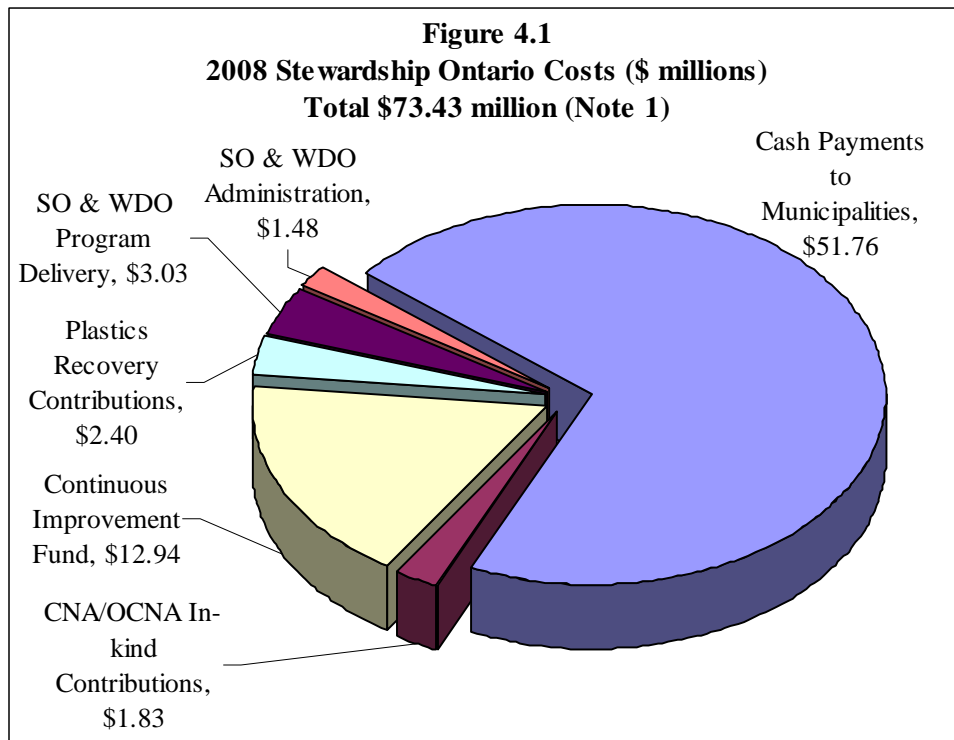


Stewardship Ontario fees for 2008 are based upon reported municipal data for 2006 (given the lag time to collect and verify program data).

4. How Stewardship Ontario Calculates Fees for Stewards

The Stewardship Ontario costs for 2008 total \$73.43 million and, as shown in Figure 4.1, comprise:

1. Payments to municipalities;
2. CNA/OCNA in-kind contributions;
3. Continuous Improvement Fund; (see Section 6.1)
4. WDO and Stewardship Ontario direct program delivery costs;
5. WDO and Stewardship Ontario administration costs; and
6. Plastics recovery contributions.



Note 1: This figure reflects total fees prior to a credit for the current operating surplus of \$5 million

After applying a credit for the current operating surplus of \$5 million, stewards' fees for 2008 total just over \$68 million.

4.1 Municipal financial payments

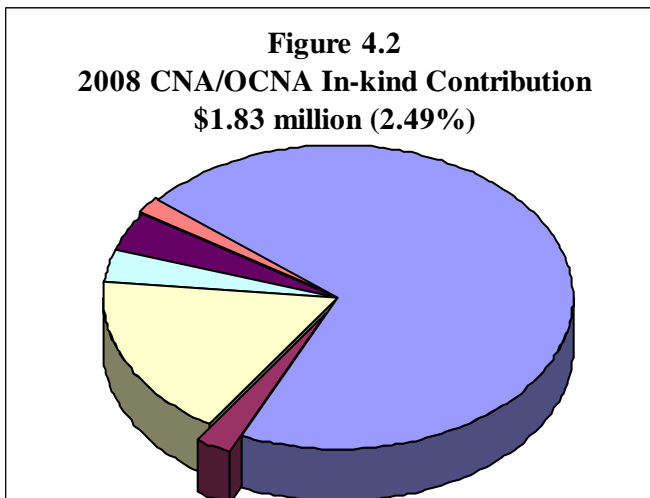
Payments to municipalities make up by far the largest portion of the stewards' fees before the application of the operating surplus credit – approximately 91 percent of the total program costs

for 2008. Stewards' annual obligation to municipalities is calculated to be 50 percent of the net 2005 system cost (after adjustment for the wine and spirits deposit system), amounting to \$66.52 million for 2008 (cash payments plus CNA/OCNA in-kind contribution plus the Continuous Improvement Fund).

4.1.1 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 the CNA/OCNA in-kind contribution be expanded to cover their entire municipal financial obligation, amounting to \$1.83 million for 2008, thus reducing the total cash payment to municipalities. This amount represents about 2.5 percent of the total cost before the credit for the current operating surplus (Figure 4.2).



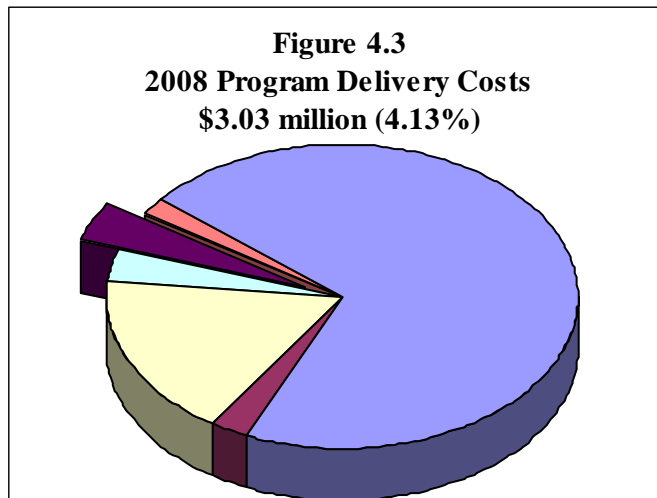
4.2 Program delivery and administration costs

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.

4.2.1 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.



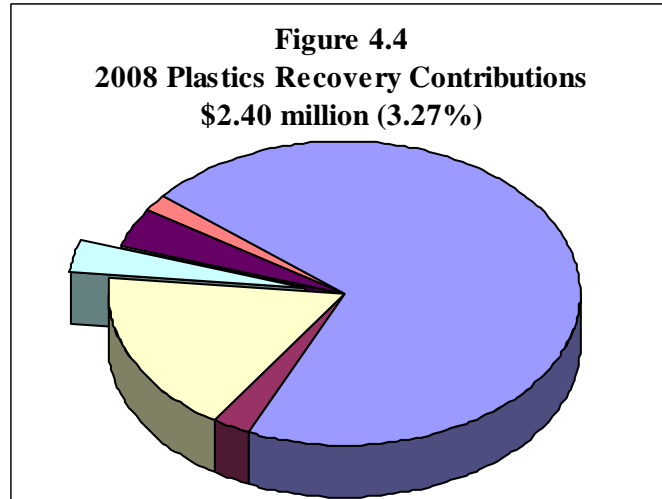
These costs, totaling about \$3.03 million for 2008, are incorporated into the stewards' fees and make up approximately 4 percent of the total cost before the credit for the current operating surplus (Figure 4.3).

4.2.2 Market development costs

Under the BBPP, Stewardship Ontario has the authority to charge fees to stewards of specific materials 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 development program includes two funds currently being implemented:

1. Approximately \$2 million to develop a processing system for glass collected by programs in and around the GTA.

After a competitive tender process, a contract has been signed between Stewardship Ontario and Unical Inc., to equip a 50,000 to 75,000 tonnes per annum (tpa) glass processing plant with state of the art technology supported by a grant from Stewardship Ontario. Execution of this contract depends on Unical securing sufficient glass from municipalities and potentially other sources. A minimum of 25,000 tpa of mixed broken glass must be sourced from Ontario blue box programs.

2. Support for smaller glass diversion projects in other regions for which \$500,000 was earmarked. Seven projects have been approved and the \$500,000 is now fully committed.

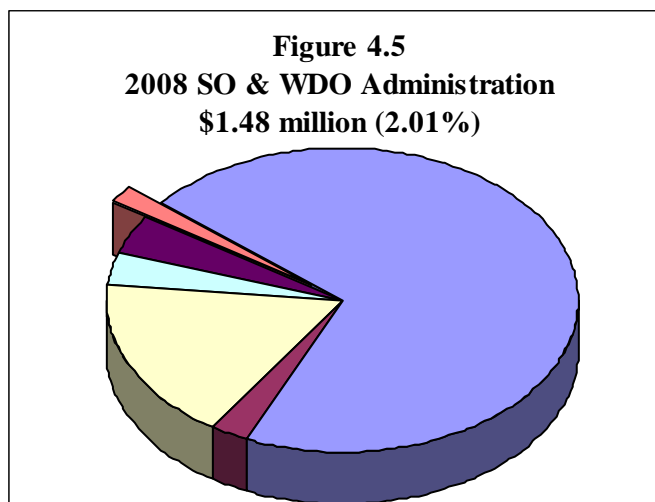
Under the direction of the Projects Committee, Stewardship Ontario, with additional funding support from Environment and Plastics Industry Council (EPIC), engaged a consultant (RW Beck) to provide an analysis of the opportunities and costs related to increased recycling and the long term energy recovery potential of Blue Box plastics. Based on the recommendations from this analysis, the Stewardship Ontario Board approved the addition of \$2.4 million to the fees of stewards of plastics. These fees are allocated to individual plastics categories in the same proportion as the base fees resulting from the approved three factor fee setting formula. Up to \$2.4 million will be spent subject to Board approval of a detailed implementation plan. This additional plastics recovery strategy comprises approximately 3% of stewards' fees prior to the credit of the operating surplus (Figure 4.4).

4.2.3 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 5 percent of total program costs. For 2008, these costs total \$1.48 million, representing 2 percent of the fees before the credit for the current operating surplus (Figure 4.5).

In accordance with the policies approved by the Minister¹¹, 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.



4.3 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.

Stewardship Ontario undertook an extensive review of the steward fee setting methodology between September 2005 and March 2006. The recommended revisions to the methodology were approved by WDO in March 2006 and approved by the Minister in October 2006. The fees resulting from the revised methodology are more closely linked to the performance of the specific materials in the Blue Box system because of improvements to the accuracy of the input data and the way in which fee rates for each material category are grouped.

4.3.1 Fees associated with municipal payments

After determining the cost and recovery rate for each material within the Blue box system, the total municipal payments are apportioned to Blue Box Wastes according to three factors:

¹¹ 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>.

1. Net Cost – 35 percent

The WDA stipulates that stewards' fees reflect the cost to manage each material in the Blue Box system. Therefore, 35 percent of municipal payments are allocated in 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 net effect of the three-factor formula is to transfer a 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.

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 is also 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 – 25 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-five percent of the municipal payments are allocated in direct proportion to the incremental cost to achieve a recovery rate of 60 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.

4.3.2 Market development fees

Any market development costs required are apportioned to specific materials that benefit from targeted market development activities for those materials. For 2008, \$2.4 million for an enhanced plastics recovery strategy are allocated to stewards of plastics, apportioned using the same three factors as above.

4.3.3 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.

4.3.4 Calculation of fees

The fee rates (dollars per tonne or cents 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 that generate less than 15 tonnes of Blue Box Wastes in Ontario, are exempted from paying fees.

4.3.5 Schedule of stewards' fees - 2003 to 2008

Table 4.1
Schedule of Stewards' Fees - 2003 to 2008

Category	Material	2003 Fee Rate	2004 Fee Rate	2004 Annualized Fee Rate	2005 Fee Rate	2006 Fee Rate	2007 Fee Rate	2008 Fee Rate
		(cents/kg)						
PRINTED PAPER								
Printed Material	Newsprint, CNA/OCNA members	0.028	0.026	0.025	0.271	0.182	0.198	0.148
	Other Newsprint, Non CNA/OCNA members	0.028	0.026	0.025	0.786	0.733	0.674	0.764
	Magazines and catalogues	0.081	0.310	0.189	0.862	1.479	1.840	2.182
	Directories	0.081	0.687	0.377	1.302	1.190		
	Other printed material	0.251	1.318	0.764	9.029	7.961		
PACKAGING								
Paper packaging	Gable top containers	4.728	5.987	4.964	7.904	7.673	10.055	12.534
	Aseptic containers							
	Paper laminants							
	Corrugated cardboard							
	Boxboard and other paper packaging						7.166	7.252
Plastic packaging	PET Bottles and Jars	6.692	9.610	7.593	13.907	13.556	11.644	11.238
	HDPE Bottles and Jars						9.929	11.135
	Polystyrene						14.720	18.449
	Other rigid plastics							
	LDPE/HDPE film							
	Plastic laminants							
	Natural and synthetic textiles							
Steel and other metal packaging	Aerosol containers	3.633	4.391	3.709	4.745	4.601	4.398	4.744
	Paint cans							
	Other steel and metal containers							
Aluminum packaging	Food and beverage cans	-5.465	-3.193	-3.874	-1.093	-0.476	-1.863	-2.215
	Foil and other aluminum packaging				5.502	3.577	5.863	5.095
Glass packaging	Clear (flint) glass	3.723	3.682	3.392	3.761	3.309	3.596	3.529
	Coloured glass	4.016	3.916	3.631	4.432	3.602	4.077	3.976

4.3.6 Changes to BBPP for 2008 fees

The approved funding formula was used successfully for setting fees for the first three program years of the plan during the start-up period of 2003 through 2005. Revisions to the way in which revenue is allocated to each material and the way in which material-specific fees are aggregated were approved by the Minister for setting fees for 2007 and 2008.

As part of the review of the fee-setting methodology in 2006, the Minister approved an adjustment to the weightings of the three factors of the formula for setting fees for 2008 to provide an additional incentive for greater diversion and support the overall objective of the BBPP. The approved weightings for allocation of the municipal payments for 2008 are 35% for recovery, 40% for net cost and 25% for equalization resulting in a further shift of cost from materials with high recovery rates to those with low recovery rates.

In addition to the revisions to the fee-setting methodology for 2008, as directed by the Minister and the approved WDO Cost Containment Plan¹², the fees for 2008 are based on best practice costs for municipal recycling programs. For 2008, this is the gross cost reported by Ontario municipalities in the 2006 Municipal Datacall, on the basis that a comparison of reported costs to the costs resulting from the KPMG best practice cost model¹³ indicate that reported costs are at the lower range of the best practice costs projected by KPMG. The new Continuous Improvement Fund (see Section 6.1) will ensure that improvements are made to the system on an on-going basis.

5. 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 recovered¹⁴ 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. Recover in 2005 was 861,062 tonnes, a further increase of 5 percent over 2004. For 2006, recovery was 937,979, an additional 9%. This represents an estimated diversion rate for Blue Box materials of about 63%.

Due to the announcement by the government of a deposit on wine and spirit containers, these containers have been excluded from the calculation of fee rates. Table 5.1 shows generation

¹² The Cost Container Plan can be found at <http://webservices.siriusweblabs.com/dotconnector/files/domain4116/Final%20Revised%20Cost%20Containment%20Plan%20January%2031%202005.pdf>

¹³ To review the Final Report of the Blue Box Program Enhancement and Best Practices Assessment Project, refer to <http://www.wdo.ca/content/?path=page80+item126018>

¹⁴ The quantity of materials recovered is calculated by subtracting the quantity of residue as a result of processing materials from the quantity of materials collected.

estimates and reported recovery by material group, excluding the wine and spirit containers that will be part of a deposit system, used in the calculation of the 2008 fees.

Table 5.1
Generation and Recovery of Blue Box Wastes in 2006¹

Material	Quantity Generated ¹ (tonnes)	Quantity Recovered ¹ (tonnes)	Recovery Rate ¹
Printed Paper			
Newspaper & Magazines	488,063	441,613	90.5%
Other Printed Paper	117,200	57,232	48.8%
Printed Paper Total	605,263	498,845	82.4%
Packaging			
Paper Packaging	341,559	201,194	58.9%
Plastics	231,289	51,085	22.1%
Steel	57,564	34,591	60.1%
Aluminum	25,642	11,516	44.9%
Glass	77,939	53,743	68.9%
Packaging Total	733,993	352,130	48.0%
GRAND TOTAL	1,339,256	850,975	63.5%

¹⁾ Adjusted to exclude containers covered by the wine and spirits deposit system after February 1, 2007

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.

6. Improving the Efficiency and Effectiveness of Municipal Recycling

6.1 Continuous Improvement Fund

The Continuous Improvement Fund (CIF) has been established through an agreement among WDO, the Association of Municipalities of Ontario (AMO), the City of Toronto (which is not a member of AMO) and Stewardship Ontario. The CIF is the successor to the Efficiency & Effectiveness (E&E) Fund, which has been funding municipally-sponsored projects to increase the efficiency and effectiveness of municipal Blue Box programs since July, 2004. Twenty per cent of steward's annual financial obligation to municipalities under the BBPP will be directed to the CIF in 2008 to achieve objectives outlined in the the Minister's Program Request Letter to WDO for a Waste Diversion Program for Blue Box Wastes:

7 (c) “The proposed funding rules under the program will include ...a funding performance incentive to encourage program efficiency and effectiveness.”

8) “The program will include a plan, with funding provisions, outlining research and development activities to support and increase the effectiveness and efficiency of Blue Box diversion.”

The goal of the CIF is to promote the adoption of best practices in Blue Box recycling programs. Preliminary objectives of the Continuous Improvement Fund include but are not limited to:

- public awareness of, and greater public participation in, Blue Box recycling
- Blue Box program design as part of an integrated waste management system
- rationalized and new approaches to using existing recycling facilities and related infrastructure
- developing new infrastructure, as required
- continuous improvement and measurement
- training

WDO’s Municipal Industry Program Committee (MIPC) will manage the CIF and be responsible for approving operating procedures and expenditures and for reviewing the continuation of the CIF and the percentage of stewards’ fees allocated to the fund three years after implementation of the fund.

6.2 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 areas where improvements can be made, possibly through application to the Continuous Improvement Fund. Two recycling program advisors, including an advisory position for Northern Ontario that was created as a direct result of the findings of the Recycling Program Enhancement and Best Practices Assessment project, have been engaged under the E&E Fund to assist municipalities to identify opportunities to improve their recycling programs and to identify potential best practices.

6.3 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.

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

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 collection¹⁵ 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.

¹⁵ 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 data in Municipal 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 cost and revenue data in Municipal 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 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

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North York, Ontario M2N 5W9
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F: 416 226 1368
Email: wdo@wdo.ca
www.wdo.ca

Stewardship Ontario

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Toronto, Ontario M5E 1S2
T: 1 888 288 3360 - Customer Service
F: 416 594 3463
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F: 416 971 6191
www.amo.on.ca

Ministry of the Environment

135 St. Clair Avenue West, 7th Floor
Toronto, Ontario M4V 1P5
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F: 416 325 4437
Email: bluebox@ene.gov.on.ca
www.ene.gov.on.ca

Glossary

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