



**Canadian Stewardship
Services Alliance**

CSSA Annual Steward Meeting: The Harmonization Journey Continues

October 15, 2014

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1.0 - Canadian Stewardship Services Alliance – The Harmonization Journey Continues

It has been an exciting and busy year for CSSA. When we last met at our October, 2013 Annual Steward Meeting, Multi-Material BC (MMBC) was seven months away from launching the first full EPR program in North America for packaging and printed paper and Multi-Material Stewardship Western's (MMSW) program plan had just been submitted to the Saskatchewan government for approval. Today we are celebrating the successful launch of MMBC's program in British Columbia and we are preparing for a January 1, 2015 launch of MMSW's program in Saskatchewan.

MMBC Charting New Territory



MMBC's program is charting new territory for both stewards and municipalities. MMBC is operating its own system, which it designed on behalf of its stewards. This is very different from the current cost-transfer provinces such as Ontario and Quebec where stewards are required to pay for recycling costs designed by others with little or limited ability to control those ever-increasing costs. By contrast,

MMBC has designed a carefully synchronized waste shed that promises to maximize revenues while achieving a 75% recycling rate in British Columbia. Standardized collection and limits on contamination rates are just a few of the ways MMBC will see returns on our stewards' investment over time.

This does not mean, however, that MMBC left municipalities behind - in fact quite the opposite. By offering local governments first-right-of-refusal to provide collection services, MMBC encouraged them to stay in the collection business since they know their residents best. As a result, 67 municipalities chose to sign up as service providers, alongside 13 First Nations and 86 private collectors and there are more than 70 other collectors, including municipalities,



on MMBC's waiting list. MMBC will be glad to partner with them just as soon as it has enough new steward members to pay for the additional material. **Read more about MMBC's program, its projected performance, its 2015 budget and fee schedule at Section 2.0.**

MMSW Preparing for a New Year Launch



In Saskatchewan, Multi-Material Stewardship Western (MMSW) is working hard to prepare for a January 1, 2015 launch. And while it is a shared responsibility jurisdiction, we have redefined that concept to ensure that our stewards are not passive price takers. We asked municipalities who are interested in receiving funding from us to sign funding agreements. These funding agreements

include our pre-determined funding rates. And taking a page out of MMBC's book, the agreements set low contamination rates and require municipalities to directly submit collection reports to us – both measures will provide useful insights into the quality and volume of the material. Hard lessons in Ontario and Quebec have taught us there should not be any transfer of funds to partners without solid commercial terms. Three hundred and ten of the over eight hundred municipalities in Saskatchewan have signed up to receive funding from MMSW. This means that at launch approximately 68% of Saskatchewan residents will have access to recycling services, including Regina and Saskatoon. **Read more about MMSW's upcoming program at Section 3.0.**

MMSM Recycling Rate Increases



In Manitoba, Multi-Material Stewardship Manitoba (MMSM) saw a significant increase in the amount of packaging and printed paper recycled which jumped from 71,197 tonnes in 2012 to 81,122 tonnes in 2013 -- largely because the City of Winnipeg switched to collection carts, which are larger and allow residents to recycle increased volumes of household recyclables. The additional 10,000 tonnes, consisting

primarily of boxboard and glass, boosted the year-over-year recycling rate from 54.1% to 63%. **Read more about MMSM's program performance, draft budgets and fees at Section 4.0.**



Stewardship Ontario Awaiting Arbitration Result



Stewardship Ontario

In Ontario, Stewardship Ontario (SO) continues to exceed the 60% government-mandated recycling target, and saw a year-over-year increase in the general recycling rate from 62.8% to 65.8%. However, for the second year in a row, Stewardship Ontario cannot produce a definitive fee schedule because the methodology to calculate the quantum of the steward

obligation continues to be the subject of a dispute that is currently before arbitration. The arbitrator is expected to issue a ruling in Q4 2014 that will decide the matter. There is a wide disparity between Stewardship Ontario's calculations and those of municipalities for both the 2014 and the 2015 obligation. In the meantime, Stewardship Ontario has chosen to calculate budgets and fees for both parties' positions (high/low), recognizing that the arbitrator is not restricted to siding with one over the other, but may render a decision that puts the quantum somewhere in between the two. **Read more about Stewardship Ontario's program performance, draft budgets and fees at Section 5.0.**

Celebrating our Performance as a Steward Community

Stewards of CSSA's family of stewardship organizations have every right to be proud of their accomplishments when it comes to packaging and printed paper recycling performance. As the *Program Performance Metrics At A Glance* (see below) demonstrates, CSSA stewards are clearly making a difference because collectively they will:

- Contribute between \$212M and \$226M in support of packaging and printed paper recycling in British Columbia, Saskatchewan, Manitoba and Ontario in 2015
- Fund the recycling of over 1.2 million tonnes of packaging and printed paper
- Provide recycling services to over 17.5 million people, representing 50% of Canada's population
- Realize an average recycling rate of 67% across all programs
- Recycle an average of 59 kilograms of packaging and printed per capita in 2015.

Table 1: PROGRAM PERFORMANCE METRICS AT A GLANCE

Metric	MMBC (2015 Projected Performance)	MMSW (2015 Projected Performance)	MMSM (2013 Performance)	Stewardship Ontario (2013 Performance)
Obligation	100% industry managed	75% cost transfer	80% cost transfer	50% cost transfer
# Paying Stewards	919	370	600	1,050
2015 Cost to stewards (obligation)	\$84M	\$8M	\$14M	\$106M or \$120M
Financial Performance	(estimated)	(estimated)		
Net Cost*	\$84M	\$8M	\$23M	\$247M
Net cost per tonne	\$452	\$261	\$275	\$274
Net cost per capita	\$27	\$10	\$19	\$19
Recycling Performance**				
Generated/Supplied Tonnes	230,713	50,489	128,864	1,368,160
Recycled Tonnes	185,491***	30,000	81,122	900,135
Recycling Rate	80.4%	60%	63%	66%
Provincial Recycling Target	75%	No mandated target	No mandated target	60%
Population Served by PPP Program	3,106,765****	748,982	1,180,091	13,178,310
Recycled kgs per capita	59.7	40.1	68.7	68.3
Accessibility Performance**				
# Households serviced	1,242,706****	TBD	498,007	5,222,058
% Households with access to PPP	>80%	TBD	93%	97%
P&E Cost per capita	\$0.79	\$0.07	\$0.44	\$0.59
Consumer awareness	97%	97%	93%	97%

- *Net cost included supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs.

- **Please note that MMBC and MMSW reference prospective performance as distinct from MMSM and Stewardship Ontario's 2013 performance .

- ***Targeted tonnes.

- ****Curbside, Multi-Family only. Depots not yet fully activated.

The Benefits of a National Organization from the Perspective of One Year In

At a national level, CSSA has been working over the past year to enhance the services it provides to stewards and to put in place a consolidated, one-stop-shop that allows stewards to fulfil their stewardship obligations in multiple provinces in a much more streamlined manner. To that end, over the past year CSSA has rolled-out:

- a one-stop-shop single reporting and payment portal for stewards
- a national steward services call centre
- a national material list
- national standards and benchmarks
- ongoing steward training and information sessions
- a shared administrative back office to efficiently receive, review and pay service provider claims for all programs
- and a national voice on extended producer responsibility programs.

CSSA has also realized some significant savings to stewards over the last year. We estimate that with four steward agencies (MMBC, MMSW, MMSM and SO) sharing the costs of

administration, our stewards are benefitting from annual cost savings of \$3.6M today and projected to increase to \$6.3M annually by 2017. These savings flow from the administrative and technological efficiencies of having one management layer, one technological platform and one set of common business processes.

In addition to those administrative and overhead savings, further savings are being realized by the ability of CSSA to re-use and re-

purpose technology, business process infrastructure, legal frameworks and human resources each time a new program starts up under the CSSA umbrella. The savings associated with these cost avoidances are in addition to the \$6.3M already identified.



This year we also enjoyed some unanticipated benefits of being a national steward organization. As our stewards know, initiating a new program such as MMSW requires significant levels of outreach to the steward community— to both companies that reside in and out of the province. Our National Steward Services team has found that the outreach for MMSW as well as MMBC is resulting in stewards learning about their obligations in other provinces for the first time. Both Stewardship Ontario and MMSM saw a number of new stewards register, report and pay for prior years as a direct result of our initiation of MMBC and MMSW. Larger numbers of stewards sharing the costs in each province is just one of the benefits of a cross-Canada administration.

Similarly, this year's process of setting fees for packaging and printed paper programs across the country, each with their own program design, processing methods, recycling targets, material definitions, available data etc. has served to highlight both the challenges and opportunities associated with the setting of fair material fees. As our steward community has seen over the past few years, there are significant challenges associated with fee-setting; namely:

- Availability of consistent cost inputs. In some markets, like Ontario, gaining access to municipal material recovery facilities (MRFs) in order to conduct our activity based costing studies and material composition studies (these are inputs to the material cost allocation process) is becoming increasingly difficult. This is affecting our ability to gain consistent year over year data. In other markets, like BC, commercial arrangements constrain the ability to examine the costs of a private service provider.
- Fairness: there are limitations in the three-factor formula's ability to allocate costs fairly in certain circumstances; for example, in cases where recycling targets for certain materials have been exceeded or when allocating the costs of unstewarded material (free-riding).
- Incenting the right behaviours. Our stewards tell us that the incentives to use more easily recyclable material that are built into the fee methodology (i.e., the three factor formula) do not influence their packaging decisions. Product preservation/protection always takes precedence over recyclability when companies are making packaging decisions.

Our new national perspective on the fee setting process has motivated us to explore alternative approaches that could improve how we set fees while making it much easier for stewards to understand. Stewards will be hearing more about this in the coming year.

Looking Ahead

On the regulatory front, CSSA continues to work with provincial governments such as Ontario, Alberta and Nova Scotia to ensure that new regulatory frameworks are harmonized to the greatest extent possible. We will continue to urge policy makers to:

1. **Clearly define and assign roles and responsibilities** that enable obligated stewards to deliver on outcomes without prescriptions on how it should be done. If stewards are to be held accountable for achieving diversion targets, then stewards need to have the authority and responsibility to design systems that are capable of achieving those outcomes, as MMBC is demonstrating in British Columbia.
2. **Promote harmonization** by keeping the definitions of obligated producer and packaging and printed paper consistent across multiple jurisdictions. CSSA has developed a national material list so that stewards are not required to compile different data for different provincial programs.
3. **Commit adequate enforcement resources** to ensure compliance with regulations and promote a level playing field. Without adequate enforcement resources, compliant stewards are at a competitive disadvantage to free riders.

In 2015 CSSA looks forward to continued collaboration with our stewards, service provider partners and regulatory stakeholders to transform Canadian businesses into world leaders in responsible product stewardship by delivering sustainable and cost efficient stewardship programs on a national scale.

2.0 - MMBC Prospective Program Performance with 2015 Budget & Fees

2.1 Introduction

MMBC's program launched on May 19, 2014. With only three months of operation there is insufficient history to suggest that relying on the first three months of data is appropriate for the purpose of recalculating material specific fee rates. Therefore the 2015 fee rates for MMBC stewards will not change from the 2014 fee schedule.

2.2 Projected Recycling and Accessibility Performance

Table 2: MMBC Projected Recycling and Accessibility Program Performance

Metric	British Columbia 2015 (Estimated)	British Columbia 2014 (Estimated)
Recycling Performance		
Recycled Tonnes	185,491*	185,491*
Supplied Tonnes	230,713	247,321
Recycling Rate	80.4%	75.0%
Population Serviced by PPP Program	3,106,765**	3,760,000***
Recycled kg per capita	59.7	49.3
Accessibility Performance		
# Households Serviced	1,242,706**	1,400,000***
% Households with Access to PPP Program	>80%	78%
P&E Cost per capita	\$0.79	\$0.55
% of residents aware and using recycling services	97%	97%

Please note that the population and per capita values for 2014 and 2015 reflect recently updated census data.

- *Targeted tonnes – 12 months operation
- **Curbside, Multi-Family only. Depots not yet fully activated.
- ***Assumed all BC households (curbside, multi-family and depots).

MMBC's Program Successfully Launched

On May 19, MMBC's program for residential recycling was launched. Three years in the making, the program started delivering recycling services to 1.25 million curbside and multi-family households at launch, representing over 80 per cent of BC households. Residents in the majority of these communities are benefiting from being able to recycle more items through their recycling services including milk cartons, plant pots, aluminum foil packaging, plastic film, and drink cups. Communities are also excited to have glass, film and plastic foam packaging collected at 177 MMBC depots in addition to fibres and containers. Twenty communities in BC are receiving curbside recycling services for the very first time, and there are more communities that have expressed a desire to participate in MMBC's program but must wait until more BC businesses join MMBC.

2014 Reports Show a Decline in Steward Supplied Tonnes

MMBC stewards will note that the number of 2014 steward-reported (i.e. supplied tonnes) dropped from the 247,000 tonnes reported by stewards in 2013 to 230,000 in 2014. This is largely due to incorrect reporting by stewards in 2013, and consequent adjustments, which is common during the first year of a program. The YoY reduction in steward-reported tonnes has the effect of increasing the recycling rate for MMBC members from 75% that was projected last year to 80% for 2015 (smaller denominator of supplied tonnes against which to calculate recovered tonnes). If more non-compliant businesses join MMBC, the recycling rate will drop accordingly. The BC Ministry of Environment has commenced sending warning letters out to BC-based businesses that are out of compliance with the Regulation.

2.3 Financial Program Performance

Table 3: MMBC Financial Performance

Cost Performance	British Columbia 2015 (estimated)	British Columbia 2014 (estimated)
Cost Performance		
Recycled Tonnes	185,491	185,491
Net Cost*	\$83,891,590	\$84,387,500
Net Cost per Tonne	\$452.3	\$454.9
Net Cost per Capita	\$27.0	\$22.4
Recycled kg per capita	59.7**	49.3

- *Net cost includes supply chain costs, commodity revenues, P&E, regulatory and program management costs.

- **Cost per capita will decrease once the depots are fully activated.

MMBC's program is currently the highest cost per tonne program in the CSSA family of recycling programs. There are a number of reasons why MMBC's stewardship costs per tonne are higher than other packaging and printed paper programs:

1. BC is a 100% EPR program, meaning MMBC stewards are assuming full financial and management responsibility for their recycling system.
2. BC's regulation mandates a higher recycling target (75%) than other provincial programs.
3. There are relatively higher supply chain costs due to a number of factors including:
 - a. **Regulatory:** a requirement to include multi-family buildings and depots as collection channels, over and above curbside collection, increasing the number of collection sites compared to other provincial programs;
 - b. **Geography:** the presence of mountains, islands and bridges make transportation more complicated and costly;
 - c. **Population Density:** the Recycling Regulation requires MMBC to make recycling services accessible to as many BC residents as possible, many of which are in rural or remote areas. This presents transportation challenges and in turn increases costs.

- d. **BC carbon tax** adds a 10 – 20% premium on fuel prices;
- e. **Beverage containers are on deposit**, which means the program loses out on economies of scale and commodity revenues, especially in relation to the loss of high value commodity materials such as aluminum and PET.

That said, direct steward control over the supply chain promises to yield significant long term environmental and financial benefits when compared to cost transfer programs in Quebec and Ontario. They include:

1. **Material collection is standardized:** Through its collection contracts with municipalities and private collectors, MMBC has been able to standardize the materials collected throughout the province. MMBC's ability to define the scope of materials collected from residents means that residents have a clear understanding of what is and is not collected which reduces confusion and substantially reduces the amount of non-recyclable material that ends up in the system. This means cost savings to stewards.
2. **Recycled material quality can be continuously improved:** MMBC has set contract terms that specify an acceptable level (3%) of contamination (i.e., non-recyclable material or other non-packaging and printed paper) against which all collectors are managed. Real-time management of the supply chain will provide MMBC with insight into which collection partners may need to employ corrective strategies to reach that target. As contamination is reduced, the quality of the collected and processed tonnes increases, which in turn maximizes MMBC's revenue potential from the sale of these tonnes.
3. **Transparency drives performance:** MMBC will report on collection performance per capita, its contamination per capita and other key metrics to its contracted service providers. These reports will be available to MMBC collectors and will activate them to improve their performance. Peer pressure drives performance improvements!
4. **Managing BC's collection and post collection as a single system will realize valuable efficiencies:** From the perspective of material management, BC is challenging with islands, mountains, long travel distances and a disbursed population outside of the lower mainland. MMBC, with the assistance of its service providers, has constructed a single waste shed which will help reduce the overall cost of the system.

5. **With MMBC, our stewards have full control over their tonnes and the revenues they garner:** MMBC controls the management of the material that is collected and processed, which enables us to have a direct influence on material quality and resulting revenues from the sale of that material. This level of insight into supply chain operations and our ability to control it is unprecedented in packaging and printed paper programs across Canada.

2.4 2015 Budget

Table 4: MMBC Obligation

	BC 2015 Obligation (12 months)	BC 2014 Obligation (7.5 months)
<i>Steward obligation</i>	<i>100% industry managed</i>	<i>100% industry managed</i>
Share of supply chain costs	\$74,779,210	\$55,512,500
Promotion & education	\$1,250,000	\$1,000,000
Program management	\$7,862,380	\$4,375,000
<i>Program Management as % of total fee</i>	<i>9.4%</i>	<i>7.2%</i>
Program start-up		\$7,500,000
Working Capital Accumulation		\$16,000,000
Total fee obligation	\$83,891,590	\$84,387,500
<i>YoY fee change %</i>	<i>none</i>	

MMBC's 2015 budget assumes that revenue from steward fees are based on 230,713 supplied tonnes as reported by MMBC stewards.

Stewards will recall that the 2014 fees were calculated to fund program operations for the 7.5 month period from May 19 to December 31, 2014. The 2014 fees also funded two significant one-time expenses: the program start-up of \$7.5M and the working capital accumulation of \$16M that provided necessary liquidity for meeting obligations. Since the one-time expenses were approximately equal to 4.5 months of operations, the first year (2014) budget was close to a full year of operations, which allows MMBC to carry its first year fee schedule into the second year unchanged.

In 2015 we anticipate that program management costs will increase by \$3.5M YoY (from \$4.4M to \$7.9M) largely due to the fact that the 2015 budget reflects a full 12 months of operation.

The cost to collect, transport and process packaging and printed paper in BC makes up approximately 90% of MMBC's budget. Supply chain costs are based on the contracts MMBC has executed with its supply chain partners and these contracts include the financial terms of payment.

MMBC increased the promotion and education (P&E) budget from \$1 million in 2014 to \$1.25 million for 2015 to reflect a full year's operation and the onboarding of five municipalities in late 2014 – Coquitlam, Anmore, Quesnel, Prince George, and University Endowment Lands. Langley and Revelstoke will also join the program on January 1, 2015. P&E expenses include the implementation of a province-wide advertising and consumer education campaign, as well as the costs involved in running all P&E for the areas where MMBC is directly responsible for service delivery; ten areas in total for 2015 - Regional District of North Okanagan, Regional District of Central Kootenay, Regional District of Kootenay Boundary, Coquitlam, Anmore, Quesnel, Prince George, University Endowment Lands, Langley and Revelstoke.

2.5 Fee Schedule

Category	Material	Fee rates 2015	Fee rates 2014	Variance vs. 2014 fee rates
PRINTED PAPER				
Printed Paper	Newsprint	20.00 ¢/kg	20.00 ¢/kg	0.0%
	Magazines and Catalogues	24.00 ¢/kg	24.00 ¢/kg	0.0%
	Telephone books			
	Other Printed Paper			
PACKAGING				
Paper Based Packaging	Corrugated Cardboard	29.00 ¢/kg	29.00 ¢/kg	0.0%
	Boxboard			
Composite Paper Packaging	Gable Top Cartons	52.00 ¢/kg	52.00 ¢/kg	0.0%
	Paper Laminates			
	Aseptic Containers			
High Grade Plastics Packaging	PET Bottles	31.00 ¢/kg	31.00 ¢/kg	0.0%
	HDPE Bottles			
Low Grade Plastics Packaging	Plastic Film	54.00 ¢/kg	54.00 ¢/kg	0.0%
	Polystyrene			
	Other Plastics			
Plastic Laminates	Plastic Laminates	70.00 ¢/kg	70.00 ¢/kg	0.0%
Steel Packaging	Steel	52.00 ¢/kg	52.00 ¢/kg	0.0%
Aluminum Packaging	Aluminum Food & Milk Containers	45.00 ¢/kg	45.00 ¢/kg	0.0%
	Other Aluminum Packaging			
Glass Packaging	Clear Glass	25.00 ¢/kg	25.00 ¢/kg	0.0%
	Coloured Glass			

3.0 - MMSW Projected Program Performance with 2015 Budget & Fees

3.1 Introduction

In the absence of a fully compliant steward community in Saskatchewan, but with 310 municipalities signed up for industry funding beginning on January 1, 2015, MMSW will apply a voluntary recycling rate of 60% to ensure that MMSW members pay only for their tonnes, and not for the tonnes of free riders. This will ensure that all 310 municipalities are provided with funding, discounted by 25%, until significantly more businesses join the program.

3.2 Projected Recycling and Accessibility Performance

Table 5: MMSW Projected Recycling and Accessibility Program Performance

Metric	MMSW 2015 (estimated)
Recycling Performance	
Recycled Tonnes	30,000
Supplied Tonnes	50,489
Recycling Rate	60%*
Population Serviced by PPP Program	748,982
Recycled kg per capita	40.1
Accessibility Performance	
# Households Serviced	TBD
% Households with Access to PPP Program	TBD
P&E Cost per capita	\$0.07
% Consumer awareness	97%

- *Note that MMSW has set a 60% voluntary recycling rate.

With launch of the MMSW program three months away, MMSW has 370 members who collectively have reported that they supply 50,000 tonnes in Saskatchewan. By comparison, Manitoba – a province of similar size has approximately 600 stewards. Full steward participation in a program is a process that takes time; however, some large sectors such as newspaper publishers are notably missing among the MMSW steward membership, as are some of the larger Crown Corporations and the small to medium sized business community. The Saskatchewan Ministry of Environment is currently conducting a consultation on MMSW's small business policy with Saskatchewan businesses. Once that process is completed (est. mid-November), and a small business policy is set, then the government is expected to begin enforcement activities against businesses that are currently non-compliant.

On the municipal side, 310 Saskatchewan municipalities (out of potentially 880) have executed funding agreements with MMSW – which will provide packaging and paper recycling to 68% of Saskatchewan residents. (Funding agreements authorize the municipality to collect and recycle MMSW's packaging and printed paper and MMSW agrees to fund these activities at rates prescribed in the MMSW program plan.) The municipalities that have signed funding agreements are expected to collect approximately 40,000 tonnes of packaging and paper in 2015.

The Saskatchewan regulation does not include a collection or recycling target. While this may appear to be beneficial for industry, the absence of a target creates difficulties for MMSW when estimating its supply chain costs. If MMSW were to pay for all 40,000 tonnes managed by participating municipalities this would mean we would also be paying for non-members tonnes, (i.e. free riders) and be achieving an 80% recycling rate.

To address this issue, MMSW will apply a voluntary recycling rate at 60% which means that MMSW will fund municipalities to recycle 30,000 of our members' 50,000 reported tonnes. We think that the recycling rate is reasonable, given the current infrastructure in Saskatchewan and it ensures that all municipalities who have signed funding agreements will receive funding at the rates outlined in the program plan – albeit for 25% less tonnes than they collect. This 25% municipal discount factor will be assessed on a quarterly basis, and may be adjusted as more Saskatchewan businesses join MMSW.

Accordingly MMSW has prepared a budget and fee schedule that will pay up to 75% of the cost of the efficient and effective management of the MMSW members' target tonnes when we assume a 60% recycling rate.

3.3 Projected Financial Program Performance

Table 6: MMSW Projected Financial Performance

Cost Performance	MMSW 2015
Recycled Tonnes	30,000
Net Cost*	\$7,824,311
Net Cost per Tonne	\$260.8
Net Cost per Capita	\$10.4
Recycled kg per capita	40.1

- *Net cost includes estimated funding to participating municipalities, P&E and program management costs.

Some contributing factors to MMSW's \$261 per tonne are:

- Although there are only 30,000 tonnes to manage in SK, this cost per tonne figure is in line with or slightly lower than Manitoba and Ontario when comparing their respective system net costs.
- There is a beverage deposit program in Saskatchewan which removes valuable material from MMSW's program
- Paper for general use in Saskatchewan includes paper sold as product (printer paper, calendars, greeting cards, posters, envelopes etc.).

3.4 2015 Budget

Table 7: MMSW Obligation

	MMSW 2015 Obligation
<i>Steward obligation</i>	75.0%
Share of supply chain costs	\$4,869,652
Promotion & education	\$50,000
Program management	\$1,487,608
Program management (as % of total fee obligation less one-time start-up costs)	23.2%
Program start up	\$600,000
Working capital accumulation	\$721,875
Total fee obligation	\$7,729,135

As noted above, MMSW's 2015 obligation reflects our decision to apply a 60% voluntary recycling rate by applying a 25% discount to those municipalities that have signed Funding Agreements with MMSW. The budget also includes a small amount for P&E to allow for MMSW outreach to SK residents around the time of launch, but municipalities are responsible for their own P&E. The \$600,000 for program start-up reflects the first year of a two-year recovery of the estimated \$1.2 million of startup costs incurred to launch the program. MMSW has also included a one-time amount of \$721,875 to begin to build a reserve to allow for sufficient working capital. Our ultimate objective is to accumulate the equivalent of up to three to six months' supply chain costs.

At 23.2% the program management cost is comparatively higher than other programs because while the same amount of program management work is required for MMSW as for other CSSA programs (i.e., steward call centre and related services, municipality reporting management, financial services and more), the scale of the program is significantly smaller, as is the budget, and therefore the program management percentage appears larger.

3.5 2015 Fee Schedule and Commentary

Category	Material	2015 Fee Rates
PRINTED PAPER		
Printed Paper	Newsprint	7.15 ¢/kg
	Magazines and Catalogues	7.15 ¢/kg
	Telephone books	
	Other Printed Paper	
PACKAGING		
Paper Based Packaging	Corrugated Cardboard	12.92 ¢/kg
	Boxboard	
Composite Paper Packaging	Gable Top Cartons	22.47 ¢/kg
	Paper Laminates	
	Aseptic Containers	
High Grade Plastics Packaging	PET Bottles	17.54 ¢/kg
	HDPE Bottles	
Low Grade Plastics Packaging	Plastic Film	24.62 ¢/kg
	Polystyrene	
	Other Plastics	
Plastic Laminates	Plastic Laminates	33.76 ¢/kg
Steel Packaging	Steel	15.76 ¢/kg
Aluminum Packaging	Aluminum Food & Milk Containers	24.32 ¢/kg
	Other Aluminum Packaging	
Glass Packaging	Clear Glass	13.80 ¢/kg
	Coloured Glass	

In setting the MMSW fees, we largely relied on data from Manitoba and Ontario and adjusted for regional and program differences, e.g., there is a beverage deposit system in Saskatchewan but not in Manitoba. As with MMBC, MMSW is using three categories of plastic packaging and two categories of paper packaging – each priced in accordance with their anticipated recyclability.

4.0 - MMSM Program Performance with 2015 Budget & Fees

4.1 Introduction

This year, a number of changes have contributed to some significant costs increases and shifts between materials for the 2015 MMSM fees.

First, MMSM experienced a significant increase in both recycled tonnes and the recycling rate in 2013 which were largely driven by City of Winnipeg investments in recycling infrastructure. These factors will result in increased costs for stewards in 2015. In addition, MMSM will not have excess Net Assets (i.e., a surplus) from which to draw down and reduce fees as was the case with 2014 fees.

Second, MMSM is transitioning to the use of Manitoba based cost allocation data for materials, as planned since the MMSM program was launched in 2010. In past years, MMSM allocated costs among materials based on historic Ontario data. Use of new data has resulted in some significant shifts in costs for some materials.

Thirdly, in 2013, all categories of Printed Paper exceeded the 60% recovery threshold and therefore, under the approved methodology, a re-allocation of some costs within the Printed Paper category is necessary for 2015.

4.2 Recycling and Accessibility Performance

Table 8: MMSM Recycling and Accessibility Program Performance

Metric	Manitoba 2013	Manitoba 2012	YOY Variance
Recycling Performance			
Recycled Tonnes	81,122	71,197	13.9%
Generated/Supplied Tonnes	128,864	131,672	-2.1%
Recycling Rate	63.0%	54.1%	16.4%**
Population Served by PPP Program*	1,180,091	1,162,500	1.5%
Recycled kg per capita	68.7	61.2	12.2%
Accessibility Performance			
# Households Served	498,007	497,559	0.1%
% Households with Access to PPP Program	93%		
P&E Cost per capita	\$0.44	\$0.61	-27.4%
Consumer Awareness	93%	91%	2.2%

- **Please note that the population and per capita values for 2012 and 2013 have been updated to reflect the most recent Census data.*
- ***The 16.4% variance represents an 8.9 point increase YOY.*

MMSM experienced a significant increase in the amount of PPP recycled, which jumped from 71,197 tonnes in 2012 to 81,122 tonnes in 2013 -- largely because the City of Winnipeg switched to collection carts which are larger and allow residents to recycle larger volumes of household recyclables. The additional 10,000 tonnes, consisting primarily of boxboard and glass, boosted the year-over-year recycling rate from 54.1% to 63%. Accordingly, Manitoba's overall recycling per capita rate also increased from 61.2 kg to 68.7 kg.

4.3 Financial Program Performance

Table 9: MMSM Financial Performance

	Manitoba 2013	Manitoba 2012	YOY Variance
Cost Performance			
Recycled Tonnes	81,122	71,197	13.9%
Net Cost*	\$22,293,812	\$17,567,419	26.9%
Net Cost per Tonne	\$274.8	\$246.7	11.4%
Net Cost per Capita	\$18.9	\$15.1	25.0%
Recycled kg per capita	68.7	61.2	12.2%

- **Net cost includes all of the supply chain costs, Promotion & Education, regulatory, market development and program management costs on a 100% cost basis. These net costs also reflect the full commodity revenue on a 100% cost basis.*

Such a significant increase in recovered tonnes does not come without a cost and consequently there was a corresponding 27% increase in the total net system cost, including approximately \$3.8 million due to the amortization cost (ten years) of the new Winnipeg collection carts, one-time cart deployment costs, and the increase in tonnes being processed. Net costs were also negatively affected by a 4% drop in commodity revenue largely driven by a drop in the fibre prices. This is significant because fibre represents approximately 70% of the system's total tonnes.

4.4 2015 Budget

Table 10: MMSM Obligation

The following table represents MMSM's 80% share of municipal supply chain costs (as distinct from total system net costs shown above in Table 8) as well as other program related costs including program management and promotion and education.

	MB 2015 Obligation	MB 2014 Obligation	YOY Variance
<i>Steward obligation</i>	<i>80.0%</i>	<i>80.0%</i>	
Share of supply chain costs	\$12,075,900	\$10,187,800	18.5%
Promotion & education	\$650,000	\$720,000	-9.7%
Research & market development		\$25,000	-100%
Program management	\$1,652,152	\$1,593,842	3.7%
Regulatory	\$50,000	\$50,000	0%
Total fee obligation before surplus adjustment	\$14,428,052	\$12,576,642	14.7%
Program Management as % of total fee obligation (before surplus adjustment)	11.5%	12.7%	-9.6%
Surplus to return		\$ (1,500,000)	
Total fee obligation	\$14,428,052	\$11,076,642	30.3%
YoY fee change %	<i>14.7% before surplus draw down and 30.3% after surplus draw down</i>		

MMSM stewards will see a 30% YoY increase in their obligation this year. The two primary contributors to this increase are:

MMSM's 2015 obligation increased by \$1.9M mainly due to an increase to the per tonne funding rate for the City of Winnipeg as a result of the deployment of its recycling cart collection program and the overall increase of 10,000 tonnes of recycled material.

Last year, MMSM drew down \$1.5M in surplus funds which resulted in a decline in fee rates for all materials except glass. For 2015 MMSM does not have excess funds to draw down in order to reduce fees as it did in 2014.

4.5 2015 Fee Schedule and Commentary

Category	Material	2015 Fee Rates	2014 Fee Rates Before Surplus Draw Down	2014 Fee Rates After Surplus Draw Down	Variance % 2014 Fees Before Surplus
PRINTED PAPER					
Printed Paper	Newsprint	5.66 ¢/kg	2.40 ¢/kg	1.96 ¢/kg	136%
	Magazines and Catalogues	14.11 ¢/kg	7.02 ¢/kg	5.65 ¢/kg	101%
	Telephone Books	14.11 ¢/kg	7.02 ¢/kg	5.65 ¢/kg	101%
	Other Printed Paper	14.11 ¢/kg	7.02 ¢/kg	5.65 ¢/kg	101%
PACKAGING					
Paper Based Packaging	Old Corrugated Containers	12.97 ¢/kg	11.43 ¢/kg	10.12 ¢/kg	13%
	Polycoat & Laminates	39.09 ¢/kg	27.60 ¢/kg	25.22 ¢/kg	42%
	Old Boxboard	12.97 ¢/kg	11.43 ¢/kg	10.12 ¢/kg	13%
Plastic Packaging	PET bottles	14.46 ¢/kg	19.82 ¢/kg	17.13 ¢/kg	-27%
	HDPE bottles	17.09 ¢/kg	18.69 ¢/kg	15.93 ¢/kg	-9%
	Plastic Film	34.77 ¢/kg	34.08 ¢/kg	30.93 ¢/kg	2%
	Other Plastics	34.77 ¢/kg	34.08 ¢/kg	30.93 ¢/kg	2%
Steel Packaging	Steel Food & Beverage Cans	13.66 ¢/kg	9.55 ¢/kg	7.57 ¢/kg	43%
	Steel Aerosols	13.66 ¢/kg	9.55 ¢/kg	7.57 ¢/kg	43%
	Other Steel Containers	13.66 ¢/kg	9.55 ¢/kg	7.57 ¢/kg	43%
Aluminum Packaging	Aluminum Food & Beverage Cans	-7.13 ¢/kg	-0.83 ¢/kg	-2.63 ¢/kg	-759%
	Other Aluminum Packaging	10.14 ¢/kg	13.67 ¢/kg	9.99 ¢/kg	-26%
Glass Packaging	Glass	6.65 ¢/kg	6.57 ¢/kg	5.91 ¢/kg	1%

The Plastic Bag enhanced fee for 2015 is 0.059 ¢/unit, as compared to 0.064 ¢/unit in 2014.

The 2015 fee rates above reflect a significant YoY shift in MMSM's recovered tonnes (13.9%) and recycling rate (a 16.4% or 8.9 point increase). They also reflect the cost allocation study conducted in 2013, representing the first time Manitoba had generated its own cost data. MMSM commissioned the cost allocation study which was conducted by Genivar, managed by StewardEdge and reviewed by MMSM and CSSA.

The cost allocation study provides detailed information on how MMSM should allocate system costs across individual materials. For example, if 20% of the material in a collection truck is HDPE plastic bottles, these materials would be responsible for 20% of the cost associated with MMSM's obligation for that truck's costs. MMSM fees for 2014 and prior relied on historical Ontario studies to inform its cost allocation process across materials, with the intention, as stated in its program plan and communicated to stewards, to move to Manitoba-specific costs. The study was completed in 2013 and MMSM has committed to conduct another study in 2015 to further confirm and refine cost allocation.

After careful consideration and deliberation, the MMSM Board is planning to transition to Manitoba-specific data to calculate 2015 fees based on 50% Manitoba cost allocation data and 50% historical Ontario data to help smooth any transitional issues. Nevertheless, the results of this study (even blended with Ontario data) had a significant impact on the fee rates, e.g., printed paper.

Printed Paper Fees

New cost allocation data, higher recovery rates, lower revenue, the cost transfer barrier between printed paper and packaging, and a compromised three factor formula all contributed to significant increases for printed paper. As discussed above, the new cost allocation study data indicated that printed paper should share more of the system costs compared to historical data. In addition, the use of the new Winnipeg carts increased the recovery rates of printed paper which in turn also increased the cost for all printed paper categories. The recovery rate for newsprint, magazines and catalogues and telephone books increased YoY from 90.4% to 97.5%. Most significantly, the recycling rate for 'Other printed paper' increased from 52.1% to 75.3%. This is important because the 75.3% recovery rate of 'Other printed paper' compromised the application of the equalization factor (Factor 3) of the three factor formula. The recycling rate threshold used in Factor 3 of the formula is 60%. For the first time all printed paper categories exceeded the 60% recovery rate, thus creating a unique situation.

The purpose of the three factor formula is to distribute costs fairly amongst the materials based on their recycling performance:

- Factor 1 - Recycling Rate: 35% of the cost is based on the recycling rate. Materials with lower recycling rates assume a larger share of the cost than materials with higher recycling rates.
- Factor 2 – Net Cost: 40% of the net cost that is assigned to each material is based on how much it costs to manage the material.

- Factor 3 – Equalization Factor: 25% of the net cost is assigned to each material based on how much it would cost to manage the material if it were recovered at a 60% recycling rate. The equalization factor is not assigned to materials that exceed the 60% rate.

In keeping with the fairness objective, the equalization factor distributes 25% of the category costs to the underperforming materials. The issue this year for MMSM stewards is that, all the printed paper categories (newsprint, magazines, directories and ‘other printed paper’) are performing well above the 60% rate and thus there is no underperforming material to which to assign the cost. And the cost transfer barrier between printed paper and packaging in the approved methodology prohibits transferring this cost to underperforming packaging categories.

To address this issue, MMSM has distributed the 25% allocation of costs for Factor 3 (\$460,350) amongst all printed paper categories based on their proportionate share of fees calculated from the combined total of Factor 1 and Factor 2 only. The cost was therefore divided amongst the printed paper categories as follows:

Table 11: MMSM Equalization Cost Distribution

Category	Material	Equalization Factor - Allocated Fee	Share by Material
PRINTED PAPER			
Printed Paper	Newsprint	\$187,111	40.6%
	Magazines and Catalogues	\$36,002	7.8%
	Telephone Books	\$11,377	2.5%
	Other Printed Paper	\$225,861	49.1%
Printed Paper		\$460,350	100.0%

Throughout the fee setting process, MMSM was mindful not to make any changes to the fee setting methodology itself. MMSM has committed to exploring alternative approaches. Any contemplated changes will be presented to stewards for consultation.

As noted above the two primary reasons for shifts in the 2015 fees are the increase in recycled tonnes and the use of new cost allocation data. Specifically, there are notable changes in 2015 fees for the following materials:

- Fees for 'Other paper packaging', i.e., polycoat and laminates increased by 42% as a result of increased quantities being recycled (which means more cost) and lower commodity revenues.
- Steel packaging fees increased by 43% due largely to the new cost allocation study data.
- PET packaging fees have decreased due to higher commodity revenues and the results of the new cost allocation study data which shows that costs to manage this material are lower than demonstrated by the historical Ontario data.
- Aluminum fees decreased by 759% mainly due to results of the new cost allocation study and higher commodity revenues. The cost data indicated lower costs to manage aluminum while the commodity revenue data (based on a 3 year average) indicated 15% higher revenues. These factors resulted in a -47% reduction in net cost.
- The Plastic Bag enhanced fee decreased slightly due to an increase in units reported to date (more units across which to spread the cost).

5.0 - Stewardship Ontario Blue Box Performance with 2015 Budget & Fees

5.1 Introduction

For the second year in a row, Stewardship Ontario cannot produce a definitive fee schedule because the methodology to calculate the quantum of the steward obligation continues to be the subject of dispute that is currently before arbitration. The dispute is centred on two things: whether the steward obligation is 50% of reported net costs or 50% of the net cost calculated using best practice cost bands; and whether the use of “in-kind” contributions by newspapers is permissible under the *Waste Diversion Act*. The arbitrator is expected to issue a ruling in Q4 2014 that will decide these matters. There was a wide disparity between the SO calculations and those of municipalities for both the 2014 and the 2015 obligation. As such, Stewardship Ontario has chosen to show budgets and fees for 2015 reflecting both parties’ positions (high/low), recognizing that the arbitrator is not restricted to siding with one over the other, but may render a decision that puts the quantum somewhere in between the two.

5.2 Recycling and Accessibility Performance

Table 12: SO Recycling and Accessibility Program Performance

Province	Ontario 2013	Ontario 2012	YoY Variance %
Recycling Performance			
Recycled Tonnes	900,135	892,924	0.8%
Generated/ Supplied Tonnes	1,368,160	1,421,593	-3.8%
Recycling Rate	65.8%	62.8%	4.8%
Provincial Recycling Target	60.0%	60.0%	
Population Serviced by PPP Program	13,178,310	13,009,640	1.3%
Recycled kg per Capita	68.3	68.6	-0.4%
Accessibility Performance			
# Households Serviced	5,222,058	5,194,568	0.5%
% Households with Access to PPP Program	97%	97%	0.0%
P&E Cost per Capita	\$0.59	\$0.58	1.7%
Consumer awareness	97%	97%	0.0%

- **Please note that the population and per capita values for 2012 and 2013 have been updated to reflect the most recent Census data.*

Stewardship Ontario continues to exceed the 60% government-mandated recycling target, and saw a year-over-year increase in the general recycling rate from 62.8% to 65.8%. Stewardship Ontario attributes the increase largely to a 3.8% decline in the total amount of tonnes generated. In other words, since the recycling rate is calculated by dividing generated tonnes by recovered tonnes, a drop in the generated tonnes (i.e., smaller denominator) has resulted in a higher proportion of those tonnes being recycled. The drop in generated/supplied tonnes is likely due to stewards either switching to lighter or less materials and/or to a decline in consumer purchasing.

While recycled tonnes showed moderate growth versus 2012, the recycled kilograms per capita declined marginally. This is the result of both population growth and the reduction of generated/supplied tonnes. All else being equal, light weighting will result in a downward trend of recycled kilograms per capita over time.

5.3 Financial Program Performance

Table 13: SO Program Cost Performance

Province	Ontario 2013	Ontario 2012	YoY Variance %
Cost Performance			
Recycled Tonnes	900,135	892,924	0.8%
Net Cost*	\$246,718,476	\$243,149,785	1.5%
Net Cost per Tonne	\$274.10	\$272.30	0.7%
Net Cost per Capita	\$18.70	\$18.70	0.0%
Recycled kg per capita	68.3	68.6	-0.4%

- **Net cost includes supply chain costs, commodity revenues, P&E, regulatory, market development and program management costs.*

The overall net cost of the Blue Box recycling system increased by 1.5% or \$3.6M from 2012 to 2013; however, the net cost per capita remained flat. The primary reasons for this slight increase are:

- Municipal costs increased driven by higher processing rates and more quantities of higher cost materials being processed.
- At the same time material revenues received by municipalities decreased by 1.4% or \$1.25M. The municipalities attribute this decrease to unfavourable commodity markets but it may also be due to varying commodity revenue sharing arrangements municipalities negotiate with their processors. There is no consistency across municipalities for the quality standards of their baled materials and the revenue they receive for specific materials and this is an area over which, under the current legislative frame, Stewardship Ontario has no influence.

5.4 2015 Budget

As noted earlier, the 2015 obligation to municipalities cannot be set until after the arbitration results to determine the 2014 obligation are known. The obligation to municipalities, which is typically about 93% of the total program cost, is the largest component of the Blue Box Program budget. In the meantime, Stewardship Ontario is providing two obligation and fee scenarios to provide stewards with some guidance for setting their 2015 budgets. **These two scenarios are directional only** and a finalized fee schedule will be provided to stewards as soon as possible following the release of the arbitrator's decision.

The table below provides the 2015 steward obligation for both Scenario 1 (i.e., the arbitrator supports Stewardship Ontario's position of paying to Best Practices¹) and Scenario 2 (i.e., the arbitrator supports municipalities' position of paying to reported net costs). The gap between these two scenarios for the 2015 obligation is \$13.9M. For comparison purposes, the table also provides Scenario 1 and 2 for 2014 which represents an \$18.4M gap.

¹ Best Practice net cost as calculated using a Best Practice Cost Model developed to implement cost bands by a KPMG-led consortium at the request of MIPC (Municipal Industry Programs Committee) in 2007, and subsequently updated by MIPC.

Table 14: SO Obligation Scenarios

The following table represents Stewardship Ontario's 50% share of municipal supply chain costs (as distinct from total 2013 system net costs reported by municipalities in 2014, shown above in Table 12) as well as other program related costs including program management and promotion and education.

	Scenario 1 SO 2015 Obligation (Best Practice Cost)	Scenario 2 SO 2015 Obligation (Reported net Cost)	Scenario 1* SO 2014 Obligation (Best Practice Cost)	Scenario 2 ON 2014 Obligation (Reported Net Cost)
Steward obligation	50.0%	50.0%	50.0%	50.0%
Share of supply chain costs	\$99,539,022	\$113,517,621	\$95,679,612	\$114,072,322
Waste Audits	\$600,000	600,000	\$692,000	692,000
Promotion & education	\$200,000	\$200,000	\$ -	\$ -
Research & market development	\$275,000	\$275,000	\$ -	
Program management	\$4,182,897	\$4,182,897	\$3,247,415	\$3,247,415
Regulatory	\$978,000	\$978,000	\$1,050,000	\$1,050,000
Total fee obligation	\$105,774,919	\$119,753,518	\$100,669,027	\$119,061,737
PM as % of total fee obligation	4.0%	3.5%	3.2%	2.7%

- **Note that at the 2013 Annual Steward meeting we presented Stewardship Ontario's last best offer, which is different from the two 2014 scenarios above which are provided here to allow for comparison with the 2015 scenarios.*

- Despite having a 50% shared responsibility framework with the municipalities the Ontario steward obligation is the largest of all the CSSA programs.
- Overall, Stewardship Ontario's program management cost has not increased YoY. SO has only adjusted its allocation between the Municipal Hazardous or Special Waste Program and the Blue Box Program.
- Stewardship Ontario has included a small amount of Promotion and Education money in the budget to raise awareness of Blue Box recycling in Ontario focusing on all acceptable materials and highlighting industry involvement in the program.
- Research and Market Development projects for 2015 include:
 - A composite paper packaging (CPP) study aimed at increasing capture of CPP materials.
 - Support research, analysis and navigation of new legislation.
 - Projects to increase capture of fibres and all plastics, further promoting standardizing the basket of goods across all municipalities.

5.5 2015 Fee Scenarios and Commentary

As noted above, Stewardship Ontario is showing two fee scenarios for stewards to provide them with some guidance for setting their 2015 budgets – Scenario 1 (paying to Best Practice Cost) and Scenario 2 (paying to municipal reported net costs). **These two scenarios are directional only** and a finalized fee schedule will be provided to stewards as soon as possible following the release of the arbitrator’s decision. The 2015 fee schedule variances are shown from the 2013 fee schedule (the last approved fee schedule).

Status of 2014 Fee Schedule

Stewards will recall that pending the result of arbitration, the 2014 Fee Schedule was calculated using a proxy for the municipal obligation. The WDO Board did not approve the 2014 fee schedule and therefore in accordance with the Blue Box Rules, the 2013 fee rates have remained in effect and stewards were invoiced accordingly. There are a number of options for how Stewardship Ontario may incorporate the arbitrator’s decision into fees. The details on the timing and process of the adjustments will be shared with stewards following the release of the arbitrator’s decision.

2015 Draft Fee Scenarios²

ONTARIO						
		<i>Scenario 1 Best Practice Cost</i>	<i>Scenario 2 Reported Net Cost</i>		<i>Scenario 1 Best Practice Cost</i>	<i>Scenario 2 Reported Net Cost</i>
Category	Material	Fee rates 2015	Fee rates 2015	Fee rates 2013	Variance vs 2013 fee rates	Variance vs 2013 fee rates
PRINTED PAPER						
Printed Paper	Newsprint - CNA/OCNA	0.38 ¢/kg	0.38 ¢/kg	0.42	-9.5%	-9.5%
	Newsprint - Non-	4.06 ¢/kg	4.72 ¢/kg	3.62	12.2%	30.4%
	Magazines and	6.65 ¢/kg	7.74 ¢/kg	6.47	2.8%	19.6%
	Telephone Books	6.48 ¢/kg	7.54 ¢/kg	6.64	-2.4%	13.6%
	Other Printed Paper	13.71 ¢/kg	16.00 ¢/kg	9.99	37.2%	60.2%
PACKAGING						
Paper Based Packaging	Corrugated Cardboard	7.56 ¢/kg	8.46 ¢/kg	8.39 ¢/kg	-9.9%	0.8%
	Boxboard	7.56 ¢/kg	8.46 ¢/kg	8.39	-9.9%	0.8%
	Gable Top Cartons	19.06 ¢/kg	21.29 ¢/kg	18.22	4.6%	16.8%
	Paper Laminates	19.06 ¢/kg	21.29 ¢/kg	18.22	4.6%	16.8%
	Aseptic Containers	19.06 ¢/kg	21.29 ¢/kg	18.22	4.6%	16.8%
Plastic Packaging	PET Bottles	13.46 ¢/kg	15.19 ¢/kg	14.70 ¢/kg	-8.4%	3.3%
	HDPE Bottles	11.43 ¢/kg	13.12 ¢/kg	13.52	-15.5%	-3.0%
	Plastic Film	25.13 ¢/kg	28.10 ¢/kg	23.27	8.0%	20.8%
	Plastic Laminates	25.13 ¢/kg	28.10 ¢/kg	23.27	8.0%	20.8%
	Polystyrene	25.13 ¢/kg	28.10 ¢/kg	23.27	8.0%	20.8%
	Other Plastics	25.13 ¢/kg	28.10 ¢/kg	23.27	8.0%	20.8%
Steel Packaging	Steel Food & Beverage Cans	4.92 ¢/kg	5.77 ¢/kg	5.51 ¢/kg	-10.7%	4.7%
	Steel Aerosols	4.92 ¢/kg	5.77 ¢/kg	5.51	-10.7%	4.7%
	Steel Paint Cans	4.92 ¢/kg	5.77 ¢/kg	5.51	-10.7%	4.7%
Aluminum Packaging	Aluminum Food & Beverage Cans	2.44 ¢/kg	3.98 ¢/kg	2.56 ¢/kg	-4.7%	55.5%
	Other Aluminum Packaging	7.55 ¢/kg	8.55 ¢/kg	6.97 ¢/kg	8.3%	22.7%
Glass Packaging	Clear Glass	3.06 ¢/kg	3.37 ¢/kg	2.84	7.7%	18.7%
	Coloured Glass	3.32 ¢/kg	3.65 ¢/kg	4.84 ¢/kg	-31.4%	-24.6%

² The 2015 draft fee scenarios presents a comparison to the 2013 fee rates (which stewards are currently paying) instead of to the proposed 2014 fee schedule that was not approved by the WDO. The 2013 fee rates were calculated based on a \$107M total fee obligation.

Using Scenario 1 (Best Practice Cost) as the point of comparison to 2013 fee rates, there was a decline in fee rates for 11 materials (i.e., CAN/OCNA newsprint, telephone books, corrugated cardboard and boxboard, PET and HDPE bottles, steel packaging, aluminum food and beverage cans and coloured glass). There was an increase in fee rates for the other 12 materials (i.e., non CNA/OCNA newsprint, 'Other printed paper', gable top and aseptic containers, paper laminates, the low grade plastics such as polystyrene and plastic laminates, 'Other aluminum packaging' and clear glass).

This year the two primary reasons for increases in fee rates in Ontario was a) less steward-reported (i.e., supplied) tonnes and b) decreases in some material recovery rates.

- a) Fewer steward-reported tonnes results in higher fee rates because fee rates are calculated by dividing the total fees for a material by the kilograms of that material supplied by stewards. A decrease in supplied quantities means there are less tonnes across which to spread the costs. For individual stewards, this means that although the fee rate is higher, they may pay lower *total* fees for that material, depending on the quantity that they reported.
- b) A material's drop in recovery rate can translate into more cost for that material when the three factor formula is applied. The recycling rate is the first factor and constitutes 35% of the total material management cost and is allocated based on material recovery rates. Materials with lower recycling rates assume a larger share of the cost than materials with higher recycling rates. Therefore when a material's recovery rate drops relative to other materials it tends to attract more cost.

This year, there are notable changes in 2015 fee rates for the following materials:

- Fee rates for non-Canadian Newspaper Association (CNA)/Ontario Community Newspaper Association (OCNA) newsprint increased by 12.2% because there was an 18% decrease in steward-reported tonnes (fewer tonnes against which to spread the cost).
- Fee rates for 'Other printed paper' increased by 37.2% largely due to a 28% decrease in steward-supplied tonnes (fewer tonnes against which to spread the cost). In addition, as with last year, the fee rates for magazines and catalogues, telephone books and other printed paper are partially aggregated in order to ensure that magazines and catalogues do not pay more than the cost to manage their material which would be contrary to the principles of the fee setting methodology for materials that exceed the 60% recycling rate.

- Fee rates for low grade plastics such as plastic laminates, film and other plastics increased by 8% primarily due to a 67% increase in recovered tonnes (many new municipalities are accepting mixed plastics).
- 'Other aluminum packaging' fees increased by 8.3% because there was a 3% decrease in the supplied tonnes and a 10% decline in this material's recovery rate.
- Clear glass fees increased by 7.7% because steward reports indicate there has been an increase in the proportion of clear glass vs coloured glass supplied. This has resulted in more cost being shifted from coloured to clear glass.



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