



Report to Stewards

Annual Steward Meeting
October 24, 2019



**Canadian Stewardship
Services Alliance**





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2019 Annual Steward Meeting

The Annual Steward Meeting (ASM) is supported, hosted, and organized by CSSA on behalf of the stewardship programs, and will be held on Thursday, October 24, via webcast.

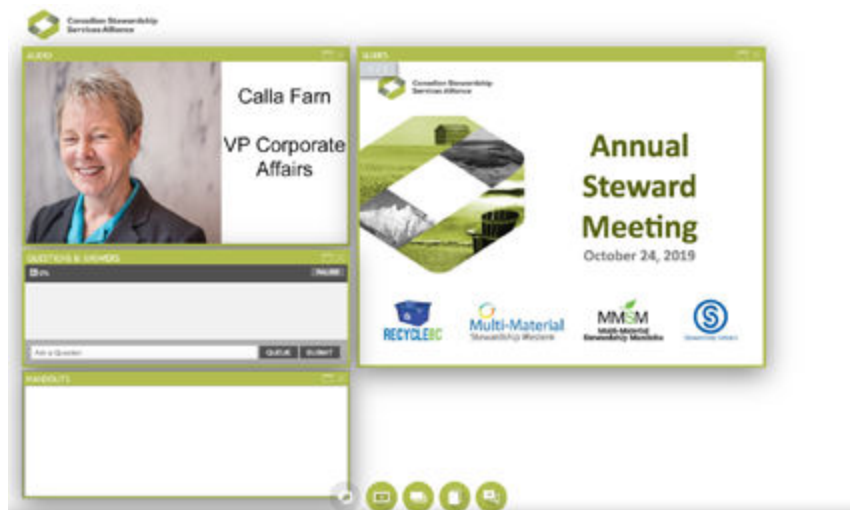
Registration for the webcast can be done at <http://www.cssalliance.ca/steward-meetings/>. In the days after the meeting an archived version of the webcast will be available along with presentation slides and submitted questions and answers.

Local times for ASM:

British Columbia: 11:30 – 1:00 p.m. PDT
 Saskatchewan: 12:30 – 2:00 p.m. CST
 Manitoba: 1:30 – 3:00 p.m. CDT
 Ontario: 2:30 – 4:00 p.m. EDT

This year’s agenda includes...

- *Review and outlook:* Executive Chair John Coyne will summarize recent achievements and look at what’s ahead for CSSA.
- *Program reviews and fee previews:* Detailed program and financial performance reviews for Stewardship Ontario, MMSM, MMSW and Recycle BC will include information on 2020 budgets and fees.
- *Have your say:* All attendees are invited to submit questions and respond to poll questions during the ASM webcast.



In addition to slides in the main window and the ability to submit questions, the webcast console identifies the speaker and provides direct links to various resources referenced during the ASM.

CSSA Review and Outlook

The 2019 Annual Steward Meeting (ASM) is the seventh year of bringing together stewards to consider the progress of Packaging and Paper Product (PPP) stewardship programs across the country, while providing a preview of next year's material fee rates.

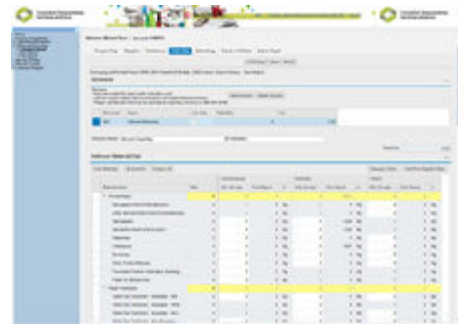
WeRecycle Portal Upgrade

An upgraded WeRecycle Portal will make 2020 reporting a more streamlined and user-friendly experience.

Building on today's strong data security and confidentiality, the new Portal features a modern look and intuitive navigation. Other enhancements include:

- More on-screen guidance and additional support information available online
- Fewer clicks for returning stewards to confirm their annual program obligation
- Easier reporting for multiple programs
- Quick access to reports in progress
- Reminders by email to alert primary contacts that reports are ready for submission
- Webinars and other resources will be available in January to guide stewards through the new Portal.

Entering Material Quantities Now



Entering Material Quantities January 2020



CSSA Executive Chair: Toward Harmonized Full Producer Responsibility in Canada

External pressures are coming to bear as Canadian companies face growing pressure to take full responsibility for the management of our packaging and products.

Concerns about the impact of plastic waste in particular are escalating and the connection between plastics production and climate change is becoming clearer. Governments at all levels are looking to business to take the lead on creating efficient and effective systems for managing the life cycle of the packaging we provide to consumers.



This means creating an effective circular economy for PPP through the establishment of a harmonized approach to full producer responsibility across Canada. As the move to full producer responsibility gains traction, it is important that stewards contribute to and guide the design of these programs to ensure that they are underpinned by sound principles. Stewards need assurances that Extended Producer Responsibility (EPR) regulations will: allow producers to be fully responsible both financially and operationally; provide producers the autonomy to design recycling systems that achieve both efficiency and environmental performance; provide convenient recycling services to residents; and ensure a level playing field for obligated businesses.

The Council of Canadian Ministers of the Environment Action Plan for Zero Plastic Waste, released in June 2019, identified EPR as one of the most effective mechanisms to support the creation of a circular economy, improve recycling rates and reduce litter. Provinces without EPR are looking to implement it and those that currently have EPR are considering full responsibility. As stewards we cannot and should not be on the sidelines as these discussions take place.

The coming year will see us increasing our engagement with governments and other stakeholders to work collaboratively to create a harmonized producer responsibility framework that will not only protect Canada's environment but deliver circular economy outcomes as efficiently as possible.

This is a condensed version of John Coyne's remarks for the October 24 Annual Steward Meeting

E-commerce Update

CSSA is continuing its efforts to explore potential solutions to the growing volume of PPP material coming from “non-resident” e-commerce retailers. With programs everywhere looking to make these companies pay their share of recycling costs, a three-phase research was initiated last year to inform options to level the playing field for resident retailers.

Phase one work on a review of strategies and tactics being used by Extended Producer Responsibility (EPR) packaging programs around the world is currently being updated. An initial finding is that the United States and the European Union are making progress on collecting sales tax and enforcing product safety standards on e-commerce sales, but packaging EPR compliance has not been a priority.

The second phase will develop Canadian data on e-commerce packaging materials, gather perspectives from a broad range of stakeholders and consider potential enforcement strategies. The scope includes looking at the potential role of each level of government in Canada, the impact of inter-jurisdictional trade agreements, and potential linkages to the collection of tariffs, duties and HST.

Phase three is expected to produce preliminary recommendations for achieving greater compliance in Canada and identify economic and legal experts who could develop and assess potential options. Work in this phase will also consider enhancing or replacing EPR financing mechanisms to better ensure all obligated goods and materials are reported and paid for by the appropriate parties.

The research is planned to be completed early in 2020 and stewards will be advised of the results.

Action on Plastics

As consumer plastics are increasingly the focus of PPP recycling, CSSA has been active on a number of fronts to guide and inform policy efforts to help prevent plastics leakage into the environment. While recycling alone will not prevent plastic pollution, there is growing consensus amongst policymakers that EPR must be part of the solution.

The Canadian Council of Ministers of the Environment (CCME) identified EPR as a priority in Phase 1 of its Canada-Wide Action Plan on Zero Plastic Waste published this past June, because “EPR programs are recognized as one of the most effective mechanisms to support the creation of a circular economy. They improve recycling rates, reduce litter, and create the conditions to incent efficiency and reduce costs for end-of-life management.”

CSSA will participate in a CCME workshop on developing EPR programs for plastics scheduled for November 5 in Vancouver. The workshop will help ensure consistency of definitions, performance standards and reporting requirements. And as Alberta and the Atlantic provinces seek to develop effective EPR programs for packaging and paper products, CSSA has developed a background document titled [“Key Ingredients for an Effective Full Producer Responsibility Program”](#) to help guide these efforts.

CSSA is a member of the Ellen MacArthur Foundation’s New Plastics Economy Global Commitment and looks forward to publication of its first progress report in late October. The Global Commitment is a network of businesses, governments and other organizations that have pledged to help eliminate problematic plastics and ensure that plastic packaging can be easily and safely reused, recycled or composted by 2025 (CSSA’s commitments are available [here](#) on the website). The report will include CSSA’s annual data, including Recycle BC’s 2018 performance against its ambitious material-specific plastics targets (see [Recycle BC’s Annual Report](#) for details).

The Future of Fees

Businesses supplying designated materials can expect that depressed commodity markets will impact PPP recycling program costs for the foreseeable future.

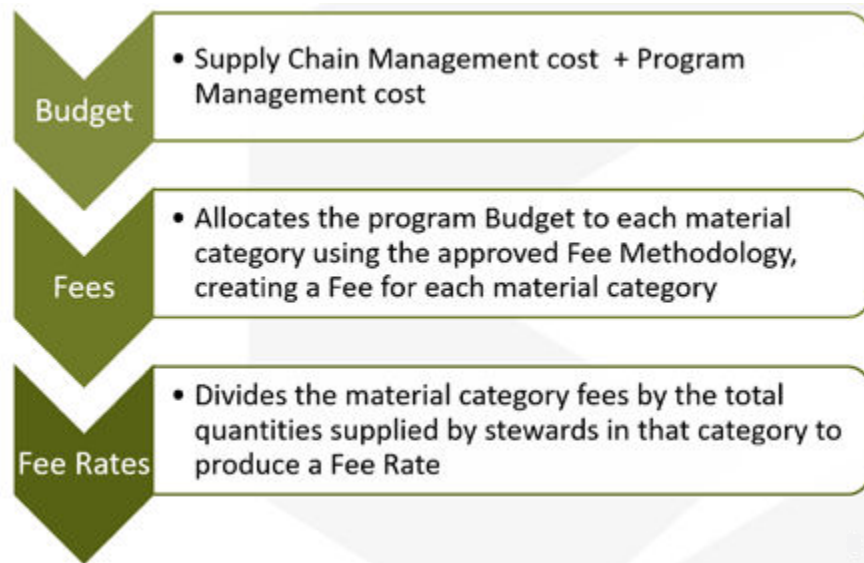
Decreased prices for recyclable materials reduce revenues and also enable buyers to demand higher quality. This requires supply chains to incur additional costs to process materials in order to ensure they will be accepted by recycling end markets and to maximize their revenue potential. Material characteristics are also a factor in recycling costs and the system is dealing with more materials that are more difficult to recycle.

While CSSA has limited ability to mitigate the effect of the external factors behind fee rate increases, it works to promote a level playing field that helps ensure

all obligated businesses pay their share, advance harmonization efforts that reduce administrative complexity, and increase understanding about how a material's commodity value and characteristics influence fee rates.

Determining Material Fee Rates

The fee-setting process involves numerous variables and dependencies, and as a result, explanations for what is influencing a program's fee rate changes are often complex and counterintuitive. In addition to differences in Budget and Fees calculations noted below, there are other factors that make meaningful comparisons of fee rates over time, amongst materials or across programs difficult or impossible.



Budget: Each program budget includes the steward share of recycling system costs, ranging from 50% in Ontario to 100% in British Columbia, as well as the cost to oversee the program itself. To determine budgets, supply chain costs for British Columbia and Saskatchewan are based on commercial contracts with collection and post-collection service providers. Ontario and Manitoba budgets are based on submitted municipal costs once they have undergone a verification process.

Fees: There are two approved fee methodologies currently in use: the three-factor formula in Ontario and the four-step methodology in the other programs supported by CSSA. The fee methodology determines how the budget is allocated to each material category. Each material category is affected by conditions in other categories, so the fee allocation is like dividing a pie – some pieces can get bigger, making others smaller.

Fee rates: Once the fee is set for a material, it is divided by the total quantity of that material supplied by stewards to produce a fee rate expressed in cents per kilogram. If a fee is unchanged or goes down from the previous year, the fee rate can still increase if there are fewer tonnes supplied to the marketplace. Similarly, a fee rate will go down if the fee is unchanged and more tonnes are supplied.

From ABC to MCD

The Activity Based Costing (ABC) methodology provides a key input to setting a material's fee, that being each material's unique gross cost per tonne to manage. Changes to some material fee rates are driven by changes to ABC inputs.

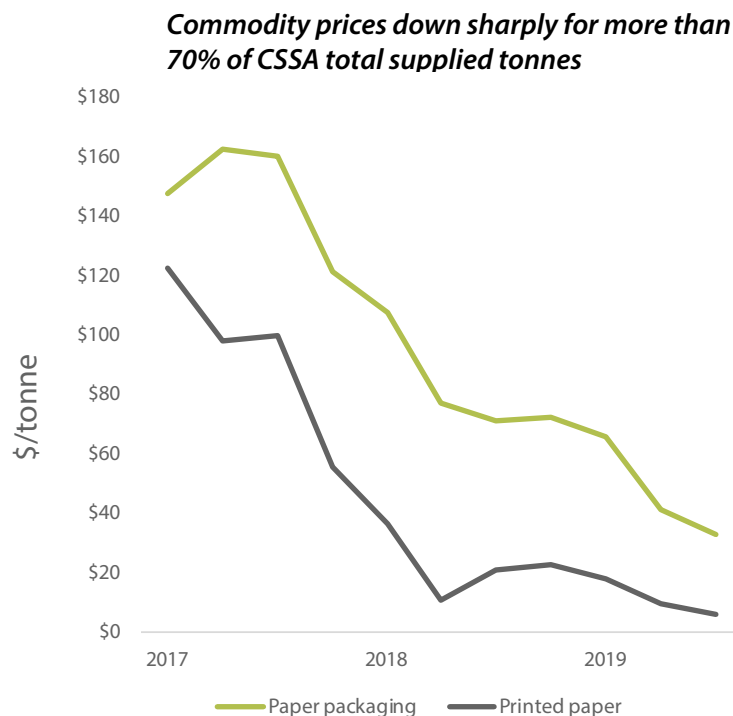
The ABC methodology informs the gross cost per tonne for a material by assessing the cost of various recycling system activities, such as collection and sorting costs, and allocates those costs to the materials in the system based on a series of business rules. As the volume of material managed is a primary factor influencing cost, studies are conducted every year to update density factors to allow for the conversion of weight to volume.

The Material Cost Differentiation (MCD) project is developing a comprehensive methodology to replace the ABC model (background information and a brief project video are available on the [CSSA website](#)). The project was introduced in 2017 and is led by a Steering Committee that includes board members from each PPP program supported by CSSA. Guiding principles were published and a Steward Consultation Committee (SCC) was formed to review the frameworks developed. The SCC will review and provide guidance on the final project recommendations prior to initiating stakeholder consultations in early 2020.

Commodity Price Decreases Affect Budgets

The below graph illustrates commodity price changes since the beginning of 2017 for material categories that make up more than 70% of supplied tonnes reported to CSSA (plastics, glass and metals pricing has been fairly stable). The significant decreases have primarily been a result of China's import ban on most materials that took effect at the beginning of 2018, lowering demand and prices.

While all of the CSSA program budgets are affected by commodity price decreases, the timing of the impact on each program is slightly different. Recycle BC is subject to market prices in real time, while Stewardship Ontario and MMSM use a rolling three-year average of commodity prices. Outside of BC, it will be another two years until the full impact of the current situation hits fees.



- Metals, plastics and glass not included due to stable pricing during the observed period
- China Ban was announced at the end of Q2 2017 and took effect on January 1, 2018
- Weekly prices were averaged for the quarter to compile the chart

Data sources:

Recyclingmarkets.net, SMPIndex.com

<https://thediplomat.com/2017/07/china-urgently-bans-foreign-trash-imports/>



Recycle BC

2018 Review

In its fourth full year of operation, Recycle BC achieved a 78.1% recovery rate, surpassing the required 75% rate. The program continued to expand serviced communities and collected materials.

In 2018, Recycle BC welcomed the City of Powell River, District of Squamish, Township of Langley, Squamish Lillooet Regional District and Thompson Nicola Regional District to the curbside recycling program, adding almost 48,000 households to the curbside program and nearly 4,400 multi-family households. In addition, Bulkley-Nechako Regional District and Thompson Nicola Regional District joined the program with 13 depots to facilitate expanded depot recycling.

Recycle BC continued to explore collector partnership opportunities including the First Nations Recycling Initiative, a partnership that now brings together nine other stewardship organizations, to increase recycling access and participation in First Nations communities.

As part of its mandate to expand the range of materials it accepts for recycling, the Other Flexible Plastic Packaging (OFPP) pilot project was initiated in 2018. OFPP is one of the fastest growing packaging types on the market and one of the largest categories of packaging not previously collected by Recycle BC.

Total steward cost for managing the Recycle BC program in 2018 was \$88.7 million, a 22.4% increase from the previous year. The increase is due to service expansion and reduced commodity revenues.

RECYCLE BC PERFORMANCE

METRIC	BC 2018	BC 2017	YOY VARIANCE
RECYCLING PERFORMANCE			
Gross Tonnes Collected	206,778	197,949	4.5%
Net Tonnes Collected*	183,983	174,942	5.2%
Supplied Tonnes	235,655	234,847	0.3%
Recovery Rate*	78.1%	74.5%	4.8%
Provincial Recovery Target	75.0%	75.0%	0.0%
Population Serviced by PPP Program**	4,578,000	4,566,371	0.3%
Recovered kg Per Capita	40.2	38.3	4.9%
ACCESSIBILITY PERFORMANCE			
# Households Serviced**	1,850,000	1,846,097	0.2%
% Households with Access to PPP Program**	98.5%	98.2%	0.3%
P & E Cost Per Capita	\$0.58	\$0.54	7.7%
% of residents aware and using recycling services	95%	99%	-4.0%
COST PERFORMANCE			
Net Cost	\$88,728,670	\$72,513,159	22.4%
Net Cost per Tonne	\$482	\$414	16.3%
Net Cost Per Capita	\$19	\$16	22.1%

* Net tonnes collected and recovery rate reflect the exclusion of tonnes collected by Recycle BC on behalf of other stewardship programs for reporting in their annual reports

** Represents access to curbside, multi-family and/or depot services



2019 Update

Recycle BC's revised five-year Packaging and Paper Product Extended Producer Responsibility Plan was approved by the Ministry of Environment and Climate Change Strategy (MOECCS) on June 28, 2019. The plan was developed in 2017 and 2018 with extensive stakeholder consultation. The new Program Plan focuses on program performance and reporting enhancements, expanded accessibility and special projects including the First Nations Recycling Initiative, greenhouse gas (GHG) reporting and streetscape collection. The performance and reporting enhancements were applied to the 2018 Annual Report and included recovery rates for each material category. Beginning in 2020, Recycle BC will begin reporting on GHG emissions associated with the collection and processing of PPP.

Recycle BC prepared a submission in response to a paper issued by the BC MOECCS proposing actions to address single-use plastics in the environment. The submission supports extending EPR to packaging-like products and single-use plastic items; it also supports disposal bans on items designated under EPR, and a national coordinated approach to recycled content standards and compostable packaging.

Recycle BC hit a notable milestone in 2019, recording one million collected tonnes since it began operating the province's recycling program for residential PPP.

So far in 2019, Recycle BC has welcomed the City of Merritt, the Districts of Hope, Sechelt and Logan Lake, and the Township of Spallumcheen to our curbside recycling program, adding almost 13,000 households to the curbside program and over 1,000 multi-family households. In addition, the Regional District of East Kootenay joined the program with two depots.

Requests from the City of North Vancouver, District of North Vancouver and District of West Vancouver for Recycle BC to be directly responsible for curbside and multi-family recycling collection starting in 2020 were approved, which will significantly increase the number of households Recycle BC services directly.

2020 Budget and Fee Schedule

The 2020 steward fee budget is \$121.1 million, a 23.4% increase from the previous year. The increase is driven by increased supply chain costs, partially offset by a \$10-million drawdown in surplus reserves.

Supply chain increases are due to increased collection and post-collection costs along with reduced commodity revenues. Increases in collection and post collection costs are driven by the continued rollout of Recycle BC's services to BC communities as well as pressures based on market conditions. In response to market conditions, processors are requiring higher quality materials with less contamination, which increases costs. As anticipated, constrained markets for recycling commodities are depressing prices across North America and because Recycle BC experiences commodity revenue fluctuations in real time, the budget reflects current market conditions.



Recycle BC

2020 Budget

RECYCLE BC BUDGET			
	2020	2019	YOY VARIANCE
OBLIGATION SHARE	100%	100%	
Supply Chain Costs	\$121,299,311	\$94,158,890	28.8%
Promotion & Education	\$2,620,000	\$2,101,000	24.7%
Program Management	\$7,185,593	\$6,890,015	4.3%
Program Management as % of total fees	5.9%	7.0%	-15.5%
Total Costs	\$131,104,904	\$103,149,905	27.1%
Surplus Accumulation / (Drawdown)	\$(10,000,000)	\$(5,000,000)	100.0%
TOTAL FEE BUDGET	\$121,104,904	\$98,149,905	23.4%



2020 Fee Schedule

Recycle BC fee rates for 2020 increase an average of 26% from the previous year, consistent with the increased fee budget. Low-volume and flat fee rates for stewards supplying between 1,000 and 15,000 kg increase between 24% and 29% from 2019.

RECYCLE BC FEE SCHEDULE (CENTS/KG)				
Category	Material	2020 Fee Rates (cents/ kg)	2019 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint	16.00	11.00	45.5%
	Magazines and Catalogues	26.00	14.00	85.7%
	Telephone Books	26.00	14.00	85.7%
	Other Printed Paper	26.00	14.00	85.7%
PAPER PACKAGING	Corrugated Cardboard	36.00	25.00	44.0%
	Boxboard	36.00	25.00	44.0%
	Gable Top Cartons	83.00	55.00	50.9%
	Paper Laminates	83.00	55.00	50.9%
	Aseptic Containers	83.00	55.00	50.9%
PLASTICS	PET Containers	77.00	63.00	22.2%
	HDPE Containers	77.00	63.00	22.2%
	Plastic Film	112.00	100.00	12.0%
	Plastic Laminates	141.00	128.00	10.2%
	Polystyrene	112.00	100.00	12.0%
	Other Plastics	112.00	100.00	12.0%
STEEL	Other Steel Packaging	30.00	27.00	11.1%
	Steel Aerosols	30.00	27.00	11.1%
	Steel Paint Cans	30.00	27.00	11.1%
ALUMINUM	Aluminum Food & Milk Containers	56.00	42.00	33.3%
	Other Aluminum Packaging	56.00	42.00	33.3%
GLASS	Clear Glass	17.00	16.00	6.3%
	Coloured Glass	17.00	16.00	6.3%

Materials with notable changes include:

Printed Paper category (85.7% for all but Newsprint, which increases 45.5%): the main driver for the rate increase in this category was a regular ABC data update that increased its cost/tonne. This changed the relative share of costs amongst material categories. The category also had fewer supplied tonnes, which increases the rate.

Paper Packaging category (Gable Top Cartons, Paper Laminates, and Aseptic Containers increase 50.9%; Corrugated Cardboard and Boxboard increase 44%): the main driver for the category was an increase to ABC cost/tonne.

Aluminum Category: the main driver for the 33.3% increase was the reduction in the overall commodity revenue for the program. This material category is highly sensitive to decreases in the program's commodity revenue. This material's high price/tonne means the commodity revenue significantly offsets its gross cost and with less commodity revenue, the cost offset is reduced.



Recycle BC

2020 Low-Volume and Flat Fees

RECYCLE BC LOW-VOLUME AND FLAT FEES			
TOTAL SUPPLIED (KG)	2020	2019	YOY VARIANCE
1,000 to 2,499 kg	\$900	\$700	\$200 or 29%
2,500 to 4,999 kg	\$2,100	\$1,700	\$400 or 24%
5,000 to 9,999 kg	\$5,000	\$4,000	\$1,000 or 25%
10,000 to 15,000 kg	\$8,500	\$6,800	\$1,700 or 25%

2018 Review

In its third full year of operation, MMSW continued its work through service agreements with 501 municipalities, regional waste authorities and First Nations communities who provide collection, processing and marketing services for Waste Paper and Packaging (WPP).

In early 2018, the MMSW Advisory Committee guided development of a payment model based on a PwC survey of reported Saskatchewan costs and supply-chain expenses. This was an important achievement in that the collection partners, with whom MMSW works to deliver recycling services to Saskatchewan residents, now receive payments for their services based upon

Saskatchewan-specific costs. Payments for recycling services to local governments had not increased since the program's inception and had been based on the Manitoba experience as limited Saskatchewan data was available when the program was launched. The new payment model was approved by the MMSW Board of Directors and became effective January 1, 2019. Under the new model, per household payments to municipalities increased and service agreements with municipal partners were updated.

MMSW achieved a recovery rate of 70.1% for 2018, down from the previous year. The total collected tonnes increased by 2.7% from 2017.

MMSW PERFORMANCE			
METRIC	MMSW 2018	MMSW 2017	YOY VARIANCE
RECYCLING PERFORMANCE			
Collected Tonnes	42,352	41,254	2.7%
Supplied Tonnes	60,427	56,629	6.7%
Recovery Rate	70.1%	72.8%	-3.8%
Population Serviced by PPP Program*	852,331	846,804	0.7%
Recovered kg Per Capita	49.7	48.7	2.0%
ACCESSIBILITY PERFORMANCE			
# Households Serviced*	362,506	357,976	1.3%
% Households with Access to PPP Program*	83.8%**	82.7%	1.3%
P & E Cost Per Capita	\$0.02	\$0.03	-35.5%
COST PERFORMANCE			
Net Cost	\$6,040,044	\$5,770,209	4.7%
Net Cost Per Tonne	143	\$140	2.0%
Net Cost Per Capita	\$7	\$7	4.0%

* Represents access to curbside, multifamily and/or depot services

** Restated from 82.2% in 2018 Annual Report

2019 Update

The process of updating the collector payment model developed in 2018 continues in 2019 with further studies of Saskatchewan supply-chain expenses. Cost studies are significant undertakings that require multiple engagements and reviews. The current study will conclude in 2020 and will inform changes to the payment model for the 2021 program budget.

It is expected 2021 fee rates will increase based on anticipated increases to the collector payment model. (The 2018 model increased per household payments to collectors as well as payments to depot operators. Direct material management costs in the 2019 budget increased by approximately \$4.5 million compared with 2018. Fee rates paid by stewards increased accordingly.) The impact of depressed commodity prices will not be seen in MMSW fees until the results of the new cost study are implemented.

MMSW launched an educational campaign in September to remind residents about the importance of proper recycling to reduce contamination. The campaign includes billboard, digital and radio ads across the province until mid-October. Ad templates were also made available for municipalities to customize and use for their own purposes.

2020 Budget and Fee Schedule

The 2020 program budget has increased by 2.1% from 2019. When giving consideration to the ongoing cost study that will increase the program budget and fees in 2021, the MMSW Board of Directors decided to maintain the 2019 material fee rates and low-volume fees for 2020. By doing so, the program will generate \$9.7 million in fee revenue in 2020 and therefore will operate in a deficit of \$1.7 million. This deficit will be funded by using program reserves.

2020 Budget

MMSW BUDGET			
	2020	2019	YOY VARIANCE
OBLIGATION SHARE	75%	75%	
Supply Chain Costs	\$9,730,389	\$9,618,504	1.2%
Promotion & Education	\$75,000	\$75,000	0.0%
Program Management	\$1,568,500	\$1,444,800	8.6%
Program Management as % of total fees	13.8%	14.3%	-3.2%
Total Costs	\$11,373,889	\$11,138,304	2.1%
Surplus Accumulation / (Drawdown)	--	\$(1,000,000)	-100.0%
Planned Surplus/Deficit	\$(1,701,321)	--	--
TOTAL FEE BUDGET	\$9,672,568	\$10,138,304	-4.6%

2020 Fee Schedule

MMSW FEE SCHEDULE (CENTS/KG)				
Category	Material	2020 Fee Rates (cents/ kg)	2019 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint	5.00	5.00	0
	Magazines and Catalogues	5.00	5.00	0
	Telephone Books	5.00	5.00	0
	Other Printed Paper	5.00	5.00	0
PAPER PACKAGING	Corrugated Cardboard	11.00	11.00	0
	Boxboard	11.00	11.00	0
	Gable Top Cartons	27.00	27.00	0
	Paper Laminates	27.00	27.00	0
	Aseptic Containers	27.00	27.00	0
PLASTICS	PET Bottles	26.00	26.00	0
	HDPE Bottles	26.00	26.00	0
	Plastic Film	45.00	45.00	0
	Plastic Laminates	61.00	61.00	0
	Polystyrene	45.00	45.00	0
	Other Plastics	45.00	45.00	0
STEEL	Other Steel Packaging	15.00	15.00	0
	Steel Aerosols	15.00	15.00	0
	Steel Paint Cans	15.00	15.00	0
ALUMINUM	Aluminum Food & Other Containers	15.00	15.00	0
	Other Aluminum Packaging	15.00	15.00	0
GLASS	Clear Glass	5.00	5.00	0
	Coloured Glass	5.00	5.00	0

2020 Low-Volume Fees

MMSW LOW-VOLUME FEES			
TOTAL SUPPLIED	2020	2019	YOY VARIANCE
1,000 to 2,500 kg	\$310	\$310	0
2,500 to 5,000 kg	\$650	\$650	0

2018 Review

MMSM marked its ninth year of operation in 2018, delivering efficient and effective residential recycling of packaging and printed paper. Promotion & Education activities again focused on community outreach, particularly to schools and First Nations. The program's successful plastic bag reduction campaigns, including the Bag It Forward program, continues to grow through promotional sponsorships and events.

Last year, MMSM began implementing the method used by other programs in Manitoba and across Canada to calculate material recovery performance. The recovery

rate method now uses the amount of material that MMSM stewards actually reported, known as the steward-supplied tonnes. The methodology for calculating fees uses a three-year average that incorporates supplied tonnes and the previously used generated tonnes. Both supplied and recovered tonnes for 2018 decreased from the previous year, reflecting less printed paper.

The net cost for operating in 2018 increased by 37.2% from the previous year primarily due to the City of Winnipeg's increased costs for collection and processing, along with its reduced revenue from commodity sales due to depressed market prices.

MMSM PERFORMANCE			
METRIC	MB 2018	MB 2017	YOY VARIANCE
RECYCLING PERFORMANCE			
Recovered Tonnes	75,900	77,675	-2.3%
Supplied Tonnes	88,532	91,988	-3.8%
Recovery Rate*	77.2%	70.6%	9.4%
Population Serviced by PPP Program	1,206,959	1,206,492	0.0%
Recovered kg Per Capita	62.9	64.4	-2.3%
ACCESSIBILITY PERFORMANCE			
# Households Serviced	516,289	517,701	-0.3%
% Households with Access to PPP Program	94%	94%	0.0%
P & E Cost Per Capita**	\$0.76	\$0.77	-1.9%
% of residents aware and using recycling services	93%	95%	-2.1%
COST PERFORMANCE			
Net Cost***	\$36,371,598	\$26,508,659	37.2%
Net Cost Per Tonne	\$479	\$341	40.4%
Net Cost Per Capita	\$30	\$22	37.2%

* Recovery Rate is the 3-year average of the generation based recovery rate presented in the 2018 fee model and the supply based recovery rates presented in the 2019 and 2020 fee models.

** Total Municipal and MMSM P&E costs.

*** Net costs include 100% of municipal costs and 100% of commodity revenues. Also included are MMSM's Promotion & Education, regulatory, market development and all other program management costs.

2019 Update

MMSM has been making progress on meeting the conditions that were included as part of the approval of the MMSM Packaging and Printed Paper Program Plan in 2018. The program plan expires in 2023.

MMSM continues to work with the Manitoba Government and municipalities to fulfill newspapers' obligations under the MMSM Program. An agreement that provided payment for the recycling of newspaper newsprint fees from the provincial sales tax collected from newspaper purchases was terminated in 2017.

Along with other Producer Responsibility Organizations, MMSM is collaborating with stakeholders to ensure the delivery of convenient, accessible recycling to northern, remote and First Nations communities in Manitoba.

As part of the Manitoba Government's 100 day plan, it announced that it will be consulting on the elimination of single-use plastic bags. MMSM will participate in the consultation along with industry members.

Canada Fibers Ltd's newly constructed MRF began accepting and processing the City of Winnipeg residential material on October 1, 2019.

2020 Budget and Fee Schedule

The MMSM steward fee budget for 2020 is \$24.1 million, a 15.5% increase from 2019. The increase is due mainly to increased supply chain costs, partially offset by lower accumulation to the reserve surplus compared to the previous year. The supply chain cost increase is due to the City of Winnipeg's costs and overall decreased commodity revenue flowing from the China Ban that came into effect at the beginning of 2018 – as MMSM uses a three-year rolling average for commodities, the full impact of market decreases will become more visible during the next two budget years. Accumulations to surplus reserves have declined in each of the past three years, following drawdowns in 2016 and 2017.

2020 Budget

MMSM BUDGET			
	2020	2019	YOY VARIANCE
OBLIGATION SHARE	80%	80%	
Share of Supply Chain Costs	\$20,763,059	\$17,425,991	19.1%
Promotion & Education	\$715,000	\$645,000	10.9%
Research & Market Development	--	\$5,000	-100.0%
Program Management	\$2,431,289	\$2,408,378	1.0%
Total Fee Obligation (before surplus)	\$23,909,348	\$20,484,369	16.7%
Program Management as % of Total Fees	10.2%	11.8%	-13.5%
Surplus Accumulation / (Drawdown)	\$170,977	\$360,779	-52.6%
TOTAL FEE BUDGET	\$24,080,325	\$20,845,148	15.5%

2020 Fee Schedule

This is the fourth year that fees have been calculated using the four-step fee methodology following Board approval in 2016. The average change in the fee rates for 2020 is a 20% increase from 2019. The increase is a result of the budget increase and fewer supplied tonnes.

MMSM FEE SCHEDULE (CENTS/KG)				
Category	Material	2020 Fee Rates (cents/ kg)	2019 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint	10.29	7.16	43.7%
	Magazines and Catalogues	15.54	10.84	43.4%
	Telephone Books	16.91	11.25	50.3%
	Other Printed Paper	11.77	8.46	39.1%
PAPER PACKAGING	Corrugated Cardboard	31.78	26.33	20.7%
	Boxboard	31.78	26.33	20.7%
	Gable Top Cartons	71.39	64.28	11.1%
	Paper Laminates	71.39	64.28	11.1%
	Aseptic Containers	71.39	64.28	11.1%
PLASTICS	PET Bottles	43.62	36.87	18.3%
	HDPE Bottles	52.25	32.00	63.3%
	Plastic Film	51.30	48.38	6.0%
	Plastic Laminates	51.30	48.38	6.0%
	Polystyrene	51.30	48.38	6.0%
	Other Plastics	51.30	48.38	6.0%
STEEL	Steel Food & Beverage Cans	17.85	16.16	10.5%
	Steel Aerosols	17.85	16.16	10.5%
	Other Steel Containers	17.85	16.16	10.5%
ALUMINUM	Aluminum Food & Beverage Cans	-7.32	-38.07	80.8%
	Other Aluminum Packaging	10.89	9.10	19.7%
GLASS	Clear Glass	5.00	6.35	-21.3%
	Coloured Glass	5.00	6.35	-21.3%

Notable changes include:

Aluminum Food & Beverage Cans: This fee rate continues to be in credit position, though smaller than the previous year. The 80.8% reduction in the credit is mainly the result of lower overall commodity revenue. As this material has the highest commodity revenue per tonne, its fee rate was most affected.

HDPE Bottles: The 63.3% increase is due to a combination of increased supplied tonnes and recovery rate, combined with higher ABC cost/tonne (decreases

for other materials magnify the relative impact). Lower overall commodity revenue also impacted the fee rate.

Printed Paper category: Increases above the average rate for all materials in this category are due to fewer supplied tonnes and lower commodity revenue per tonne.

Glass category: The decreased fee rates for the category are driven mainly by lower ABC cost/tonne from higher density in post-sort measurements.



2018 Review

Stewardship Ontario achieved a recycling rate of 60.2% in 2018, just exceeding the government mandated target of 60%. Recycled tonnes managed through the Blue Box in 2018 declined from the previous year due to less paper and newsprint being collected and marketed. Generated tonnes — an estimate of the total quantity of residential PPP created by households — also decreased. Recycled kilograms per capita decreased in 2018 reflecting reduced tonnes and an increase in the population.

Access to recycling programs is being maintained at very high levels.

Total reported net cost of the Blue Box system by municipalities for 2018 was \$299.3 million, an increase of 19.8% from 2017. This is due primarily to reduced commodity revenue, as anticipated from tightening trade restrictions on recyclable materials. As a result, net cost per tonne and per capita also increased from the previous year.

STEWARDSHIP ONTARIO PERFORMANCE

METRIC	ONTARIO 2018	ONTARIO 2017	YOY VARIANCE
RECYCLING PERFORMANCE			
Recycled Tonnes	780,555	822,979	-5.2%
Generated Tonnes	1,296,207	1,342,017	-3.4%
Recycling Rate	60.2%	61.3%	-1.8%
Provincial Recycling Target	60.0%	60.0%	
Population Serviced by PPP Program	13,078,155	12,962,740	0.9%
Recycled kg Per Capita	59.7	63.5*	-6.0%
ACCESSIBILITY PERFORMANCE			
# Households Serviced	5,278,332	5,237,905	0.8%
% Households with Access to PPP Program	94.0%	94.4%	-0.4%
P & E Cost Per Capita**	\$0.61	\$0.56	8.9%
COST PERFORMANCE			
Net Cost***	\$299,307,268	\$249,809,925	19.8%
Net Cost Per Tonne	\$383	\$304	26.3%
Net Cost Per Capita	\$23	\$19	19.7%

* Restated

** Total municipal and SO P&E

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



2019 Update

The transition of the Blue Box Program to full producer responsibility has been initiated by an August direction letter from the Minister of Environment, Conservation and Parks (MECP) to make industry responsible for both the funding and operation of residential recycling in the province.

Stewardship Ontario is required to submit a wind up plan to the Resource Productivity and Recovery Authority (RPRA) by June 30, 2020. The following principles will guide development of the plan:

- Parties affected by the transition to full producer responsibility should be consulted and have opportunities for meaningful engagement during the development and implementation of the plan.
- The plan shall support competition in, and not adversely affect, Ontario's current and future marketplace for the collection and recovery of PPP.
- Ontarians' access to and experience with the Blue Box Program shall not be negatively impacted during the transition.

It is expected that RPRA will approve the plan by December 31, 2020. During this time, the Ontario government will develop and consult on regulations to support the new responsibility framework for PPP. The first communities will be transitioned beginning January 1, 2023, with the entire province operating under the new framework by December 31, 2025.

Stewards will be updated as the transition planning proceeds.

2020 Budget and Fee Schedule

The 2020 Blue Box payment obligation to municipalities was not finalized by RPRA for Stewardship Ontario's budget planning. The budget was developed based on conservative guidance from RPRA to base the fees on 50% of the actual reported net costs as has been the historical practice when the obligation is unknown. Stewardship Ontario will review the actual obligation when it is released by RPRA to determine if changes are necessary to the budget or fees.

The calculation of the payment obligation uses a three-year rolling average for commodity revenue, which for the 2020 payment is based on the 2016-2018 operating years. As a result, the effects of commodity markets and resultant revenue decreases caused by the China ban in 2018 were a factor in Stewardship Ontario's budget for 2020. The impact of lower commodity prices will increase going forward.

2020 Budget

The 2020 steward fee budget is \$138.4 million, a 7.0% increase from the previous year, largely driven by the proxy used for payments to municipalities, captured under supply chain costs.

STEWARDSHIP ONTARIO BUDGET			
	2020	2019	YOY VARIANCE
OBLIGATION SHARE	50%	50%	
Supply Chain Costs*	\$131,028,681	\$122,059,642	7.3%
Promotion & Education and Market Development	\$ 410,000	\$510,000	-19.6%
Program Management	\$4,538,094	\$4,296,471	5.6%
Regulatory	\$2,400,000	\$2,400,000	0.0%
TOTAL FEE BUDGET	\$138,376,775	\$129,266,113	7.0%

* These costs include the municipal obligation and other internal material management costs, without the value of newspaper in-kind. The value of newspaper in-kind is referenced at the bottom of the fee schedule in the next table.



2020 Fee Schedule

Stewardship Ontario's 2020 material fee rates have been calculated using the approved three-factor formula methodology. Overall, average fee rates for 2020 have increased 11% from 2019, reflecting the increased fee budget combined with fewer supplied tonnes to allocate material fees.

STEWARDSHIP ONTARIO FEE SCHEDULE (CENTS/KG)				
Category	Material	2020 Fee Rates (cents/ kg)	2019 Fee Rates (cents/ kg)	Variance %
PRINTED PAPER	Newsprint - CNA/OCNA	0.63	0.59	6.8%
	Newsprint - Non-CNA/OCNA	6.90	5.98	15.4%
	Magazines and Catalogues	12.70	9.04	40.5%
	Telephone Books	13.25	11.06	19.8%
	Other Printed Paper	16.00	18.45	-13.3%
PAPER PACKAGING	Corrugated Cardboard	11.28	10.13	11.4%
	Boxboard	11.28	10.13	11.4%
	Gable Top Cartons	28.33	22.44	26.2%
	Paper Laminates	28.33	22.44	26.2%
	Aseptic Containers	28.33	22.44	26.2%
PLASTICS	PET Bottles	17.39	19.65	-11.5%
	HDPE Bottles	13.92	13.21	5.4%
	Plastic Film	36.67	33.07	10.9%
	Plastic Laminates	36.67	33.07	10.9%
	Polystyrene	36.67	33.07	10.9%
	Other Plastics	36.67	33.07	10.9%
STEEL	Steel Food & Beverage Cans	6.97	7.10	-1.8%
	Steel Aerosols	6.97	7.10	-1.8%
	Steel Paint Cans	6.97	7.10	-1.8%
ALUMINUM	Aluminum Food & Beverage Cans	5.16	3.68	40.2%
	Other Aluminum Packaging	13.32	7.96	67.3%
GLASS	Clear Glass	4.07	3.80	7.1%
	Coloured Glass	7.95	6.76	17.6%
IN-KIND	In-Kind Amount	\$4,860,588	\$5,112,007	-4.9%



Selected materials with notable rate changes include:

Printed Paper: While the total fees allocated to the materials in the printed paper category have remained consistent, there has been a significant shift in fee rates amongst the materials in the category due to a number of factors, including:

- A decrease in the quantity of Newsprint recycled increased its total fees by 2%, or \$300,000.
- Magazines, Telephone Books and Other Printed Paper are often managed together in the recycling system so are included in an “aggregation group” which ensures that some portion of the fees are redistributed amongst these materials. The factor used to redistribute these fees is updated periodically and is based on the approved principle that the Magazine category should not attract fees that are higher than the cost to manage the material. As a result of the update to this factor, Magazines are attracting 22% more fees than in 2019.
- With fees for category materials determined, fee rates are calculated by dividing the total fees by the quantity of each material supplied. The supply of Newsprint and Magazines decreased by 11.2% and 13% respectively from the previous year. With fewer tonnes across which to allocate the fee increase, the overall increase to the Newsprint and Magazine fee rates are 16% and 40% respectively.

Paper Packaging: Polycoat materials (Gable Top, Paper Laminates & Aseptic Containers) increase of 26% is largely driven by an increase in the ABC cost/tonne.

Aluminum: 40% increase to Food and Beverage containers is primarily driven by reduced commodity revenue; 67% increase for Other Aluminum Packaging reflects a decline in recovered tonnes, which increases fees, and fewer supplied tonnes, which increases the fee rate. In Ontario’s three-factor model, materials with a lower recovery rate assume a larger share of costs than materials with higher recovery rates.

PET Bottles: 11.5% decrease is due to a reduction in the ABC cost/tonne and an increase in supplied tonnes.



**Canadian Stewardship
Services Alliance**

1 St. Clair Avenue West, 7th Floor
Toronto, Ontario M4V 1K6

Steward Services:

1-888-980-9549

stewards@cssalliance.ca

www.cssalliance.ca