
MEMORANDUM

PWC-C 42-2020

Subject: Stewardship Ontario's Proposed Plan to Windup the Residential Blue Box Program and Transition to the New Producer Responsibility Framework

Date: Tuesday, November 10, 2020

To: Public Works Committee

From: Sherri Tait, Program Manager, Policy, Planning and Engagement

This memorandum provides Public Works Committee with Waste Management staff comments (attached as Appendix A) to the Resource Productivity and Recovery Authority (RPR) regarding Stewardship Ontario (SO) proposed plan to windup the residential Blue Box program and transition it to the new individual producer responsibility framework.

Background

In the summer of 2019, the Minister of Environment, Conservation and Parks issued direction to SO to develop a plan to transition the current Blue Box program which is a shared cost model (50% funded by producers and 50% funded by municipalities) to the new individual producer responsibility framework (funded 100% by producers). The plan was to be submitted to RPR by the August 31, 2020 deadline, which was extended from June 30, 2020 due to the COVID-19 pandemic. SO is currently the Industry Funding Organization (IFO) for the current Blue Box program and is funded by stewards of designated Blue Box materials.

SO submitted the [Blue Box Program Transition and Stewardship Ontario Windup Plan](#) (the Plan) to RPR and as per the Ministers direction, RPR is required to review, consult and approve the plan. The Plan is found in Appendix B. RPR has consulted with stakeholders via a series of webinars and group discussions that were held from October 13 to 23, 2020. Stakeholder comments on the Plan were required by November 10, 2020.

SO Blue Box Transition and Windup Plan

Highlights of the Plan including the Minister's specific direction where applicable are outlined below.

1. Communication

Minister's Direction: *"Parties affected by the transition should be consulted and have opportunities for meaningful engagement during the development and implementation of the plan."*

"The public, Indigenous peoples and affected stakeholders, including stewards, municipalities and service providers (e.g. collectors, haulers, processors, recycled product manufactures) will receive transparent and clear communication from SO on a regular basis during the development and implementation of the plan."

The Plan outlines communication activities that will occur between 2020-2026, the objectives, stakeholders and communication methods. A detailed communication timeline for each year of the transition is provided in Appendix B of the Plan.

2. Conflict of Interest

Minister's Direction: *"SO shall take all necessary steps to ensure there is no real, potential or apparent conflict of interest when developing and implementation the plan."*

"[...]the plan should address:

Any real, potential or apparent conflict of interest in respect to SO's relationship with the Canadian Stewardship Services Alliance (CSSA)

Any necessary steps to ensure that the CSSA does not receive preferential treatment over other markets that may be created under the RRCEA (Resource Recovery and Circular Economy Act)."

Prior to the development of the Plan, there were several changes made at the Board and management level to ensure compliance with the above direction. At the board level, changes included no cross appointment of directors between SO and CSSA, no director or director's company is permitted to participate in an organization designed to deliver compliance services under the RRCEA, while serving on the board of SO and a revised code of conduct. At the management level, there was a new independent

management team for the development of the Plan and day-to-day management of SO responsibility and obligations, all managers working on the Plan are restricted from providing services to CSSA or any other potential market participants that may be created under RRCEA and all material management and policy decisions will be made by the independent management team and subject to oversight by the Board.

3. Data Management

Minister's Direction: *"A description of all data and information that is within SO's custody or control and that is related to the operation of the SO Program since the Minister's program request letter of September 23, 2002, and a proposal for transferring all data and information to the Resource Productivity and Recovery Authority (the Authority)"*

"A proposal for identifying confidential or personal data and information and indicating how such data and information will be supplied in confidence when transferring it to the Authority, which will assist the Authority in determining its treatment of such data and information based on applicable law and policies."

"The plan shall support competition, in, and not adversely affect, Ontario's current and future marketplace for the collection and recovery of paper products and packaging. The plan shall not provide for unfair or preferential treatment of the public or any affected parties, or barrier to competition during or following the windup of the program."

"Demonstrate and documentation that any party currently having access to SO data and information only retain data that is equivalent to the information that will be shared through a fair, open and transparent process."

SO outlined in their Plan how they will ensure security and privacy of Blue Box data which includes storage on a shared SAP (Systems, Applications and Products) enterprise and resource planning system that is hosted in a Tier 3 data centre and data security and privacy maintained through access industry standard control process and protocols. SO will identify all data required to be stored in relation to statutory and regulatory requirements and will store data in a secure manner. SO will continue to publish an annual report but are not proposing to release additional data on program performance publically other than what is included in their Plan, annual reports and annual RPRA filings on program performance.

All confidential information will be marked as such and will continue to be protected following the termination of the current Blue Box program and eventually destroyed as

per their Plan. SO will provide RPRA with an attestation that destruction has taken place for data that need destroying (i.e. no longer required for legal or regulatory reasons).

SO will transfer Blue Box program data to RPRA mostly in a digital format. Once Blue Box program data has been transferred, only Blue Box program data that is retained for tax and legal purposes will not be accessible and access will require authorization from SO's CFO and approval of RPRA.

SO has market intelligence generated through market development initiatives and SO will compile an inventory of this knowledge and transfer the inventory to RPRA by end of 2021.

The legal ownership rights of the SO trademark and website domain name will transfer to RPRA following the end of the current Blue Box program.

The Plan contemplates data and intellectual property owned by CSSA but used by SO as part of its arrangement with CSSA would be retained by CSSA including the new proposed Material Cost Differentiation (MCD) methodology for setting steward fees.

4. Maintaining Program Performance

Minister's Direction: *"There shall be no disruption in payments made by SO to a municipality or First Nation community under the SO Program until the time when that municipality or First Nation community is no longer eligible to receive funding based on criteria established in the plan."*

"Ontarians' access to and experience with the Blue Box program shall not be negatively impacted. It is my expectation that, while allowing for natural growth of Blue Box services to new residential development or redevelopment, municipalities and First Nation communities shall not reduce or expand existing levels of Blue Box services that are eligible for funding under the SO Program."

SO consulted with RPRA on how to best address the Ministers direction on maintaining business as usual. RPRA developed an updated Datacall User Guide to reflect new conditions for cost eligibility where Blue Box program changes made after January 1, 2020 led to cost increases. RPRA developed a process whereby a municipality could get confirmation of cost eligibility prior to making changes to the Blue Box program. Also, RPRA is monitoring changes to service levels that do not generate cost increases but impact resident's access to and experience with the Blue Box program (e.g. a

decision to discontinue collection of a material). As reported by SO “*such changes would be tracked provincially and reported annually by both RPRA and Stewardship Ontario to determine whether such changes represented a systemic change to Ontario’s residents’ experience with Blue Box recycling and what remedial action maybe required*”.

5. Market Development and Promotion and Education (P&E)

There are no active market development projects being undertaken at this time and SO is recommending that no new projects be undertaken during the transition period. Funds that currently exist for market development would be reimbursed to stewards through their 2021 fees.

SO proposes to continue to educate residents on recycling during the transition period and will only target municipal areas that have not transitioned. SO’s Plan outlined their P&E objectives, planning progress and budget of \$400,000.

6. Municipal Funding and Datacall

Municipalities will submit their final Datacall report in the year prior to the year they are scheduled to transition out of the Blue Box program. If a municipality transitions part way through a year, the payments will be pro-rated based on the number of days in the year the municipality was part of the current Blue Box program. The Plan outlines requirements and payment calculations.

SO is proposing a change to the steward fee setting methodology from the current Activity Based Cost (ABC) to the four step MCD methodology. In summary the ABC methodology is dependent on field data (i.e. from recycling facilities) where the MCD methodology does not rely on field data but lab measurements and system and costing information. As stated earlier the MCD methodology is proprietary to CSSA.

The methodology results in a significant increased obligation to printed paper stewards who do not directly pay fees but contribute through the In-Kind program. This would have been a difference of \$3.5 million or a 70% increase in 2020. SO is proposing implementation of the new fee setting methodology in 2 stages. The 2021 fees would be calculated using 50% of the existing methodology and 50% new methodology and in 2022 fees would be calculated using 100% of the new methodology.

7. Financials and Steward Operations

Minister's Direction: *"The plan must include a proposal for dealing with the assets, liabilities, rights and obligations of SO in relation to the SO program must be dealt with in a fair, open and transparent process in accordance with applicable law."*

All monies held in trust by SO related to the SO program shall be treated appropriately in accordance with the WDTA (Waste Diversion Transition Act) and its regulations."

A proposed timeline according to which key aspects of the plan will be implemented."

SO will maintain sufficient operation capital during transition to bridge its cash flows and to ensure it has sufficient funds to meet its obligations (e.g. to municipalities and other creditors). Reserves should provide for windup costs without the need to levy additional fees and reserves in excess of what is necessary for cash flow and windup costs will be returned to stewards. The unused market development funds (approximately \$5.6 million) is to be returned to stewards via a fee reduction for the relevant materials.

SO has no capital or leased assets but has financial assets and non-financial assets (i.e. intellectual property). SO has budgeted for retention and other related costs associated with their two employees and potential legal fees associated with any future legal claims or actions during the windup period.

Details of the financial forecast are found within SO's Plan; however, SO's financial forecast includes \$131 million for stewards obligations in 2020, \$143 million in 2021, \$147 million in 2022 and then decreases each year during the transition period from 2023 to 2025.

The Plan also details the stewards' business cycle during transition.

8. Continuous Improvement Fund (CIF) Windup

Ministers Direction: *"The Continuous Improvement Fund shall receive no additional contributions and shall end as soon as practical prior to December 31, 2025."*

CIF is a partnership between the Association of Municipalities of Ontario (AMO), City of Toronto, SO and RPRA. As per CIF, its mandate is to improve the effectiveness and efficiency of Ontario's municipal Blue Box Programs and its mandate is fulfilled through the provision of funding, technical support and training to aid municipalities and program

stakeholders in the identification and development of best practices and technological and market based solutions that lead to program improvements.

A Draft Final CIF Windup Plan has been posted to the CIF website and contains the following key recommendations:

- CIF grants will cease as of September 30, 2020.
- Disburse surplus funds to municipalities in 2021 and 2022 and after all CIF obligations are discharged in 2024.
- Continue transition and CIF program support services with emphasis on transitional support until December 31, 2023.
- Terminate public operation of CIF program on December 31, 2023.
- Initiated windup of the CIF's operations in 2024 by no later June 30, 2024.

CIF has significant intellectual assets (e.g. research projects, pilot studies, training materials) and an inventory of these assets will be completed. A Request for Expression of Interest has been issued to solicit interest from parties who may wish to maintain these assets.

A new governance model is also being proposed once the Blue Box regulations are formally approved by the Province

Niagara Region Comments

Appendix A contains Niagara Region's comments on the SO Plan which include:

- concerns related to a potential conflict of interest with the use of CSSA's propriety fee setting methodology;
- a suggestion to further reduce conflict of interest and ensure fair competition;
- concerns related to returning funds to stewards set aside for market development
- ensuring financial estimates and forecast take into consideration the significant increase in program costs related to collection and processing of Blue Box materials seen by municipalities; and
- not supporting SO's proposal to implement the MCD fee setting methodology during the wind up of the Blue Box program

Next Steps

Niagara Region will submit the comments found in Appendix A to RPRA and will continue to participate in consultation sessions related to the transition of the Blue Box program to full producer responsibility.

Respectfully submitted and signed by

Sherri Tait
Program Manager, Policy, Planning and Engagement

Niagara Region Comments on Blue Box Program Transition and Stewardship Ontario Windup Plan

Niagara Region appreciates the opportunity to provide the Resource Recovery and Productivity Authority (RPRA) comments on Stewardship Ontario's Blue Box Program Transition and Stewardship Windup Plan.

Niagara Region's comments and concerns on the Framework, are included below and are generally in line with the Association of Municipalities of Ontario (AMO), Regional Public Works Commissioners of Ontario (RPWCO), the Municipal Waste Association (MWA) and the City of Toronto's previously submitted comments on the proposed Plan in July 2020.

Conflict of Interest and Supporting Competition

The new fee setting methodology is owned and proprietary to CSSA and it appears to be a real, perceived or potential conflict of interest for this fee setting methodology to be a part of SO's Plan.

To further reduce conflict of interest and ensure fair competition, it appears as there is nothing that prevents someone currently working for or hired by SO to leave and start working for Canadian Stewardship Services Alliance (CSSA). Niagara Region would support a required time period (or buffer) between when an individual stops working for SO before they can start employment for CSSA.

Market Development Funds

SO has no further plans for market development and plans to return funds set aside for market development for plastics and glass (approximately \$5.6 million) to stewards in 2021. With the release by the federal government of a Discussion Paper: A Proposed Integrated Management Approach to Plastic Products to Prevent Waste and Pollution, instability of recycling commodities and continued concern of non-recyclable plastic packaging and products entering the market place due to lack of viable end-markets, it does appear to be a good time to stop investment into market development during between now and 2025.

Financial Forecast

The Financial estimates and forecasts should take into consideration, if they have not already, the significant increase in program costs related to collection and processing of Blue Box materials seen by municipalities that had to recently go out tender for these services.

Fee Setting Methodology

Niagara Region does not support SO's proposal to implement the MCD fee setting methodology during the windup of the Blue Box program. As indicated by SO, this change would significantly increase the amount of in-kind payments by printed paper stewards to municipalities instead of cash. Municipalities have seen a significant decrease in newspapers in the Blue Box and it does not seem reasonable that newspaper management costs would increase. This change will directly impact municipal budgets and costs of program to taxpayers.



Stewardship Ontario

Blue Box Program Transition & Stewardship Ontario Windup Plan

Submitted to: Resource Productivity and Recovery
Authority

Submitted on: August 31, 2020

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Appendices

- Appendix A - Blue Box Program Transition Plan Consultation Report
- Appendix B - Detailed Communications Timeline
- Appendix C - Material Cost Differentiation (MCD) Methodology Consultation Report

The following schedules contain confidential information and were provided separately to RPRA on August 31, 2020:

- Confidential Schedule I - Blue Box Program Transition Plan Implementation Plan and Timelines
- Confidential Schedule II - Blue Box Program Transition Plan Financial Forecast and Budget
- Confidential Schedule II(a) - BBTP Cash Flow Assumptions
- Confidential Schedule II(b) - CIBC Investment Statement Act 52683
- Confidential Schedule II(c) - CIBC Investment Statement Act 2434694
- Confidential Schedule III - Human Resources

GLOSSARY

ABC: Activity Based Costing

AMO: Association of Municipalities of Ontario

BAU: Business as usual

BBPM: Blue Box Program Materials

BBPP: Blue Box Program Plan

CIF: Continuous Improvement Fund

CRA: Canada Revenue Agency

CSSA: Canadian Stewardship Services Alliance Inc.

HST: Harmonized Sales Tax

IFO: Industry Funding Organization

IP: Intellectual Property

IT: Information Technology

Local Blue Box Recycling Services: The collection and processing systems that Participating Communities have established to recycle BBPM

MFAM: Municipal Funding Allocation Model

MIPC: Municipal-Industry Programs Committee

MECP: Ministry of the Environment, Conservation and Parks

MRF: Materials Recovery Facility

P&E: Promotion and Education

PPP: Printed Paper and Packaging

Participating Communities: Municipalities, recycling associations & First Nations communities that are part of the program

RPRA: Resource Productivity and Recovery Authority

RRCEA: *Resource Recovery and Circular Economy Act, 2016*

RRSP: Registered Retirement Savings Plan

SAP: Systems, applications and products

WDTA: *Waste Diversion Transition Act, 2016*

IMPACT OF COVID-19 ON TRANSITION PLAN DEVELOPMENT

On August 15, 2019, the Minister of the Environment, Conservation and Parks [issued a letter](#) directing Stewardship Ontario to develop a plan to transition the Blue Box Program to full producer responsibility by 2025, and subsequently wind up Stewardship Ontario as an organization. The letter required Stewardship Ontario to submit a Blue Box Program Transition Plan (Transition Plan) to the Resource Recovery and Productivity Authority (RPPA) by June 30, 2020.

To support meaningful consultations with all Blue Box stakeholders during the COVID-19 pandemic, the Minister [granted](#) Stewardship Ontario's request for a 60-day extension for submitting the transition plan to RPPA. Consultation webinars that were originally scheduled for April 7 and 8, 2020, were postponed and rescheduled for June 16 and 17, 2020, with stakeholder feedback due by July 15, 2020.

Stewardship Ontario's Blue Box Program Transition Plan was approved by the Stewardship Ontario Board on August 26, 2020 and submitted to RPPA on August 31, 2020. The Minister anticipates RPPA will approve the Transition Plan no later than December 31, 2020, meaning there will be no delay in the transition timelines originally set out in the Minister's 2019 direction letter.

SECTION 1: CURRENT PROGRAM OVERVIEW

1.1 History of the Blue Box Program Plan

The [Waste Diversion Act, 2002](#) (WDA) required companies that introduce packaging and printed paper into the Ontario market to contribute funding to Stewardship Ontario. That funding has been used to partially offset the costs to Ontario municipalities and First Nations to manage packaging and printed paper in their residential recycling programs.

The WDA also established Waste Diversion Ontario (WDO).¹ WDO was mandated to develop, implement and operate waste diversion programs for a wide range of materials, including packaging and printed paper commonly managed by Participating Communities.

In 2002, WDO directed Stewardship Ontario to develop the [Blue Box Program Plan](#) (BBPP). The BBPP was designed as a funding program for packaging and printed paper managed in municipally-run Local Blue Box Recycling Services. The BBPP required producers (or stewards) of packaging and printed paper to fund up to 50% of municipal net operating costs to manage these materials. It also set diversion targets for packaging and printed paper of 50% by 2006 and 60% by 2008. The BBPP was approved by the Ontario Government on December 22, 2003.

In 2003, Stewardship Ontario registered 3,300 companies as potential stewards and received data reports from 1,200 stewards. Payments to municipalities and First Nations communities began in 2004.

Stewardship Ontario and the BBPP currently operate under the authority of [Waste Diversion Transition Act, 2016](#) (WDTA), which replaced the WDA on November 30, 2016. At the same time, the Resource Productivity and Recovery Authority (RPRA) replaced WDO.

1.2 Blue Box Program Compared to Other Waste Programs

The BBPP differs from the stewardship programs established for tires, electronics and household hazardous or special waste, which have either wound up or are in the process of winding up. When these newer programs were established, consumers had limited access to suitable material collection services. Further, there was not enough processing capacity to manage the volume of materials available for collection. Accordingly, for the tires, electronics and Municipal Hazardous or Special Waste (MHSW) programs, the business community was assigned primary responsibility for funding, expanding and operating the necessary recycling infrastructure to manage those materials at end-of-life.

In contrast, municipalities with a population over 5,000 have been required since 1994 to operate Local Blue Box Recycling Services for packaging and printed paper under [O.Reg.101/94](#). Widespread municipal Blue Box recycling was taking place long before [O.Reg.101/94](#) was established. By 2003, when the BBPP was established, there was already a mature province-wide recycling system for discarded packaging and printed paper operated by Ontario municipalities and First Nations communities. Regular curbside collection was accessible to most Ontario residents. Depot-based collection was accessible in almost all areas of low population density where curbside collection was not feasible.

¹ WDO is a non-crown corporation and is the predecessor to RPRA.

The BBPP was created in the form of a funding program to partially offset municipalities' costs to manage packaging and printed paper in their Local Blue Box Recycling Services. Under the BBPP, municipalities continued to manage the recycling supply chain (i.e., Ontario businesses would not become involved in the operation of the recycling system), but costs were shared between municipalities that ran the recycling system and the Ontario businesses that supplied packaging and printed paper into the Ontario residential market. Over the years, local recycling associations and First Nations communities also developed recycling programs and became eligible for funding under the BBPP.

1.3 Program Roles and Responsibilities

There are defined roles and responsibilities for key participants in the program, and mechanisms have been established, unique to the Blue Box Program, to coordinate efforts and facilitate joint decision-taking.

1.3.1 Stewardship Ontario

Stewardship Ontario is a not-for-profit organization that is designated under the WDTA as the Industry Funding Organization (IFO) for the BBPP. Stewardship Ontario is funded by the companies that are the brand owners, first importers or franchisors (referred to as stewards) of the packaging and printed paper materials covered by the BBPP. These stewards pay fees to Stewardship Ontario to enable it to fulfill its funding and operational obligations. Stewardship Ontario's board of directors (Board) is composed of representatives from steward companies and steward trade associations, as well as an independent board member.

Stewardship Ontario is responsible for:

- Collecting data from stewards on the weight of designated materials stewards supply to market.
- Determining annual steward fee rates according to an approved process.
- Consulting with stakeholders on fee rates and other proposed program changes.
- Invoicing stewards and collecting fees sufficient to discharge Stewardship Ontario's obligations under the BBPP (see [1.4 Key Elements of the Current Program, Annual Steward Obligation](#)), as well as Stewardship Ontario operating costs and RPRA regulatory charges.
- Distributing funds to municipalities, recycling associations and First Nations communities (see [1.4.5 Determining the Allocation of Funding to Participating Communities, MFAM](#)) in accordance with the annual municipal funding obligation (the "Annual Steward Obligation") set by RPRA.
- Providing guidance to stewards on the Blue Box Program and their obligations.
- Seeking, where possible, to support the development of markets for recycled materials.
- Engaging in promotion and education efforts that support improvements to the recycling system.
- Participating in joint governance structures and activities such as the Municipal-Industry Programs Committee (MIPC) and its sub-committees, and the Continuous Improvement Fund (CIF) Committee under the auspices of the RPRA Board (see [1.3.3 Resource Recovery and Productivity Authority \(RPRA\)](#)).

1.3.2 Municipalities, Recycling Associations and First Nation Communities

Municipalities, recycling associations and First Nations communities (Participating Communities) design and manage their own-Local Blue Box Recycling Services, subject to the requirements set out in O.Reg.101/94, which predates the BBPP (see [1.5 Overview of the Current Consumer Experience and Accessibility](#)).

Some Local Blue Box Recycling Services are operated directly by municipal staff via municipally-owned facilities and equipment, while others are contracted to the private sector or use a mix of municipal facilities and contracted services.

In addition to the management, planning and operational activities undertaken to manage their respective programs, Participating Communities are also responsible for:

- Tracking and compiling Blue Box recycling system costs, and collection and processing performance data.
- Submitting cost and performance information to RPRA via the Datacall (see [1.4.3 Datacall](#)).

Participating Communities also participate in joint governance structures such as the MIPC and its sub-committees, as well as the CIF Committee. Municipalities, with the exception of the City of Toronto, participate via the [Association of Municipalities of Ontario](#) (AMO) (see [1.3.3 Resource Productivity and Recovery Authority](#)).

1.3.3 Resource Productivity and Recovery Authority (RPRA)

RPRA is the regulator mandated to enforce the province's circular economy legislation and regulations. It receives its authority from the [Resource Recovery and Circular Economy Act, 2016](#) (RRCEA) and the [Waste Diversion Transition Act, 2016](#) (WDTA).

RPRA's responsibilities include:

- Carrying out its own separate consultation on windup plans submitted by IFOs.
- Approving windup plans developed by IFOs and overseeing their implementation.
- Developing and operating a registry for producers responsible for materials under the RRCEA to register with RPRA and report on waste recovery.
- Carrying out compliance and enforcement activities.

RPRA has additional responsibilities specific to the BBPP, including:

- Managing the Datacall and undertaking audits of Datacall reports
- Determining the Annual Steward Obligation to Participating Communities.
- Managing the Municipal Funding Allocation Model (MFAM).
- Administering municipalities' access to in-kind advertising (see [1.4.6 Contributions from Newspaper Industry \(the In-Kind Program\)](#)).
- Participating in joint governance structures and activities such as MIPC and its sub-committees (as Chair), and the CIF Committee.

1.3.3.1 Municipal-Industry Programs Committee (MIPC)

The MIPC and its sub-committees are chaired by RPRA and have equal representation from municipalities (via AMO and the City of Toronto) and Stewardship Ontario.

While MIPC no longer has a role in establishing the Annual Steward Obligation, it is the key mechanism for consultation and discussion regarding the operation of the BBPP between Ontario municipalities and Stewardship Ontario.

1.3.3.2 Continuous Improvement Fund (CIF)

The CIF is a partnership between AMO, the City of Toronto, Stewardship Ontario and RPRA.

Its mandate is to improve the effectiveness and efficiency of municipalities' Local Blue Box Recycling Services and the provincial Blue Box system as a whole in accordance with Section 6.6 of the BBPP.

This mandate has been fulfilled primarily by providing funding, training and technical assistance to Participating Communities and other Blue Box recycling system stakeholders. These resources are intended to support initiatives that identify, develop and apply 'best practices' and preferred approaches to program operations to reduce operating costs and/or improve material capture rates across all programs.

The CIF has played a key role in fostering and supporting innovation through the development and introduction of technological, market and supply chain-based solutions. The CIF also established performance metrics and benchmarking for municipal program operations across the province. These efforts ensure that all Participating Communities have access to the information and resources necessary to maximize the performance of their Local Blue Box Recycling Services.

The CIF operates as a committee of RPRA. RPRA is responsible for setting the overall strategic priorities and budget for the CIF.

1.4 Key Elements of the Current Blue Box Program

1.4.1 Current Blue Box Program Materials

[O.Reg.101/94](#) requires that all municipalities with a population in excess of 5,000 operate a Blue Box recycling system that collects, at minimum, the following five basic materials:

1. Aluminum food or beverage cans (including cans made primarily of aluminum).
2. Glass bottles and jars for food or beverages.
3. Newsprint.
4. Polyethylene terephthalate (PET) bottles for food or beverages.
5. Steel food or beverage cans (including cans made primarily of steel).

[O.Reg.101/94](#) lists supplementary materials. According to the regulation, municipalities must add at least two categories of supplementary material to their Local Blue Box Recycling Services. The supplementary materials are:

1. Aluminium foil (including items made from aluminium foil).
2. Boxboard and paperboard.
3. Cardboard (corrugated).
4. Expanded polystyrene food or beverage containers and packing materials.
5. Fine paper.
6. Magazines.
7. Paper cups and plates.
8. Plastic film, being:

- i. linear low-density or low-density polyethylene grocery bags or bags used for food or beverages, and
 - ii. linear low-density or low-density polyethylene used for wrapping products.
9. Rigid plastic containers, being:
 - i. high-density polyethylene bottles used for food, beverages, toiletries or household cleaners (including bottles made primarily of high-density polyethylene), and
 - ii. polystyrene containers used for food or beverages (including containers made primarily of polystyrene).
10. Telephone directories.
11. Textiles (not including fibreglass or carpet).
12. Polycoat paperboard containers, being containers made primarily of paperboard and coated with low-density polyethylene or aluminium, and used for food or beverages.

The BBPP provides further information about the scope of funding available to Participating Communities under the Blue Box Program.

1.4.2 Current Blue Box Program Funding

The Blue Box Program currently is funded through a shared responsibility model, in which municipalities and industry share costs.

The Annual Steward Obligation is the amount of money that Stewardship Ontario must pay out to Participating Communities each year. Funding for the Annual Steward Obligation is provided by obligated packaging and printed paper stewards. These stewards pay fees to Stewardship Ontario based on the amount of packaging and printed paper they supply annually into the Ontario residential market.

The total amount owing to Stewardship Ontario by stewards in a given year is equal to 50% of the net costs incurred by Participating Communities as a result of the Blue Box Program, plus Stewardship Ontario's share of RPRA's management and oversight costs, as well as Stewardship Ontario's Blue Box Program management costs.

RPRA determines the Annual Steward Obligation to municipalities, and Stewardship Ontario's share of RPRA management and oversight costs. Stewardship Ontario's Blue Box Program management costs are determined by the Stewardship Ontario Board.

The fee rates paid by stewards are determined by Stewardship Ontario according to a process set out in the BBPP. Each year, the Blue Box Program's annual budget, its program performance and the fee rates are:

- presented to stewards and other stakeholders; and
- reviewed and approved by both the Stewardship Ontario and RPRA boards of directors.

1.4.3 Datacall

The Datacall is an online portal and process managed by RPRA. It is the first step in determining the Annual Steward Obligation to Participating Communities. Participating Communities report cost and performance data to RPRA via the Datacall. Each Ontario program providing recycling services must complete the Datacall to be eligible for Blue Box Program funding.

RPRA also uses the Datacall to determine residential waste diversion rates. Stewardship Ontario uses information from the Datacall, in part, to determine material-specific recovery rates, which are a component of the methodology used to determine steward fees (see [1.4.9 Current Process for Determining Steward Fees](#)).

RPRA is responsible for validating Participating Communities' financial and operational recycling data supplied to the Datacall. RPRA provides data from the Datacall to Stewardship Ontario for it to complete the fee setting process. (see [1.4.9 Current Process for Determining Steward Fees](#)).

1.4.4 Determining the Annual Steward Obligation to Participating Communities

The Annual Steward Obligation is the amount of money that Stewardship Ontario must pay out to Participating Communities each year. The Minister's letter to RPRA regarding the transition of the Blue Box Program and windup of Stewardship Ontario states that RPRA will have sole responsibility for determining the Annual Steward Obligation. Therefore, this element of the BBPP is beyond the scope of this Transition Plan.

1.4.5 Allocating Funding to Participating Communities

The Municipal Funding Allocation Model (MFAM) sets out how the Annual Steward Obligation is to be distributed among the Participating Communities. Stewardship Ontario prepares and distributes funding cheques to Participating Communities as determined by MFAM.

Like the Annual Steward Obligation, the Minister's direction specifies that RPRA will have sole responsibility for administering MFAM. As such, the MFAM is beyond the scope of this Transition Plan.

1.4.6 Contributions from Newspaper Industry (the In-Kind Program)

Under the BBPP, members of News Media Canada (formerly the Canadian Newspaper Association) and the Ontario Community Newspaper Association are entitled to fulfill the Annual Steward Obligation component of their Stewardship Ontario fees by supplying Participating Communities with advertising space in their publications at no charge.

Advertising space is allocated to Participating Communities in the same manner as MFAM, and may be used for the promotion of waste diversion generally (not just Blue Box recycling).

The amount of advertising space that is made available depends on the share of the Annual Steward Obligation that is allocated to newspaper stewards. This is determined during Stewardship Ontario's annual fee-setting process (see [1.4.9 Current Process for Determining Steward Fees](#)).

RPRA is responsible for administering the In-Kind Program.

1.4.7 Promotion and Education

Promotion and education activities are eligible for funding under the BBPP and are mostly designed and delivered locally by Participating Communities.

Stewardship Ontario supports Participating Communities by providing annual province-wide promotion and education initiatives.

Stewardship Ontario also provides Participating Communities with advertising templates for each of its campaigns. Participating Communities can customize these templates with their website URL, logo, etc., and use them for their own promotion and education initiatives, including advertising provided by the In-Kind Program.

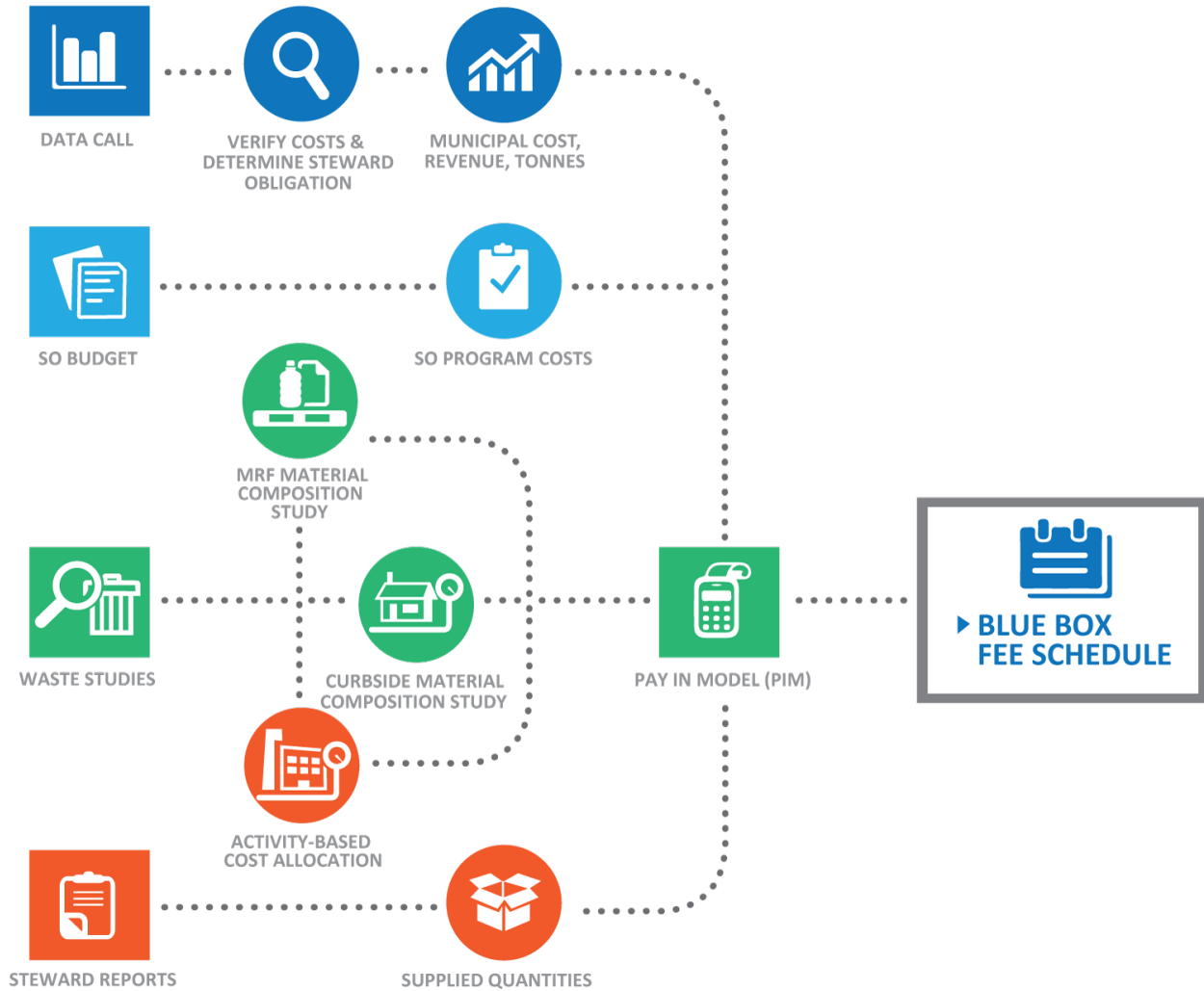
1.4.8 Market Development

Stewardship Ontario has an obligation under the BBPP to seek to improve markets for recyclable materials. Over the course of the Blue Box Program, Stewardship Ontario has partnered with manufacturers, collectors, recovery facilities and material processors, equipment suppliers, packaging manufacturers and their industry participants to address barriers in the recycling supply chain that may prevent materials from reaching market. Stewardship Ontario has committed substantial funding to researching, investing in and supporting markets for materials such as mixed rigid plastics, clamshell packaging, glass, film plastic, composite paper packaging and laminated packaging, among others.

Significant investments have been funded through special levies on targeted materials established during the fee-setting process (see next section, [1.4.9 Current Process for Determining Steward Fees](#)).

1.4.9 Current Process for Determining Steward Fees

Each year Stewardship Ontario sets the fees that stewards must pay to fund the Annual Steward Obligation, the regulatory fees that Stewardship Ontario pays to RPRA, and its own program operation costs. The diagram below shows the process for calculating fees, and the data inputs that are used.



As noted earlier, RPPRA determines the Annual Steward Obligation and provides Stewardship Ontario with the quantum of its regulatory charges for the coming year. These costs, plus the Stewardship Ontario operating budget (which is set by the Stewardship Ontario Board), determines how much money Stewardship Ontario needs to raise from steward fees in the upcoming year. The operating budget reflects Stewardship Ontario’s management costs, promotion and education and market development costs, along with any adjustments the Board may consider prudent to its operating reserves.

Stewardship Ontario also undertakes research and analysis into how different materials impact program costs, which includes studies of Blue Box material composition and activity-based costing. Curbside material composition studies, conducted in partnership with CIF, help to clarify the mix of materials put out by Ontario residents in their recycling and garbage. Material Recycling Facility (MRF) material composition studies examine the processed recyclables after they have been sorted in the facility. The end-to-end costs of municipal recycling operations have also been studied, but it has been difficult to keep this analysis up to date due to restrictions on access to current operating facilities.

These analyses are combined with data from stewards on the quantities of each material supplied to market to allocate costs to each of the material categories and determine fee rates for the coming year.

Costs are allocated to materials based on the Three Factor Formula set out in the BBPP, which seeks to equitably allocate costs to all obligated materials. The Three Factor Formula is influenced by the actual cost of managing the material, the recovery rate for the material, and the extent to which a material falls short of the 60% recycling target. The data, research and factors are brought together in the Pay-in-Model (PIM), that produces the material-specific fees and fee rates.

Once all the research and calculations are completed, the results are presented to stewards as part of an Annual Steward Meeting.

Following the Annual Steward Meeting, fee rates for the coming year receive final review and approval by both the Stewardship Ontario and RPRA boards of directors.

1.4.10 Business Cycle and Operations

Stewardship Ontario’s annual business cycle is straightforward. It consists of data gathering and research, data analysis, and participation in the joint governance processes such as MIPC and CIF and stakeholder consultation, as required. Stewardship Ontario is not involved in the contracting or management of supply chain services for Blue Box services.

The process required to issue payments to Participating Communities spans a four-year cycle in which available data from the first year of a cycle is used as a proxy for costs incurred in the third year of the cycle (the final payout for which is made in the fourth). This is illustrated by Table 1: Business Cycle and Operations, below, which sets out the timeline for data collection and analysis to determine steward fees and municipal payouts for 2019.

Table 1: Business Cycle and Operations

2017	Participating Communities incurred costs to deliver Blue Box services to residents and stewards supplied paper products and packaging into the Ontario market.
May/June 2018	Participating Communities reported net cost and recovery data for 2017 and stewards reported supplied to market data for 2017.
July 2018	RPRA provided Stewardship Ontario with the Annual Steward Obligation and projected regulatory fees for 2019.
June/September 2018	Stewardship Ontario compiled data on costs, material composition and related research, and developed draft fees and fee rates, which were approved by the Stewardship Ontario Board for presentation to stewards.
October 2018	Fee rates were presented to stewards at CSSA’s Annual Steward Meeting.
December 2018	Stewardship Ontario and RPRA boards reviewed and approved 2019 fee rates.
January 2019	Stewards submitted the first quarterly payment of 2019 fees.
June 2019	Participating Communities received their first quarterly payment of the Annual Steward Obligation for 2019.
March 2020	Participating Communities received their final quarterly payment of the Annual Steward Obligation for 2019.

Although the 2019 Annual Steward Obligation paid to Participating Communities was determined using data from 2017, payments to Participating Communities are not paid in arrears. The payments made to Participating Communities in 2019 are for the 2019 Annual Steward Obligation.

1.4.11 Steward Rules

The final key element of the current BBPP is the [Steward Rules](#). These rules include:

- A detailed definition of Blue Box Program terms.
- Provisions to determine who is designated as a steward.
- Requirements for filing steward reports.
- Potential penalties and interest in the event of non-compliance.
- Expectations with respect to providing and retaining data, including calculation methodology, packaging data and audit reports.
- An explanation of what constitutes “resident in Ontario” for the purposes of the program.
- The payment and reporting schedule for the given program year.

The Steward Rules are reviewed and updated each year to adjust dates, improve clarity and address issues that come to the attention of Stewardship Ontario. The RPRA and Stewardship Ontario boards are responsible for approving the Steward Rules annually.

1.5 Overview of the Current Consumer Experience

O.Reg.101/94 requires every municipality with a population of more than 5,000 to have a Blue Box recycling system for materials designated in that regulation. The regulation sets out a variety of requirements that each municipality must satisfy.

As noted earlier in [this section](#), each Participating Community determines its own material collection and processing strategies according to local needs, desires and circumstances.

Local Blue Box Recycling Services vary across the province. While there are 249 municipal programs designed to meet the unique needs of their communities, they have many elements in common. Some of the main differences relate to:

- What is collected from the list of “supplemental materials” in O.Reg.101/94.
- Whether residents receiving curbside collection need to separate materials into different containers (dual stream) or mix them up in a single container (single stream).
- Whether residents are required to use boxes or wheeled bins.
- Whether residents receive collection weekly or fortnightly.
- The extent to which multi-family service is part of the municipal program or managed privately.

Since municipal Blue Box recycling system collection is one component of a broader waste management strategy, the design of municipal services tends to reflect other choices municipal program managers make (for green bin wastes, garden wastes, etc.).

Table 2 below summarizes household accessibility to Local Blue Box Recycling Services, as determined through the Datacall process (which collects information on those receiving curbside and depot service, but not the type of curbside service they receive).

It also summarizes the extent to which municipalities collect Blue Box materials beyond the minimums set out in O.Reg.101/94.

Table 2: Number of Households with Blue Box Services Beyond Five Basic Materials (2018)

Blue Box Material	2018 Households Served	Number of Programs	2018 Households Served as % of Total Households Reported
Paper-based Packaging			
Corrugated Containers	5,277,180	249	100.0%
Boxboard	5,273,103	246	99.9%
Polycoat			
Gable Top Containers	5,190,482	220	98.4%
Aseptic Cartons	5,100,575	194	96.7%
Metals			
Aluminum Foil Packaging	5,239,666	235	99.3%
Empty Aerosol Cans	4,652,959	164	88.2%
Empty Paint Cans	4,983,086	180	94.4%
Plastics			
HDPE Containers	5,265,952	239	99.8%
Other Containers (#3,4,5,7)	5,200,454	225	98.5%
HDPE/LDPE Film (#2,4)	3,745,677	178	71.0%
Polystyrene Foam	3,343,120	115	63.4%
Polystyrene Crystal	4,366,964	141	82.8%

Source: RPRA

1.6 Risks to the Consumer Experience and Program Costs

Ontario’s Local Blue Box Recycling Services are facing certain challenges. Ontario’s recycling system supplies material into global markets. Prices in recent years have been depressed, in part because increased recycling throughout the world has increased supply.

At the same time, the types of packaging and printed paper material supplied into the consumer market have changed. Years ago, newspaper was by far the dominant material in recycling bins. However, digitization of the news media has reduced newspaper volumes over time. Innovation has also altered and diversified the types of materials used for consumer packaging. Commonly referred to as “the evolving tonne”, these trends have the combined effect of increasing the cost of material processing per tonne while depressing revenues. The extent to which these trends will continue is not yet clear, especially in light of changes to global supply chains that are likely to follow from COVID-19.

These trends create cost pressures for waste management service providers, who may not be able to continue to provide services under existing contracted terms.

Recycling contracts typically run for 10 years or more. There may be fewer contractors bidding on contracts that expire during the transition period (2021-2025), since prospective contractors will have fewer years over which to amortize any capital costs they may incur in order to take on a new contract. Some Participating Communities may consider changes to their Local Blue Box Recycling Services, especially those that have contracts that expire during the transition period.

The trends of rising costs and decreased revenue may make it necessary for some Participating Communities to change their collection policies and strategies, which may demand more effort from consumers or a change in recycling behaviour. For example, a Participating Community might decide to switch from dual-stream to single-stream recycling, or vice versa, if such a change could improve the cost competitiveness of its next tender.

Similarly, a Participating Community might choose to switch to bi-weekly collection from weekly, in an effort to contain the rate of growth in cost, while maintaining comprehensive curbside service.

See [Section 7.2.2](#) for further information on how this Transition Plan proposes to address potential impacts of economic trends and program changes on the consumer experience.

1.7 Key Financial Metrics for the Current Program

1.7.1 Profile of Stewardship Ontario's Operating Costs

As noted earlier, Stewardship Ontario's costs for a given year are largely determined in advance by RPRA. The Annual Steward Obligation and RPRA's regulatory costs represent approximately 96% of Stewardship Ontario's total annual budget. Stewardship Ontario's operating costs comprise approximately 4% of its total annual expenses.

Stewardship Ontario's program management costs consist of:

- Program management costs such as employee salaries, payments for contracted management services and rent and other office expenses.
- Field studies (e.g. waste composition and ABC to support fee setting).
- Legal and audit fees.
- Promotion and education initiatives.
- Market development initiatives.
- Any necessary adjustments to financial reserves.

These costs are reviewed in September by the Stewardship Ontario Board during the fee-setting process, prior to presentation to stewards in October.

1.7.2 Financial Reserves

Stewardship Ontario has three types of financial reserves for the Blue Box Program:

- A **Sustaining Fund** was initially established to ensure that Stewardship Ontario could carry out its non-profit activities and meet its management obligations over the course of a short windup of one or two years.
- **General Reserve** represents the accumulation of excess revenues over expenses over the course of the program.

- **Material-Specific Market Development Funds** are collected from stewards of specific materials to support Stewardship Ontario’s market development efforts, and currently include a:
 - Glass Market Development Fund; and
 - Plastic Market Development Fund.

1.7.3 Historical Costs and Reserves

Table 3: Historical Costs and Reserves (2015-2019)

Historical Costs and Reserves 2015-2019 (\$000 Includes HST)					
	2015	2016	2017	2018	2019
Steward Obligation to Participating Communities	105,641	110,833	116,716	118,888	121,257
Program Management	4,445	3,885	4,268	4,157	4,106
Field Studies	206	442	258	287	316
Legal & Audit Fees	93	11	60	26	163
Market Development/Research Projects	264	130	27	507	79
Promotion & Education	4	135	363	383	413
Regulatory Charges	1,017	1,994	1,545	2,397	2,642
Total Operating Costs	111,670	117,430	123,237	126,645	128,976
General Reserve	13,808	16,276	15,538	18,018	17,884
Sustaining Fund	1,400	1,400	1,400	1,400	5,404
Plastic Market Development Fund	5,028	4,964	4,964	4,964	4,964
Blue Box Fund	1,285	1,066	1,066	1,066	0
Glass Market Development Fund	666	666	666	666	666
Total Reserves	22,187	24,372	23,634	26,114	28,918

1.7.4 Factors that Impact Costs

The largest component of Stewardship Ontario’s budget is the Annual Steward Obligation, set by RPRA and disbursed to Participating Communities. The Annual Steward Obligation is beyond Stewardship Ontario’s control. It is affected by numerous economic, supply chain, technology and operational variables.

Local Blue Box Recycling Services are capital, labour and energy-intensive, and operate within a global recycling market. Many economic factors have an impact on costs. Trends in labour rates and long-term interest rates tend to impact Participating Communities’ costs as contracts expire and are renewed or retendered. Fluctuating fuel costs and global commodity prices (which impact revenues received for processed recyclables) can significantly influence year-to-year costs, since contracts often include provisions for fuel surcharges when fuel prices are high, and usually do not include guaranteed revenues.

General economic conditions are also important, since consumers buy more products when times are good, generating more packaging material to recycle.

Technology and innovation affect the costs of Local Blue Box Recycling Services in two competing ways. First, as noted earlier, innovation tends to increase the range and diversity of material used in

packaging, contributing to the “evolving tonne” and creating upward pressure on costs. Conversely, technological innovation within the recycling system can reduce labour costs by automating activities.

Changes to consumer behaviour also have an impact, by contributing to the “evolving tonne” and increasing or decreasing the amount of material available for recycling. Online shopping, for example, has generated a significant increase in the amount of corrugated cardboard handled by residents and disposed of via Local Blue Box Recycling Services. Growing interest in prepared foods, particularly from grocery stores, also changes the nature of packaging used in the home.

Finally, the costs to stewards are affected by decisions made by RPRA when determining the Steward Obligation to Municipalities. For example, a Municipal Cost Containment amount is deducted from the reported costs to reflect the potential for Participating Communities to reduce costs through program efficiencies. The model RPRA uses to determine this amount is currently under review.

The recycling industry is complex, global in scope and rapidly evolving. It is virtually impossible to predict future costs over an extended period.

However, as noted in [Section 1.4.4](#), the method used for setting the Annual Steward Obligation and steward fees is based on historical/past data and is not dependent on predicting costs. Therefore, Stewardship Ontario’s financial outlook for the BBPP for a single year is predictable.

1.7.5 Steward Fee Rates

Table 4: Stewardship Ontario 2020 Steward Fee Schedule

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%

1.7.5.1 Factors Impacting Steward Fee Rates

Steward fee rates are impacted by the factors set out in [Section 1.4.9](#). Layered on top of this complexity are factors that impact how fees for a material category are translated into *fee rates per kilogram* for materials supplied into the market. When tonnes of one material are increasing, total fees for that material are spread over a larger total quantum of that material. *Fee rates* for that material would tend to decrease (all else being equal), and vice versa. Fee rates can also be affected by trends in recovery rates for different materials and changes to the way in which resources are deployed within the recycling system.

SECTION 2: MINISTER'S DIRECTION AND SCOPE OF THE BLUE BOX PROGRAM TRANSITION PLAN

The Minister's direction letter sets out requirements for Stewardship Ontario in relation to the preparation and implementation of this Transition Plan. The Minister provided specific direction to Stewardship Ontario in seven major areas:

1. Consultation
2. Conflict of Interest
3. Promoting Competition
4. Demonstrating Fairness to Stewards and Supporting Competition.
5. Maintaining Program Performance
6. Windup of the CIF
7. Implementation Plan and Timelines

These specific directions are set out in italics below and are addressed by Stewardship Ontario in the same order in subsequent sections of this plan.

Given the shared nature of responsibilities related to the Minister's instructions pertaining to 5. Maintaining Program Performance and 6. Windup of the CIF, Stewardship Ontario has taken advice provided by both RPRA and Participating Communities in the preparation of this plan in relation to those matters.

This Transition Plan deals specifically and exclusively with how the Blue Box Program will be wound up. It does not set out what the new requirements will be for those who have obligations under the RRCEA. These new obligations, and the manner and timing with which Participating Communities will transition out of the current program, is expected to be set out in regulation. The MECP is currently consulting on the development of this regulation through a separate process, in which Stewardship Ontario is not participating. Adjustments will be made to this plan as required to ensure that it is consistent with the regulation that is developed.

2.1 Consultation

"Parties affected by the transition should be consulted and have opportunities for meaningful engagement during the development and implementation of the plan."

"The public, Indigenous peoples and affected stakeholders, including stewards, municipalities and service providers (e.g. collectors, haulers, processors, recycled product manufacturers) will receive transparent and clear communications from SO on a regular basis during development and implementation of the plan."

2.2. Conflict of Interest

"SO shall take all necessary steps to ensure there is no real, potential or apparent conflict of interest when developing and implementing the plan."

2.3 Supporting Competition

“The plan shall support competition in, and not adversely affect, Ontario’s current and future marketplace for the collection and recovery of paper products and packaging. The plan shall not provide for unfair or preferential treatment of the public or any affected parties, or barrier to competition during or following the transition of the program.”

“SO’s sharing of data and information to parties other than the Resource Productivity and Recovery Authority (the Authority) must be done through a fair, open and transparent process that does not result in preferential treatment of one person or group over another or release of any confidential information.”

2.4 Demonstrating Fairness to Stewards and Protecting Consumers

“The assets, liabilities, rights and obligations of SO related to the SO Program must be dealt with in a fair, open and transparent process in accordance with applicable law.”

“All monies held in trust by SO related to the SO Program shall be treated appropriately in accordance with the WDTA and its regulations.”

2.5 Maintaining Program Performance

“There shall be no disruption in payments made by SO to a municipality or First Nation community under the SO Program until the time when that municipality or First Nation community is no longer eligible to receive funding based on criteria established in the plan.”

“Ontarians’ access to and experience with the Blue Box program shall not be negatively impacted. It is my expectation that, while allowing for natural growth of Blue Box services to new residential development or redevelopment, municipalities and First Nation communities shall not reduce or expand existing levels of Blue Box services that are eligible for funding under the SO Program.”

“The Continuous Improvement Fund shall receive no additional contributions and shall end as soon as practical prior to December 31, 2025.”

“I am directing that the plan describe a mechanism for determining the steward fees necessary to provide for payments to municipalities and First Nation communities until the time they transfer responsibility for providing Blue Box services to producers.”

2.6 Windup of Stewardship Ontario as an Organization

“I am directing Stewardship Ontario (SO), to develop a plan in respect of the funding program for material under the Blue Box Program under the WDTA (SO Program) and for SO itself”.

2.7 Implementation Plan and Timelines

The plan should include “A proposed timeline according to which key aspects of the plan will be implemented.”

SECTION 3: COMMUNICATION WITH STAKEHOLDERS

3.1 Introduction

The Minister's direction letter states that, *"Parties affected by the transition should be consulted and have opportunities for meaningful engagement during the development and implementation of the plan."*

The Minister's direction letter also requires *"The public, Indigenous peoples and affected stakeholders, including stewards, municipalities and service providers (e.g. collectors, haulers, processors, recycled product manufacturers) will receive transparent and clear communications from SO on a regular basis during development and implementation of the plan."*

The following outlines Stewardship Ontario's plan to fulfill this obligation. Communication initiatives during the implementation of the Transition Plan will remain consistent with the information Stewardship Ontario currently provides to stakeholders during normal operations, with additional emphasis on information and updates related to key windup dates and deadlines. While this plan provides details about the majority of communication activities that will occur between 2020 – 2026, the need for other communications will likely arise.

3.2 Objectives

Stewardship Ontario is committed to the following communication objectives during implementation of the Blue Box Program Transition Plan. We will:

- deliver clear, timely and transparent communications to stakeholders.
- communicate regularly with affected stakeholders in a way that builds trust and fosters two-way communication.
- make resources and materials from meetings, including webinar recordings, meeting presentations, question and answer documents, etc., available
- encourage open dialogue and opportunities for stakeholder questions, feedback and suggestions.
- ensure stakeholders understand its proposals, changes, timelines, etc. through its communication activities.
- remain unbiased and support fair treatment of all stakeholders.

3.3 Stakeholder Groups

Blue Box stakeholders are as follows:

- Obligated packaging and printed paper stewards and steward trade associations
- Municipalities, First Nation communities and municipal associations (Participating Communities)
- Waste management industry
- Environmental non-government organizations (ENGOS)
- General public
- Stewardship Ontario employees
- RPRA

- MECP

Stewardship Ontario will continue to take steps to ensure its communications reach all stakeholders. Contact lists have been developed and regularly maintained and Stewardship Ontario will continue to update its contact lists on an ongoing basis.

3.4 Communications Methods

Stewardship Ontario recognizes the importance of effective two-way communication throughout the transition period. Below are the communication methods Stewardship Ontario will continue to use during implementation of the Transition Plan:

All stakeholders:

- Website updates.
- Email blasts.
- Webinars.
- One-on-one meetings, as requested.
- Phone calls, as requested.

Stewards:

- Quarterly steward newsletter.

General public:

- Annual promotion and education initiatives.
Social media posts (recycling tips and reminders via Twitter).

Blue Box stakeholders will have the opportunity to ask questions, as well as provide comments and feedback throughout implementation of the Transition Plan using the following methods:

- Online form on the [Blue Box Program Transition webpage](#).
- Email to consultation@Stewardshipontario.ca.
- Webinar submissions.
- Phone: 416-323-0101.
- Mail: 1 St. Clair Ave W, Suite 700, Toronto, ON M4V 1K6.
- In-person meeting, as requested.

3.5 Consultation on Blue Box Transition Plan Proposals

Stewardship Ontario hosted webinar consultations to review its Blue Box Transition Plan proposals with stakeholders in June 2020. The webinar recordings, presentations and question and answers were emailed to all stakeholders and posted on the [Blue Box Program Transition](#) webpage on the Stewardship Ontario website.

Feedback was requested by July 15, 2020. Stakeholders were able to submit feedback by:

- Emailing consultation@Stewardshipontario.ca.
- Using the [online form](#).

Stewardship Ontario also received the results of the national consultation on the proposed shift from using Activity Based Costing (ABC) to the Material Cost Differentiation (MCD) Methodology in the determination of steward fees.

All feedback was carefully reviewed and considered when finalizing the Transition Plan. The consultation report in Appendix A includes all feedback Stewardship Ontario received, and outlines how Stewardship Ontario consulted with affected stakeholders and how it met the Minister's consultation requirements. Also included is the consultation report on the MCD project (Appendix C).

3.6 Communications Timeline

A detailed communications timeline for each year of transition is set out in Appendix B.

3.7 Feedback on Stewardship Ontario's Consultation Approach

Stewardship Ontario received three comments from stakeholders about its consultation process: one from a steward association, one from a municipality and one from an individual steward. The first two emphasized the importance of continuing to communicate transparently and engage stakeholders after the plan is submitted and throughout the transition process. One steward expressed frustration that there was not sufficient time during the webinar to answer questions live. Since live questions are always a challenge in a webinar format, Stewardship Ontario encouraged attendees to submit questions in writing and published all questions and answers received and will continue to do so. Stewardship Ontario also held one-on-one meetings with steward associations and other groups representing many individual stakeholders, where there was more opportunity for live questions and answers. As noted during the webinar, Stewardship Ontario views the consultation not as a single event in time, but as an ongoing activity that will continue throughout the transition process to provide as much opportunity as possible for interested parties to obtain the information they require, express their views and have their views considered in the decision-making process as it evolves.

SECTION 4: ADDRESSING CONFLICT OF INTEREST

The Minister's direction letter states that *"SO shall take all necessary steps to ensure there is no real, potential or apparent conflict of interest when developing and implementing the plan."*

After receiving the Minister's letter Stewardship Ontario engaged with RPRA to jointly determine what changes Stewardship Ontario should make to ensure that it complies with this direction.

4.1 Changes to Stewardship Ontario's Board and Management Structure

The following five-point plan was agreed to and implemented prior to development of this plan:

1. Cross-appointments of directors between Stewardship Ontario and Canadian Stewardship Services Alliance (CSSA) were eliminated. Changes were made to Stewardship Ontario's Board in August 2019 and again in March 2020 following the Board election pursuant to O. Reg. 388/16. A list of the current Board of Directors can be [found here](#).
2. The Chair of the Board is recused from all Board votes on MHSW, given her company's simultaneous board involvement with Automobile Materials Stewardship (AMS).
3. An expanded Code of Conduct was implemented for Board members and contract management, to be acknowledged in writing. The Code of Conduct prohibits both parties, including the companies for which they work, from simultaneously becoming involved in an organization that intends to offer compliance services under the RRCEA related to materials for which Stewardship Ontario is responsible. A copy of the Code of Conduct is [available here](#).
4. A new independent management team was established, to which the Board delegated responsibility for the development of the Transition Plan and the day-to-day management of Stewardship Ontario's responsibilities and obligations. A list of members of the Stewardship Ontario management team is [available here](#).
5. While Stewardship Ontario may continue to contract with professional services firms for technical advice and administrative support, all material management and policy decisions will be made by the independent management team and subject to oversight by the Board.

4.2 Consultation Feedback on Addressing Conflict of Interest

Comments were received from several Participating Communities and municipal organizations, from two stewards and one steward association. With respect to the steward comments, Stewardship Ontario will provide assurance that the Code of Conduct provisions will be applied to any new board members, employees or consultants that may be appointed or retained during the transition process. Participating Communities expressed concern that Stewardship Ontario's reliance on CSSA for the fee-setting review represented a potential conflict. Stewardship Ontario notes CSSA has no role in any decision to adopt or not adopt a revised fee-setting model (except for the provision of professional and technical services related to this project). The fee reform process was initiated several years ago, in part to address a significant weakness in the current methodology, namely, out-of-date ABC costing information. Stewardship Ontario believes that it has an obligation to consider ways to address that weakness, including changing the basis upon which material management costs are attributed to Blue Box materials. This is not feasible without outside technical expertise, such as that provided by CSSA.

SECTION 5: SUPPORTING COMPETITION VIA INFORMATION SHARING

“The plan shall support competition in, and not adversely affect, Ontario’s current and future marketplace for the collection and recovery of paper products and packaging. The plan shall not provide for unfair or preferential treatment of the public or any affected parties, or barrier to competition during or following the transition of the program.”

“SO’s sharing of data and information to parties other than the Resource Productivity and Recovery Authority (the Authority) must be done through a fair, open and transparent process that does not result in preferential treatment of one person or group over another or release of any confidential information.”

There are two risks that Stewardship Ontario needs to manage effectively to meet these requirements:

1. That any individual or group might gain unauthorized access to commercially confidential steward-supply data that is used to calculate fees.
2. That any individual or group might gain unauthorized access to Stewardship Ontario’s market knowledge in order to gain unfair competitive advantage under the RRCEA.

Sub-sections 5.1 to 5.4 of this section address the first risk. Subsection 5.5 addresses the second risk.

5.1 Security and Privacy

Through the operation of the Blue Box Program, Stewardship Ontario collects data from stewards, Participating Communities, other stakeholders and the general public. Blue Box data that is collected includes:

- Steward and Participating Community contact information.
- Steward supply reports, related adjustments, invoices and payments.
- Program cost information and recovery data from Participating Communities (via Datacall).
- Banking information for the purpose of paying Participating Communities and vendors.

Other stakeholder and public information related to the Blue Box Program is limited to inquiries or feedback in response to stakeholder consultations and market surveys.

Stewardship Ontario Blue Box data has been collected since 2002 during the initial development of the Blue Box Program and in all subsequent years of operation. Stewardship Ontario’s program data is stored in a shared SAP (Systems, Applications and Products) enterprise resource planning system. The SAP system is hosted in a Tier 3 data centre, which is an industry-standard certification specifying levels of security, redundancy and availability and subject to annual third-party System and Organizational Control audits. Stewardship Ontario is one of six companies serviced by this shared environment and its data and processes are segregated from other companies using standard organizational structures such as company codes, divisions, sales and purchasing functions. This type of segregation follows SAP best practices for operating several business entities on one shared software application.

Data security and privacy is maintained through access control processes and protocols that are consistent with industry standards for information governance and comply with legal and regulatory obligations.

With respect to Stewardship Ontario and CSSA staff engaged in the administration of the Blue Box Program, access to Blue Box data files is maintained via role-based permissions governed by Stewardship Ontario's Chief Financial Officer. Access and permissions will continue to be monitored on a regular basis for adherence to Stewardship Ontario's data security and privacy policies.

5.2 Retention and Sharing

5.2.1 Corporate Data Retention

Stewardship Ontario will identify all data required to be stored in relation to statutory and regulatory requirements and make necessary arrangements for retention of that data in a secure manner while those legal obligations exist.

5.2.2 Public Information

Stewardship Ontario will continue to publish an annual report (per Section 30 of the WDTA) and submit an annual RPRA filing on program performance. The last such report will be a report on the completion of the Transition Plan, to be published before the dissolution of Stewardship Ontario in September 2026. These public reports include aggregated program information but do not include any confidential or commercially sensitive information in relation to program stewards, service providers or other stakeholders.

Stewardship Ontario is not proposing, as part of the Transition Plan or dissolution of Stewardship Ontario as an entity, to release additional data on program performance publicly other than the information included in this Transition Plan or provided in the annual reports and annual RPRA filings on program performance noted above.

5.2.3 Confidential Information

Confidential information submitted to RPRA as part of this Transition Plan is attached as appendices and marked as confidential. These will be excluded from publication.

All confidential and commercially sensitive information held by Stewardship Ontario in relation to the Blue Box Program will continue to be protected following the termination of the program and eventually destroyed in accordance with the proposal in 5.3 below.

Currently, each steward organization has access to its historic submission data via the Stewardship Ontario website, for each of its reported obligation years. Steward access to this portal and historic submission data will be terminated as part of the final program windup activities. Historic program data will be in RPRA's possession and future access to this data will be subject to its policies.

5.3 Destruction

Where Stewardship Ontario does not require Blue Box Program data for legal or regulatory reasons, the process of destroying program data from active and back-up access points will begin. Upon completion of the destruction process, Stewardship Ontario will provide RPRA with an attestation that the destruction process is complete.

5.4 Data Transfer

Stewardship Ontario will transfer Blue Box Program data in its possession to RPRA. Most of this information will be provided to RPRA in a digital format with measures implemented to maintain data security during the transfer process.

Any confidential or commercially sensitive information that is provided to RPRA as part of the transfer process will be identified so that RPRA can take appropriate steps to ensure secure data storage and protection of such information.

Once Blue Box Program data has been transferred to RPRA, only Blue Box Program data that has been retained for tax and legal purposes will be accessible. Access to these data will require authorization from Stewardship Ontario's CFO and approval of RPRA.

5.5 Intellectual Property – Market Knowledge

Stewardship Ontario has accumulated knowledge of the recycling industry in Ontario through its various research and pilot projects, and other initiatives. While much of this information is likely to be outdated, it may be useful to potential participants after the transition. Accordingly, Stewardship Ontario will review its archives, including material collected by CSSA on behalf of Stewardship Ontario, and compile an inventory of such market knowledge. It will transfer the inventory to RPRA by the end of 2021 so that RPRA may make the information available to the market as it sees fit.

SECTION 6: DEMONSTRATING FAIRNESS TO STEWARDS AND PROTECTING CONSUMERS

The Minister's direction letter states that, *"The assets, liabilities, rights and obligations of SO related to the SO Program must be dealt with in a fair, open and transparent process in accordance with applicable law."*

The direction letter also states that, *"All monies held in trust by SO related to the SO Program shall be treated appropriately in accordance with the WDTA and its regulations."*

6.1 Assets & Liabilities

Stewardship Ontario does not operate the recycling supply chain and therefore has no commercial relationships or contracts with recycling system service providers that need to be wound down. Similarly, there are no active market development projects that must be terminated.

6.2 General Principles for Treatment of General Reserve Funds and Market Development Funds

Since visible consumer fees are not part of the of the BBPP, and stewardship fees have always been internalized as a cost of business, any excess cash that Stewardship Ontario may have after satisfying its obligations to creditors will be returned to stewards and/or applied as a discount to their fees prior to windup.

Stewardship Ontario's current cash reserves (excluding market development funds and CIF) amount to about 16.5%² of annual expenditures. [Section 11.8](#) provides information about the quantum of reserves and Stewardship Ontario's plans regarding their management. Plans for reserve disposition reflect the following principles:

- Stewardship Ontario must maintain sufficient operating capital during transition to bridge its cash flows and ensure that it always has sufficient funds to meet its obligations to municipalities and other creditors on time.
- Reserves should provide for windup costs without the need to levy additional fees for this purpose.
- Reserves in excess of what is necessary for cash flow and windup costs should be returned to stewards before transition is complete.
- Unused market development funds should be returned to stewards via a reduction in fees for the relevant materials.

² Calculated as cash reserves (excluding market development funds and CIF) as a percentage of 2020 total projected costs.

SECTION 7: MAINTAINING PROGRAM PERFORMANCE

7.1 Operating Plan

7.1.1 General Approach to the Transition of the BBPP

Stewardship Ontario's goal for transition of the BBPP is to maintain as much operational stability as possible in order to enable the parties (Participating Communities, the obligated stewards, and those who will be obligated under a new regulation expected under the RRCEA) to prepare as effectively as possible for the implementation of producer responsibility.

With this objective in mind, and in keeping with the Minister's direction, no changes are proposed with respect to the roles and responsibilities of the parties set out in [Section 1.3](#), with the exception of the CIF (see [7.2.2 Continuous Improvement Fund](#)).

Similarly, no changes are recommended to the following key elements of the BBPP:

- Obligated materials.
- Determination of the Annual Steward Obligation (out of scope).
- Administration of the Municipal Funding Allocation Model (out of scope).
- Newspaper In-Kind Program.

Stewardship Ontario intends to continue providing province-wide promotion and education initiatives during the transition.

7.2 Recommended Changes to Key Elements of the Program

7.2.1 Transition Date for Participating Communities and Final Payments

The Minister's direction letter states that, *"There shall be no disruption in payments made by SO to a municipality or First Nation community under the SO Program until the time when that municipality or First Nation community is no longer eligible to receive funding based on criteria established in the plan."*

Specific transition dates for each Participating Community will be determined by the MECP. As a result, this issue is out of scope for this Transition Plan. However, the dates that are chosen will have implications for this plan.

Stewardship Ontario recommends that RPRA be responsible for determining the final payout to Participating Communities for their transition year as part of the process of establishing the Annual Steward Obligation and administering MFAM.

Participating Communities will submit their final Datacall report in the year prior to the year they are scheduled to transition out of the Blue Box Program. This final Datacall report will continue to follow the Datacall User Guide, and will include costs for the full calendar year, regardless of whether or not their final year in the Blue Box Program is a full year or a partial year.

If a Participating Community is to transition part way through a year, its payment will be pro-rated based on the number of days in the year the Participating Community is part of the Blue Box Program (i.e., number of days in the program divided by the total number of days in the year).

Reporting requirements and payment calculations for Participating Communities in the final year of participation are set out in [Section 10](#).

7.2.2 Datacall and ‘Business as Usual’

The Minister’s direction letter states that *“Ontarians’ access to and experience with the Blue Box program shall not be negatively impacted. It is my expectation that, while allowing for natural growth of Blue Box services to new residential development or redevelopment, municipalities and First Nation communities shall not reduce or expand existing levels of Blue Box services that are eligible for funding under the SO Program.”*

In what has become known as the “Business as Usual” or BAU requirement, this aspect of the Minister’s direction relates directly to the program management decisions that individual municipalities make regarding the scope and operation of the Local Blue Box Recycling Services within their jurisdiction. Stewardship Ontario obtained input from RPRA on how best to develop appropriate proposals to address this requirement.

RPRA developed a two-part plan in collaboration with stakeholders through the MIPC Transition Subcommittee. The first part consists of an update of the Datacall User Guide to reflect new conditions for cost eligibility where changes to programs lead to cost increases (e.g., changes in collection type, method and frequency, and accepted materials). This applies to changes made to services on or after January 1, 2020. Since these decisions are made well in advance of the date at which a municipality would report such costs to RPRA, municipalities would appreciate a means to determine whether the changes they are contemplating will be eligible for funding under the program. RPRA has therefore developed a process whereby a municipality may obtain a ruling in advance. Details on the cost eligibility conditions and the “pre-approval” process are set out on the RPRA website [here](#).

The second part is designed to address situations in which a municipality could make changes to its Local Blue Box Recycling Service that do not result in an increase in costs, but could change the way residents experience Blue Box recycling in that community. An example is a decision to discontinue collection of a material not widely collected in Ontario, such as expanded polystyrene foam. Such changes would be tracked provincially and reported annually by both RPRA and Stewardship Ontario to determine whether such changes represented a *systemic* change to Ontario residents’ experience with Blue Box recycling, and what remedial action may be required.

7.2.3 Continuous Improvement Fund

The Minister’s direction letter states that *“The Continuous Improvement Fund shall receive no additional contributions and shall end as soon as practical prior to December 31, 2025.”*

Had the CIF not been established in order to hold back a portion of annual steward funding for investments in the recycling system, those funds would have otherwise been distributed to Participating Communities as part of their annual payments. In the fall of 2019, CIF staff with representatives of AMO and the City of Toronto solicited views on the future of the CIF and the factors that should be considered in preparing a windup plan, including recommendations regarding the disposition of fund balances.

Based on these discussions, a proposed windup plan was developed and reviewed by the CIF Committee. The [Draft Final CIF Windup Plan](#) was posted on the CIF website.

The key recommendations included in the Draft Final CIF Windup Plan are as follows:

- Cease provision of CIF grants as of September 30, 2021.
- Disburse surplus funds to Participating Communities in 2021 and 2022.
- Continue delivery of transitional and CIF program support services with emphasis being placed on transitional support activities until December 31, 2023.
- Cease public operations of the CIF program on December 31, 2023.
- Initiate a windup of the CIF's operations in 2024 with an expectation that such activities will be completed by no later than June 30, 2024.

A new governance model for the operation of the CIF is also proposed to take effect once the new RRCEA paper and packaging regulation is formally approved by government.

Stewardship Ontario recommends the adoption of the CIF windup plan.

7.2.4 Promotion and Education

Stewardship Ontario proposes to continue to educate residents on recycling matters as the province transitions to full producer responsibility between 2021 to 2025.

As a number of Participating Communities will be exiting the Blue Box Program each year between 2023 and 2025, promotion and education (P&E) initiatives will only target municipal areas that are still part of the program, and not those that have transitioned. Since collection methods and materials differ from community to community, P&E initiatives will focus exclusively on issues and/or materials that are common across all Participating Communities in order to maximize the collection of certain materials while avoiding contamination.

7.2.4.1 Objectives of P&E Activities

- Maintain consistent initiatives in order to educate and improve residents' recycling behaviour.
- Continue to provide guidance and make templates available to assist Participating Communities with their own P&E initiatives.
- Ensure initiatives reflect the current recycling system landscape and common themes of all Participating Communities within the program.

7.2.4.2 Planning

Each year between 2021 and 2025, Stewardship Ontario will determine the focus of its P&E initiatives.

The process will include the following activities:

1. **Develop strategy:** Each year in Q1, Stewardship Ontario will begin developing its P&E strategy for the year and may seek input from the following:
 - Waste audits – Stewardship Ontario will look for any trends, problematic materials or issues coming out of its regular waste audit data.
 - Engage Participating Communities – Stewardship Ontario may contact and/or survey municipalities to better understand their recycling issues, and identify gaps in P&E initiatives.
 - Repurpose past campaigns – At times, Stewardship Ontario may determine that previous years' campaigns can be repurposed and used again for another year. This is a cost-effective way to reach more Ontario residents.

- 2. Develop media plan and creative:** Once Stewardship Ontario has determined its P&E focus and finalized its strategy, it will identify its goals, initiatives and media selection for each initiative. Stewardship Ontario will use information from the previous year's research along with its strategic goals to determine the best use of media resources. Following a finalized media plan, Stewardship Ontario will develop its creative assets for the initiatives.

P&E initiatives could include, but are not limited to:

- Advertising campaigns
 - Out of home media (billboards, transit posters)
 - Print (newspapers, magazines, flyers, etc.)
 - Radio
 - Digital (geo-targeting, social media ads, behavioral targeting, web ads, etc.)
 - Experiential marketing (events, on the ground promotions, etc.)
 - Social media
 - Recycling tips and reminders
 - Contests
 - Website
 - Educational pages
- 3. Execute initiatives:** Stewardship Ontario will launch its P&E initiatives, monitor progress and review where necessary. In order to support municipalities' ability to repurpose creative materials, P&E resources and templates will be available for Participating Communities to customize and use for their own initiatives.
 - 4. Measurement:** Ad recall research will be conducted after each major advertising campaign. Results will provide guidance for future campaigns, as well as provide a benchmark for residents' recycling awareness. Data will also be collected for each medium used in the media plan and compiled into a post-campaign package.
 - 5. Reporting:** P&E updates and results will be reported quarterly to Stewardship Ontario's Board, as well as to RPRA within the quarterly and annual filings. A summary of each year's initiatives will also be included in Stewardship Ontario's annual report.

7.2.4.3 Budget

Consistent with previous budgets, the annual budget for all Blue Box Program-related P&E initiatives will be \$400,000. The table below indicates historical P&E expenses. It is important to note that these are variable expenses and could change based on the P&E strategy each year, but in no case will they exceed \$400,000.

Table 5: Annual Promotion and Education Budget

Expense	Budget
Creative development	\$90,000
Media buy and planning	\$250,000
HST	\$45,000
Post-campaign recall research	\$15,000
TOTAL	\$400,000

7.2.4.3 Stakeholder Feedback

Most respondents were supportive of Stewardship Ontario’s proposed P&E plans.

7.2.5 Market Development

Many improvements have been made to Ontario’s Blue Box Program as a result of research, investments and innovations initiated by Stewardship Ontario and its partners. There are no active market development projects at this time. Market development initiatives typically involve some financial risk and, depending on their scope and complexity, require several years to generate results. Stewardship Ontario therefore recommends that no new projects be undertaken during the transition period.

Some past projects have resulted in intellectual property that may be of value to the marketplace after the transition. As noted earlier, Stewardship Ontario will compile an inventory of studies, research and reports commissioned in support of its market development efforts and other activities for transfer to RPRA by the end of 2021.

7.2.5.1 Stakeholder Feedback

Most respondents to the consultation commented on Stewardship Ontario’s plans to discontinue market development initiatives. Stewards were consistently supportive of this proposal and municipalities were consistently opposed. Several municipalities have urged Stewardship Ontario to continue market development efforts, arguing that (1) the continuing challenges facing the recycling system require urgent action; and (2) stewards stand to benefit from whatever improvements arise out of Stewardship Ontario’s market development efforts.

Stewardship Ontario is mindful of the challenges facing Blue Box recycling in Ontario. However, it is important that Stewardship Ontario refrain from making decisions or initiating activities that will shape the recycling system after the transition, and that it remains neutral about how the system should be structured and managed in the future. To engage in activities whose impacts would be felt almost entirely post-transition is not consistent with this approach. Stewardship Ontario also notes that its proposal to cease market development activities is consistent with municipal recommendations not to initiate new projects under the CIF, which have widespread support among municipalities.

7.2.6 Determination of Steward Fees

The Minister's direction letter states: *"I am directing that the plan describe a mechanism for determining the steward fees necessary to provide for payments to municipalities and First Nations communities until the time they transfer responsibility for providing Blue Box services to producers."*

The mechanism used to determine steward fees has been a subject of debate among stewards and other stakeholders since the program began in 2004.

While Stewardship Ontario has endeavoured to ensure that steward fees are fair, and that they are developed in a transparent process based on sound analytics, meeting these objectives has been a continuing challenge. The BBPP requires that Stewardship Ontario set its fees in a manner that is transparent, has analytical integrity, and is replicable. Anything that compromises those requirements is not in keeping with the BBPP, particularly when there is a known approach which is more transparent, has more analytical integrity and is more readily replicable.

There are several reasons why satisfying steward expectations and fulfilling the requirements of the plan has been a challenge.

First, fee setting is a "zero-sum game": if fees for one category of material go down, fees for other materials must go up. Stewards of materials whose fees increase or are perceived to be high in relation to other fees naturally want to understand why, and be satisfied that the explanation is sound.

Second, many variables impact the fees assigned to a specific material category, and those variables can change from year to year. Sometimes changes can be counter-intuitive. Stewards may, for example, observe that commodity revenue for a material category has increased and assume that will mean a decrease in fees. However, because commodity revenues are applied on a three-year rolling average basis in Ontario, it can take a number of years for such a change to have an impact on fees, and any positive financial impact could be offset by other countervailing changes—for example, in the amount of material supplied and managed or in a program's annual budget.

Third, fee-setting has been a challenge because fees must be set using a Three Factor Formula as mandated by the BBPP (see [1.4.9 Current Process for Determining Steward Fees](#)). This formula is complex and leads to questions about its fairness.

Finally, and most importantly, there is a significant practical limitation on the ability of Stewardship Ontario to ensure that fee setting reflects sound analytics. As noted under [Section 1.4.9](#), the current process for setting fees depends in part on Activity-Based Costing (ABC). The ABC methodology requires that time and motion studies be conducted in representative Material Recovery Facilities (MRFs). Stewardship Ontario was last able to complete a study in 2012 and the recycling industry has changed substantially since then. The mix of materials has changed and strategies for recovering materials have become more automated, specialized and proprietary. Stewardship Ontario does not have access to privately owned MRFs to update its time and motion studies. While "best efforts" have been made to update these data inputs, the technical experts that carry out this work do not consider this dataset to be sound.

The issue is that the ABC methodology relies on access to 'real-world' representative recycling systems to inform the labour, capital and operating costs. These real-world systems can significantly differ in

their design – in the materials they collect; the methods and technologies used to sort and process them; and in the commodities produced. These differences make it difficult, if not impossible, for producers to compare one material's cost impacts to another when using data from different programs. Further, it assumes that Stewardship Ontario can gain access to these systems when in fact it has become increasingly difficult to obtain the requisite data because, in most cases, these systems are managed by private businesses and their methods and cost structures are proprietary.

Accordingly, in 2015, Stewardship Ontario agreed to participate with other packaging and printed paper programs in Canada in an in-depth review of the methodologies used to determine steward fees, led by CSSA. The project was designed to address the above-noted limitations and to harmonize fee setting as much as possible for programs in British Columbia, Saskatchewan, Manitoba and Ontario. The project has involved extensive research, analysis and consultation, and the active participation of stewards.

The project was conducted in two phases. The first phase was completed in 2016 and focused on the development of a new fee-setting methodology. Following extensive consultation with stewards, changes to the fee methodology, known as the [Four-Step Fee Methodology](#), have been implemented in British Columbia, Saskatchewan and Manitoba, but not, as yet, in Ontario. Stewardship Ontario and RPRA board members reviewed a proposal for Stewardship Ontario to adopt the Four-Step Fee Methodology in 2016; however, changes were deferred while stakeholders were pursuing an amended Blue Box Program Plan.

This Transition Plan provides an opportunity to reconsider adopting the Four-Step Fee Methodology. It involves replacing the current Three Factor Formula with this new model which is based on the following guiding principles:

1. All obligated materials should bear a fair share of the cost to manage the materials in the program irrespective of whether a material is collected, because all obligated stewards who put obligated materials into the marketplace should contribute to the recycling system.
2. The material management costs allocated to each material should reflect the material's impact on the cost to collect and manage it in the recycling system because a material's unique characteristics can drive costs in distinctive ways.
3. The commodity revenue should be attributed only to the materials that earn that revenue.

Phase 2 of the project involved modernizing the methodology used to calculate the cost inputs, which are a critical component of fee setting. Based on original research, and in collaboration with a group of engaged stewards, CSSA has developed a new costing methodology, referred to as the Material Cost Differentiation (MCD) methodology. The MCD produces a Material Cost Index (MCI) that expresses each material's impact on the cost of the recycling system, relative to other materials. Each material's value on that index provides an input to the fee-setting process.

The MCD project was initiated in 2017 to develop a new and better way to measure how program materials impact the cost of recycling system activities.

As illustrated in the graphic to the right, the MCD methodology has four components: its Guiding Principles; its context, which includes a conceptual recycling system engineered to include all activities necessary to prepare each material to be repurposed; a model providing instruction on how to conduct measurement studies, how to use the results of the studies and how to calculate the Material Cost Index (MCI); and instruction on how to maintain the methodology to ensure it keeps in step with the evolving tonne and changes in recycling technologies and processes.

Each material's value on MCI provides an "apples-to-apples" comparison of each material's impact on the cost of the recycling system activities. For example, a material with a lower position on the MCI has a lower impact on the cost of activities than a material with a higher position.

No methodology can eliminate the reality that material fee rates will fluctuate. The objective of both the Four-Step Fee Methodology and the MCD is to provide stewards with a mechanism for determining material fee rates that is understandable, fair, accurate, and replicable.

CSSA undertook to determine whether these objectives were met through a comprehensive stakeholder consultation that occurred parallel to Stewardship Ontario's consultation on this Transition Plan.

[CSSA's consultation documents](#) included a fee calculation tool that enabled stakeholders to compare the 2020 fee rates to those that would have been produced if the Four-Step and MCD methodologies were used when the 2020 fees were set, instead of the Three-Factor Formula and ABC data. The tool was provided for illustrative purposes only. Should Four-Step and MCD be adopted in Ontario in the future, fees for 2021 will be calculated using updated inputs.

Although changes to fee rates will impact all stewards, the change to one category in particular also impacts the municipal sector, the newsprint category. Under the BBPP, newspaper publishers are entitled to pay fees in the form of in-kind advertising lineage made available to Participating Communities. This means that an increase in the proportion of costs allocated to newsprint results in Participating Communities receiving a lower proportion of their compensation in cash.

For 2020, fee rates for newsprint were considerably higher when calculated using the Four-Step and MCD methodologies than when using the Three-Factor Formula and ABC inputs. As a result, the in-kind amount would have increased from \$4.9M to \$8.4M in 2020. However, this variance between the methodologies is projected to diminish over the course of transition as the volume of newsprint in the recycling system continues to rapidly decline.

Material Cost Differentiation Methodology

1 Guiding Principles

Developed by stewards to inform decision-making of the project team during the development of the remaining components of the MCD Methodology.



2 The MCD Context

1) **Material Characteristics:** Determine what impacts to measure.

2) **Material Categories:** Categories used for impact measurement tests.

3) **System Boundaries:** Where materials enter the system and extent of sorting activities needed.

4) **The MCD System:** Comprised of 18 distinct modules that collectively represent all activities and resources necessary to deliver repurpose-ready material.



3 The MCD Model

The MCD model includes the following:

- Costing assumptions for all resources needed to complete the activities defined for each of the 18 modules in the MCD system, and which in turn are used to calculate each module's "cost factor", i.e., its share of the overall MCD System costs.

- Each module's impact measurement metric that reflects the utilization of the module's resources.

- The impact measurement results produced when applying the measurement protocols to each material for each metric which are inputs to fee setting.



4 MCD Methodology Maintenance

The guidelines for monitoring the evolving tonne, market trends and technological developments to ensure the MCD Context continues to align with the Guiding Principles.



Recognizing that this outcome would be of concern to municipalities, Stewardship Ontario engaged with AMO and the City of Toronto to ensure that the full impact of Four-Step and MCD was understood by the municipal sector before the consultation process was complete.

7.2.6.1 Stakeholder Feedback

Stewards and the trade associations were generally supportive of adopting the MCD methodology. Conversely, all municipal respondents and the newspaper publishers expressed strong opposition to Stewardship Ontario proceeding with changes to the fee-setting methodology. Municipalities are concerned primarily about the impact it would have on the “in-kind” amount and the resulting reduction in cash payments. Municipal respondents also suggested that the direction provided by the Minister (that the plan “describe a mechanism” for determining steward fees) did not contemplate such a fundamental change. The newspaper publishers are opposed to MCD because of the additional costs attributed to newsprint stewards, and have questioned the assumptions upon which the analysis is based.

7.2.6.1 Proposed Mitigation

As noted, the ABC analysis is obsolete and does not provide the analytical rigour required for Stewardship Ontario to meet its obligation to set fees in a fair and transparent manner. A new process is required that is objective, analytically sound and replicable. Stewardship Ontario has made a significant investment in achieving such an end via the MCD project, and it is Stewardship Ontario’s considered opinion that its analytical soundness could not be replicated through another process, which would also involve significant new expenditure. Accordingly, this plan proposes the adoption of the Four-Step Methodology and MCD as its process for determining steward fees.

Nevertheless, in order to mitigate the impact of this change on stakeholders (both newsprint stewards and Participating Communities) who may be adversely impacted by this change, Stewardship Ontario proposes that the methodology be implemented over a two-year period to ease the transition, with 2021 fees based on a blend of the 3-Factor Formula/ABC methodology and the Four-Step/MCD methodology before adopting the full Four-Step/MCD methodology in 2022.

7.2.7 Business Cycle

The only proposed changes to Stewardship Ontario’s regular business cycle relate to:

- steward-initiated adjustments to prior steward reports; and
- Participating Communities adjustments to their data reported in the Datacall.

In order to complete the transition process in 2025 and the windup of Stewardship Ontario in 2026, Stewardship Ontario must issue its final fee schedule for the 2025 program year in Q4 2024. After the fee schedule is published, there can be no substantive changes to:

- Stewardship Ontario’s costs, including the municipal obligation as well as costs to manage the program and windup; or
- the allocation of costs to the material categories.

In the normal course of business, stewards are able to identify errors and submit changes to their reports for up to 24 months after the original report submission deadline. Similarly, Participating

Communities can make changes to their Datacall reports for up to 24 months from the submission deadline.

Where adjustments result in changes to either Stewardship Ontario's costs or fee allocation or both, these are recalibrated during the next fee-setting cycle. Since there will be no fee-setting cycle beyond the 2025 program year, the time provided to stewards and Participating Communities to make prior year adjustments must be reduced during the final years of the Blue Box Program.

Revised deadlines for finalizing steward reports and Datacall submissions are set out in [Section 8](#).

No other changes are recommended to the normal business cycle.

7.2.8 Steward Rules

Steward Rules are reviewed and updated each year as part of the fee-setting process. The only Steward Rule changes required to implement the Transition Plan are set out in [Section 9](#). Since these changes are not required until 2024 and 2025, Stewardship Ontario recommends that the changes required for 2024 be approved in December 2023, and that changes required for 2025 be approved in December 2024.

7.2.9 Auditing and Validation of Steward Data

Stewardship Ontario does not recommend any changes to the way in which steward reports are validated. Each year, between 10 and 15 steward reports are selected for validation by an independent third-party auditor. Candidates for audit are selected based on business analytics such as reporting inconsistencies and sectoral comparisons. The date of a steward's most recent third-party review is also considered, so that stewards are not repeatedly selected while others are ignored. Requests for adjustments to prior reports may also be audited by a third party, based on a similar risk analysis.

7.2.10 Reporting During Transition

Stewardship Ontario will continue to submit quarterly program performance reports and an annual regulatory filing to RPRA. Those reports will include a new section describing activities from the quarter specifically related to the transition. Stewardship Ontario will also continue to consult with RPRA on an ongoing basis and bring to RPRA's attention any material developments that impact the Transition Plan. The date on which Stewardship Ontario will file its reports is set out in [Section 10.1.1](#).

SECTION 8: WINDUP OF STEWARDSHIP ONTARIO

Stewardship Ontario’s final year of operations for the Blue Box Program will be 2025. Corporate windup activities will commence on January 1, 2026. Corporate dissolution is projected to be complete by end of Q3 2026.

Key windup tasks to be completed in 2026 are outlined in Table 6 below.

Table 6: Key Windup Tasks for the Dissolution of Stewardship Ontario Corporation

Date	Task
March 31, 2026	<ul style="list-style-type: none"> • Final municipal transfer payments • 2025 financial audit
April 1, 2026	<ul style="list-style-type: none"> • File 2025 annual regulatory report
Q2 2026	<ul style="list-style-type: none"> • Board appointment of Stewardship Ontario liquidator • Resignation of Stewardship Ontario Board • Termination of management services agreement with CSSA and determination of final service date(s)
Q3 2026	<ul style="list-style-type: none"> • Shut down of Stewardship Ontario’s website and transfer of domain names and trademarks to RPRA, if requested • Under the direction of the liquidator, final audit of 2026 transactions and preparation of financial statements • Submission of windup report to RPRA and the Minister as required by WDTA section 20 • Liquidator files notices under the <i>Corporations Act</i> • Final distribution of any residual funds • Liquidator makes arrangements for maintenance of tax records • Liquidator files all necessary documentation for Stewardship Ontario corporate dissolution

SECTION 9: IMPLEMENTATION PLAN AND TIMELINE

Table 7: Major Transition Plan Milestones

Year	Milestone
2021	<ul style="list-style-type: none"> Business as usual Regulation will be established by MECP that will determine which Participating Communities will transition to the new regulatory funding framework in each of the transition years Transition year procedures for Participating Communities will be finalized and related communications will be distributed
2022	<ul style="list-style-type: none"> Business as usual Stewardship Ontario and Participating Communities plan for transition
2023	<ul style="list-style-type: none"> Transition begins, first group of Participating Communities will transition
2024	<ul style="list-style-type: none"> Transition continues, second group of Participating Communities will transition
2025	<ul style="list-style-type: none"> Transition complete, last group of Participating Communities will transition
2026	<ul style="list-style-type: none"> Corporate windup of Stewardship Ontario

Table 8: Key Dates for Participating Communities (Illustrated by Example)³

Transition Date (Examples)	Final Datacall Report	Includes Cost Data From	Final Obligation Year	Prorated Amount	Final Payment Received
Dec. 31, 2023	April 2022	2021	2023	100%	March 2024
June 30, 2024	April 2023	2022	2024	49.7%	Sept 2024
Apr. 30, 2025	April 2024	2023	2025	32.6%	June 2025
Dec. 31, 2025	April 2024	2023	2025	100%	March 2026

³ The transition date for an individual community could be any date in the calendar from January 1, 2023 through December 31, 2025. Accordingly, examples are used to illustrate how the amounts would be determined.

Table 9: Key Dates for Stewards

2021-2023	<ul style="list-style-type: none"> Business as usual 			
October 2024	<ul style="list-style-type: none"> Final steward meeting on fees 			
December 2024	<ul style="list-style-type: none"> Final Steward Rules issued effective January 1, 2025 			
October 2025	<ul style="list-style-type: none"> Final steward payment due 			
Deadlines for Finalizing Steward Data Reports				
Year Material Supplied to Market	Deadline for Initial Report to Stewardship Ontario	Year for which Data is used to Set Fees	Normal Deadline for Data to be Final	New Deadline for Data to be Final
2021	May 2022	2023	March 2024	No Change
2022	May 2023	2024	March 2025	May 2024
2023	May 2024	2025	March 2026	May 2024

Table 10: Key Dates for Stewardship Ontario

Year	Milestones
2021-2025	<ul style="list-style-type: none"> Transition Plan implementation, including all business as usual activities
March 2026	<ul style="list-style-type: none"> Final audit of 2025 financial results Appointment of liquidator by the Stewardship Ontario Board
April 2026	<ul style="list-style-type: none"> Final regulatory filing to RPRA
September 2026	<ul style="list-style-type: none"> Final filings as required under the <i>Corporations Act</i> Final report to RPRA Final distribution of any residual funds Transfer of all data to RPRA Corporate dissolution

SECTION 10: FINANCIAL FORECAST

10.1 Audits and Review Engagements

10.1.1 Annual Reports

During the transition period, Stewardship Ontario's annual regulatory filings will be prepared and submitted in accordance with statutory requirements.

Table 11: Schedule of Annual Reports

Annual Report Year	Submission Deadline
2020	April 1, 2021
2021	April 1, 2022
2022	April 1, 2023
2023	April 1, 2024
2024	April 1, 2025
2025	April 1, 2026

10.1.2 Financial Audits

Table 12: Schedule of Financial Audits

Financial Year	Interim Audit	Final Audit	Board Approval
2020	October 2020	Jan-Feb 2021	March 2021
2021	October 2021	Jan-Feb 2022	March 2022
2022	October 2022	Jan-Feb 2023	March 2023
2023	October 2023	Jan-Feb 2024	March 2024
2024	October 2024	Jan-Feb 2025	March 2025
2025	October 2025	Jan-Feb 2026	March 2026

10.1.3 2025 Financial Audit

Blue Box Program operations will end on December 31, 2025. Final invoice payments will be due from stewards on October 31, 2025, inclusive of all adjustments. Final municipal transfer payments will be disbursed on March 31, 2026. Final reconciliations will be completed and the financial audit for the last year of operations will be conducted on a timeline consistent with previous years and as shown in Table 12 above.

10.1.4 Final Financial Audit

A final audit will be conducted once all corporate windup requirements have been completed. It is estimated that this will be completed by end of Q3 2026.

10.2 Financial Forecast and Budget

10.2.1 Cash Flow Forecast

Stewardship Ontario has provided RPRA with a confidential forecast outlining anticipated cash inflows and outflows during the transition period. This forecast includes program and corporate windup costs until dissolution of the corporation.

10.2.2 Financial Forecast 2020 – 2026

A summary of estimated Stewardship Ontario costs for the period 2020 to 2026 is provided in Table 13 below. Further details on the use of reserves are set out in Section 13.

Table 13: Blue Box Transition Financial Forecast 2020 – 2026

Projected Municipal Obligation 2020-2026 (\$000)								
	2020	2021	2022	2023	2024	2025	2026	Total
Steward Obligation to Municipalities	130,738.7	142,632.8	147,358.7	133,197.1	85,169.7	33,832.6	-	672,929.5
Total	130,738.7	142,632.8	147,358.7	133,197.1	85,169.7	33,832.6	-	672,929.5
Projected Program Operation Costs 2020-2026 (\$000 Includes HST)								
	2020	2021	2022	2023	2024	2025	2026	Total
Program Management	4,088.1	4,516.8	5,266.6	5,689.7	5,663.3	5,455.8	1,524.2	32,204.6
Field Studies	675.0	575.0	475.0	350.0	0.0	0.0	0.0	2,075.0
Legal & Audit Fees	300.0	200.0	200.0	200.0	200.0	200.0	100.0	1,400.0
Research Projects	400.0	0.0	0.0	0.0	0.0	0.0	0.0	400.0
Promotion & Education	400.0	400.0	400.0	400.0	400.0	400.0	0.0	2,400.0
Regulatory Charges	2,531.2	3,616.0	3,616.0	2,938.0	2,373.0	1,808.0	565.0	17,447.2
Total	8,394.3	9,307.8	9,957.6	9,577.7	8,636.3	7,863.8	2,189.2	55,926.8
Projected Transition Costs 2020-2026 (\$000 Includes HST)								
	2020	2021	2022	2023	2024	2025	2026	Total
Contracted Services	917.5	913.1	1,095.9	1,077.6	1,034.5	1,059.2	1,031.6	7,129.5
Legal Counsel	83.2	11.3	11.3	11.3	56.5	226.0	11.3	410.9
CSSA Resources	148.0	-	-	-	-	-	-	148.0
Corporate Liquidator	-	-	-	-	-	-	113.0	113.0
Leasehold/Rent	65.0	69.1	89.0	89.0	89.0	89.0	-	490.3
Stakeholder Consultations	83.0	125.0	125.0	125.0	125.0	125.0	-	708.0
Regulatory Charges	1,084.8	-	-	-	-	-	-	1,084.8
Contingencies	-	-	170.0	341.8	170.0	260.0	170.0	1,111.8
Sub-Total	2,381.5	1,118.5	1,491.2	1,644.8	1,475.1	1,759.2	1,325.9	11,196.2
Consolidation/Summary of Projected SO Costs 2020-2026 (\$000 Includes HST)								
	2020	2021	2022	2023	2024	2025	2026	Total
Steward Obligation to Municipalities	130,738.7	142,632.8	147,358.7	133,197.1	85,169.7	33,832.6	-	672,929.5
Program Operations	8,394.3	9,307.8	9,957.6	9,577.7	8,636.3	7,863.8	2,189.2	55,926.8
Transition	2,381.5	1,118.5	1,491.2	1,644.8	1,475.1	1,759.2	1,325.9	11,196.2
Total	141,514.4	153,059.1	158,807.5	144,419.5	95,281.2	43,455.7	3,515.1	740,052.5
Less: Glass Market Development Fund		666.0		-				666.0
Plastic Market Development Fund		4,964.4		-				4,964.4
General Reserve	2,381.5	1,118.5	1,491.2	1,644.8	1,475.1	13,850.2	1,325.9	23,287.2
Net After Reserves	139,133.0	146,310.2	157,316.3	142,774.7	93,806.1	29,605.5	2,189.2	711,134.9

Key assumptions regarding the Blue Box transition and corporate windup of Stewardship Ontario are as follows:

- The projected municipal obligation uses 2020 as the baseline year, including the current proposed model for determining the Municipal Cost Containment, and adjusted upward each year according to the most recent two-year Cumulative Average Growth Rate (CAGR) through to 2026. The municipal obligation represents 90.9% of total projected costs.
- Municipal transition will begin in 2023 and will be complete on December 31, 2025.
- Municipalities will exit the program such that one-third of municipal transfer payment costs will exit each year, with 25% of costs in each year exiting at the end of each quarter.

Projected program operations represent 7.65% of total projected costs and consist mainly of:

- Projected costs for employee salaries, payment for contracted management services, rent and other office expenses.
- Field studies (waste composition and related studies to support fee setting).
- Promotion and education initiatives.
- Regulatory charges from RPRA.

Projected transition and corporate windup costs represent 1.5% of total projected costs and include:

- Contracted management fees for the windup team for the duration of the windup.
- Legal fees for work directly attributable to windup.
- Regulatory costs (RPRA) for 2020 only; regulatory costs for 2021 to 2026 are forecast in the program operations budget.
- Estimated fees payable to the liquidator in 2026.
- Leasehold and amortization costs resulting from additional space requirements to accommodate the Conflict of Interest Plan. These costs are split between Blue Box and MHSW windup projects in 2020 and 2021. The full cost will be charged to Blue Box from 2022 onward.
- Additional support for communications and stakeholder relations during the transition years.
- Contingencies, which include forecasted severance for two full-time staff resources with projected end dates in 2023 and 2025; as well as an estimate for an administrator (to facilitate Stewardship Ontario corporation windup activities, if required).

SECTION 11: ASSETS

Updates to the information noted below will be provided to RPRA on an annual basis.

11.1 Cash

11.1.1 Cash and Short-Term Investments

Stewardship Ontario has provided confidential information to RPRA regarding its bank accounts including account balances, account numbers, institutions, currencies, and types of accounts, as well as a list of individuals with signing authority and access to these accounts.

11.1.2 Short-Term Investments Requiring Liquidation

Stewardship Ontario does not have short-term investments in accounts which cannot be liquidated.

11.1.3 Monies Held in Trust

Stewardship Ontario holds a segregated bank account for the CIF. All transactions related to CIF flow through this account and it is not used for any other purpose.

11.2 Accounts Receivable

Schedules of account receivable balances at December 31, 2019, have been provided to RPRA as part of the Confidential Schedule II: Blue Box Program Transition Plan Financial Forecast and Budget.

11.2.1 Trade Receivables

The trade receivables schedule includes 82 outstanding steward balances with net receivables of \$2.4 million as of December 31, 2019.

11.2.2 Trade Receivables Accrued

Schedules of trade receivable balances accrued at December 31, 2019, have been provided to RPRA as part of the Confidential Schedule II: Blue Box Program Transition Plan Financial Forecast and Budget

The trade receivables accrued schedule details accruals for steward adjustments.

11.2.3 Allowance for Doubtful Accounts

Schedules of doubtful account balances at December 31, 2019, have been provided to RPRA as part of the Confidential Schedule II: Blue Box Transition Plan Financial Forecast and Budget.

Specific provisions for doubtful accounts have been made based on information available and ongoing risk assessment by CSSA's Compliance Department.

11.3 Prepaid Assets

Table 14: Prepaid Assets

Asset Description	Balance as at December 31, 2019
Directors' & Officers' insurance	\$11,858
Liability insurance	\$6,908
Umbrella insurance	\$4,410
Subscription	\$5,670
Total	\$28,575

Stewardship Ontario's insurance policies renew annually on June 30. The prepaid portion of these policies detailed in the Table 14 above represent six months of expenses to be amortized in the first half of 2020. Renewal requirements will be addressed closer to windup of the corporation to ensure that insurance coverage is adequate throughout the windup process. Carry-over insurance for directors and officers for an additional year after windup will also be considered. The subscription is for Diligent Board Books, a software system that provides a portal to facilitate access and storage of reference materials for Board and Finance Committee members.

11.4 Capital Assets

Stewardship Ontario has no capital assets.

11.5 Leased Assets

Stewardship Ontario has no leased assets.

11.6 Intellectual Property

Stewardship Ontario's intellectual property includes the domain name for the Stewardship Ontario website, stewardshipontario.ca, and the trademark for the business name Stewardship Ontario. Stewardship Ontario will continue to utilize these trademarks and domain names throughout the windup period. Following program termination, the legal ownership rights to the Stewardship Ontario trademark and website domain name will be transferred to RPRA.

Stewardship Ontario will also compile an inventory of studies, research and reports commissioned in support of its market development efforts and other activities for transfer to RPRA by the end of 2021.

11.7 Investments

Stewardship Ontario maintains investment accounts with CIBC Trust Corporation. As of December 2019, the portfolio consisted of cash (0.2%), money market funds (10.7%) and provincial and corporate bonds (89.1%). A confidential schedule of investments has been provided to RPRA.

Stewardship Ontario's investment policy has been implemented with laddered bond maturity dates that typically extend out seven-plus years in order to maximize returns and minimize risk. Stewardship

Ontario's investment manager at CIBC was advised in 2019 of the transition direction and has been provided with guidance to ensure no bonds mature beyond December 2025. Any maturities will be reinvested in bonds that expire evenly from 2020 to 2025 to align with the transition of the program. A schedule detailing maturing investment products is reflected in the schedule provided to RPRA.

11.8 Internally Restricted Assets

Stewardship Ontario's Blue Box Program has one internally restricted fund established for investment in infrastructure for plastic markets and activities for their development. On July 8, 2020, Stewardship Ontario's Board directed that this fund be disbursed to plastics stewards through their 2021 fees, in light of the hardship many stewards are facing due to COVID-19. The fund balance at the end of December 2019 was \$4,964,379.

Stewardship Ontario also holds a fund for glass market development in its deferred revenue account. This fund was restricted for glass market development purposes. On July 8, 2020, Stewardship Ontario's Board directed that this fund be disbursed to glass stewards through their 2021 fees in light of the hardship many stewards are facing due to COVID-19. The fund balance at the end of December 2019 was \$666,017.

SECTION 12: LIABILITIES

Updates to the information noted below will be provided to RPRA on an annual basis.

12.1 Trade Accounts Payable and Accrued Liabilities

Schedules detailing trade accounts payable and accrued liability balances as at December 31, 2019 are confidential and have been provided to RPRA.

Accrued liabilities of \$36 million at December 31, 2019, consist mainly of \$30 million in quarterly payments due to municipalities, steward adjustments and 2019 expense accruals.

12.2 Debt

Stewardship Ontario has no short- or long-term debt. Stewardship Ontario does not anticipate any need for debt financing associated with either the current Blue Box Transition Plan or the corporate windup plan.

SECTION 13: RESERVES

13.1 Types of Reserves

Stewardship Ontario has three types of financial reserves for the Blue Box Program ([Section 1.7.2 Financial Reserves](#)):

General Reserves that represent the accumulation of excess revenues over expenses over the course of the program. The General Reserve balance at December 31, 2019 is \$17,883,580 and is unrestricted.

A **Sustaining Fund** was initially established to ensure that Stewardship Ontario could carry out its non-profit activities and meet its management obligations over the course of a short windup in one or two years. The Sustaining Fund balance was \$5,403,635 at December 31, 2019 and was restricted by the Board of Directors for the purposes just outlined.

Material Specific Development Funds were collected from stewards of specific materials to support Stewardship Ontario's market development efforts and currently include a:

- **Glass Market Development Fund** with a balance at December 31, 2019 of \$666,017. This fund is classified as a deferred revenue in the financial statements and will be taken into income in the year in which it is disbursed to glass stewards (projected in 2021). It is restricted for the use of glass market development activities; and,
- **Plastics Market Development Fund** with a balance of \$4,964,379 at December 31, 2019. This fund was restricted by the Board of Directors for the purpose of plastics market development initiatives.

13.2 Changes to and Disbursement of Reserves

At December 31, 2019, the Blue Box reserve balance was \$28,251,594 (consisting of \$17,883,580 in unrestricted funds and \$10,368,014 in restricted funds). On July 8, 2020, Stewardship Ontario's Board authorized the transfer of the restricted Sustaining Fund to the unrestricted General Reserve Fund. This transfer is shown in Table 15.

Projected annual deficits over the course of transition and windup represent windup costs which are to be funded from the General Reserves and not through the fee-setting process. These are shown below as transition costs and are also included in [Section 10.2 Financial Forecast and Budget](#).

On July 8, 2020, Stewardship Ontario's Board authorized the disbursement of the Glass Market Development Fund and the Plastic Market Development Fund. These funds will be disbursed to the relevant stewards through their 2021 fees and are shown as coming out of the restricted reserve in 2021 in Table 15 below.

Full disbursement of the remaining reserve balance estimated in Table 15 below at \$12,090,988 will be completed no later than 2025, with the exception of funds set aside to complete corporate windup in 2026 of \$1,325,938. Once windup is complete, any residual amounts will be disbursed to Blue Box stewards to fully deplete the reserve fund. As noted in [Section 6](#), current financial projections are based on the assumption that reserve funds will be dispersed in 2025. Stewardship Ontario will review its operating capital requirements during the fee-setting process for 2023 and 2024 with a view to

accelerating the use of reserve funds, if Stewardship Ontario’s cash reserves are sufficient to support prudent management of its operations over the remaining transition period.

Table 15: Blue Box Reserve Fund Estimates

Blue Box Reserve Fund Estimates 2020-2026			
	Unrestricted	Restricted	Balance
BB Reserve Balance at Dec 31, 2019	17,883,580	10,368,014	28,251,594
2020 - Board approved transfer of Sustaining Fund to General Fund	5,403,635	-5,403,635	28,251,594
- Transition costs	-2,381,476	0	25,870,118
2021 - Transition costs	-1,118,502	0	24,751,616
- Glass Market Development Fund to be recognized as revenue	0	666,017	25,417,633
- Disburse glass market fund to glass stewards	0	-666,017	24,751,616
- Disburse plastic markets restricted fund to plastics stewards	0	-4,964,379	19,787,237
2022 - Transition costs	-1,491,197	0	18,296,040
2023 - Transition costs	-1,644,791	0	16,651,249
2024 - Transition costs	-1,475,092	0	15,176,157
2025 - Transition costs	-1,759,221	0	13,416,936
- Reserve balance disbursement to stewards	-12,090,998	0	1,325,938
2026 - Corporate wind-up costs*	-1,325,938		0
<i>Balance</i>	0	0	0

* Any residual balance after covering corporate wind-up costs will be disbursed to BB stewards

Continuous Improvement Fund (CIF) – CIF funds are held in a segregated bank account in Stewardship Ontario and are not included in the financial forecasts. Forecasted depletion of CIF funds reflect the recommendations developed by CIF staff and representatives of AMO and the City of Toronto. Funds are in the control of the CIF committee and not Stewardship Ontario.

13.2.1 Consultation Feedback

While stewards were generally supportive of this approach to disbursing reserve funds during the consultation, some stewards were in favour of returning cash reserves as soon as possible, beginning in 2023. Stewardship Ontario is sympathetic to this perspective; however, it is the considered view of Stewardship Ontario’s Board that it would not be prudent for Stewardship Ontario to assume it will be in position to reduce its operating capital beginning in 2023. As noted, Stewardship Ontario will review its projected financial obligations and operating capital requirements during the fee-setting process for 2023 and 2024 with a view to determine whether remaining reserve funds can be returned on an accelerated basis.

SECTION 14: HUMAN RESOURCES

14.1 Employees

Under current program operations, there is only a small number of Stewardship Ontario employees involved in the management and operations of the MHSW and Blue Box programs. Many of the administrative functions are performed on an outsourced basis either by contractors or by CSSA. These resources will diminish as the Blue Box Program winds up.

Potential employee severance, retention and other related costs have been included in the Blue Box Transition Plan Financial Forecast and Budget (see [Section 10.2](#)).

A Confidential Schedule III: Human Resources Information is attached to this Transition Plan. It includes a list of Stewardship Ontario employees potentially affected by the transition of the Blue Box Program including: the department and position held, length of service, severance and any benefit entitlements, etc.

14.2 Contractors

Stewardship Ontario has engaged independent senior management resources (Executive Director, Chief Financial Officer, Program Operations Officer and Project Manager) on a contract basis as part of the Conflict of Interest Plan.

Stewardship Ontario engages CSSA through a service agreement that can be extended through to the end of 2026. A description of the process to be followed regarding amendments to the Stewardship Ontario–CSSA service agreement is provided in [Section 15.5 Key Contracts](#).

There are no other contractors or potential sub-contracting costs associated with Blue Box Program operations.

14.3 Pension and RRSPs

Stewardship Ontario employees participate in a voluntary Registered Retirement Savings Plan (RRSP), managed by a third-party provider. Stewardship Ontario matches employee contributions (to a maximum of 5% of salary), which are deductions at source on payroll every pay period. Employees that leave Stewardship Ontario retain ownership of their account.

Stewardship Ontario employee costs relating to matching RRSP contributions have been factored into employee costs associated with the Blue Box Transition Financial Forecast & Budget (see [Section 10.2](#)). There are no additional pension or RRSP costs associated with termination of the Blue Box Program.

14.4 Communication with Personnel

Following approval of the Blue Box Transition Plan, Stewardship Ontario will arrange one-on-one meetings with all staff members potentially affected by the termination of the Blue Box Program to review potential employment adjustments and arrangements well in advance of their implementation.

SECTION 15: LEGAL CONSIDERATIONS

15.1 Litigation

The Blue Box Program has no ongoing litigation or claims and no litigation is anticipated at this time.

Stewardship Ontario will manage any legal claims or actions that arise during or following the Blue Box Program windup on an *ad hoc* basis. Stewardship Ontario's estimate of windup costs includes a contingency for legal fees and costs associated with resolving any such future legal claims or actions. Stewardship Ontario does not anticipate that run-off insurance will be required in relation to managing these risks.

15.2 Contracts

The Blue Box Program has no supply chain agreements in place related to the collection, transportation and processing of program materials.

Existing Stewardship Ontario contracts that will continue during the transition period are either:

- project-specific and will end prior to the dissolution of Stewardship Ontario as an entity, or
- provide for such termination without penalty.

15.3 Contingencies

The Blue Box Program has no known existing or future legal costs related to litigation, leases, property sales, undertakings or pensions.

Potential legal fees and costs associated with any legal claims or actions that might arise during the windup period have been included in the Financial Forecast and Budget (see [Section 10.2: Financial Forecast and Budget](#)).

15.4 Environmental Issues

Stewardship Ontario does not operate any transportation or processing facilities, and does not engage in or contract for any services that involve the collection, transport, processing, storage, sale or disposal of PPP recyclables. Any such services it does provide directly or under contract relate solely to the MHSW Program (another stewardship program operated by Stewardship Ontario, which will be terminated as a result of the MHSW Wind Up Plan). Therefore, Stewardship Ontario does not have any environmental claims/liabilities related to waste disposal relevant to the Blue Box Program Transition Plan.

15.5 Key Contracts

Stewardship Ontario's agreement with CSSA is the key contract. Many of the services necessary to operate the Blue Box and MHSW Programs are delivered by CSSA through an amended and restated management services agreement dated December 31, 2013 and an amendment to the management services agreement dated January 1, 2019 (collectively, the "Management Services Agreement"). The current term of the Management Services Agreement will end on December 31, 2021 allowing for automatic two-year renewal terms based on a reduced scope of work once the MHSW Program terminates.

Stewardship Ontario will manage any real, perceived and/or apparent conflicts of interest that may arise in relation to these contracts in accordance with the Minister's direction letters and pursuant to RPRA's guidance.

SECTION 16: TAX

16.1 Harmonized Sales Tax

The Blue Box Program has no unremitted sales taxes (HST) and no active proceedings with the Canada Revenue Agency (CRA).

16.2 Employee Source Deductions

All Stewardship Ontario employee source deductions are managed by CSSA as part of the Management Services Agreement. Employee-related expenses are included in the financial forecast as well as related employee termination during windup.

16.3 Other Tax Considerations

16.3.1 Final Tax Return

Stewardship Ontario's final tax return will be prepared and submitted to CRA by its appointed liquidator. Once a clearance certificate is obtained from CRA, final disbursement of any residual funds can be made.

16.3.2 Record Keeping

CRA requires Stewardship Ontario to retain tax records for a period of seven years. Stewardship Ontario will engage a third party to retain and manage these records for the required time. At the end of the seven-year period, the records will be securely destroyed.

APPENDIX A

Blue Box Program Transition Plan Consultation Report

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1. INTRODUCTION

1.1 Background

The transition of the Blue Box Program to full producer responsibility was initiated by a direction letter from the Minister of Environment, Conservation and Parks (MECP) in August, 2019, to make industry responsible for both the funding and operation of residential recycling in the province.

The Minister's letter directed Stewardship Ontario to submit a Blue Box Program Transition Plan (Transition Plan) to the Resource Productivity and Recovery Authority (RPRA) by August 31, 2020 (deadline extended from June 30, 2020 due to COVID-19). It is expected that RPRA will approve the plan by December 31, 2020.

The direction letter also stated the Transition Plan must include:

A detailed report of SO's communications with affected parties and the public during the development of the plan.

A detailed report of how SO has met the consultation requirements of subsection 14(13) of the WDTA during the development of the plan, including:

- A list of the stewards, municipalities, Indigenous peoples, service providers and other affected parties that were consulted during the development of the plan.*
- A summary of comments received by SO from affected parties.*
- A report of how the comments were considered by SO in the development of the plan.*

This report outlines the communications activities and consultation approach Stewardship Ontario undertook when developing the Blue Box Program Transition Plan, as well as summarizes all the feedback received.

1.2 Stakeholder Groups

Stewardship Ontario communicated and consulted with stakeholders from the following groups when developing its Transition Plan:

- Obligated packaging and printed paper stewards and steward trade associations
- Municipalities, First Nation communities and municipal associations
- Waste management industry
- Environment non-government organizations
- Stewardship Ontario employees

2. STAKEHOLDER COMMUNICATION

While developing the Transition Plan, Stewardship Ontario communicated with stakeholders through email notifications, website news posts and a dedicated Blue Box Program Transition Plan webpage.

2.1 Email Notifications

Email notifications were sent to stakeholders via Stewardship Ontario's mass email distribution software to provide updates and invite them to the consultation webinars.

The below chart shows the emails that were sent to stakeholder groups throughout the development of the Transition Plan. Please note: CSSA-related emails (steward newsletters and MCD notices) were sent to a higher number of individuals because they also included stewards from the other provincial stewardship programs.

Date	Stakeholder Group(s)	Subject and Link to Email	Number Sent To	Open Rate	Click Rate
August 12, 2019	Stewards	Advisor report outlines transition to full producer responsibility for Ontario's Blue Box Program	2,483	32%	20%
August 15, 2019	All	Stewardship Ontario receives Minister's direction letter to begin Blue Box transition	2,556	33%	16%
October 2, 2019	Stewards	2019 Q3 CSSA newsletter	3,186	34%	14%
November 19, 2019	All	MECP hosting webinar on development of new Blue Box Regulation	2,797	26%	-
December 19, 2019	Stewards	2019 Q4 CSSA newsletter	3,668	30%	11%
March 6, 2020	Stewards	2020 Q1 CSSA newsletter	3,659	28%	10%
March 19, 2020	All	Register for the Blue Box Wind Up Plan consultation webinars	3,764	28%	36%
April 4, 2020	All	Postponed: Blue Box Transition Plan consultation webinars	3,831	28%	7%
April 9, 2020	All	Minister grants extension for submitting Blue Box Program Transition Plan to RPRA	3,844	27%	7%
May 19, 2020	All	Blue Box Program Transition Plan consultation webinars rescheduled	3,841	31%	36%
May 27, 2020	All	Reminder: Blue Box Program Transition Plan consultations on June 16 and 17	3,851	27%	24%
June 1, 2020	Stewards	2020 Q2 CSSA newsletter	2,513	29%	12%
June 10, 2020	All	Reminder: Blue Box Program Transition Plan consultations on June 16 and 17	3,831	26%	23%

Date	Stakeholder Group(s)	Subject and Link to Email	Number Sent To	Open Rate	Click Rate
June 15, 2020	All	Reminder: Blue Box Program Transition Plan consultations this week	3,819	25%	23%
June 17, 2020	All	Blue Box Program Transition Plan consultation materials available	4,102	26%	21%
June 18, 2020	All	Join CSSA for a Consultation on the Material Cost Differentiation Methodology	5,073	22%	19%
June 23, 2020	All	Material Cost Differentiation Methodology Consultation: June 25, 2020	5,070	23%	20%
June 26, 2020	All	Material Cost Differentiation Methodology Consultation Materials Available	5,150	23%	10%
June 29, 2020	All	Blue Box Program Transition Plan: Consultation Q&As and Feedback Reminder	4,092	21%	17%
July 2, 2020	All	MCD Consultation Q&As and Program Fee Calculators Now Available	5,138	20%	13%
July 13, 2020	All	Blue Box Program Transition Plan: Feedback Requested by July 15	4,063	21%	11%
July 13, 2020	All	Feedback on the MCD Methodology Requested by July 23	5,213	21%	10%

2.2 Website Updates

All updates regarding the Transition Plan were posted as news items and featured on the homepage of the Stewardship Ontario website.

As well, Stewardship Ontario created a Blue Box Program Transition Plan webpage (StewardshipOntario.ca/BlueBox-Transition) on its website where it housed all information, updates and consultation materials for stakeholders to easily access. Throughout the development of the Transition Plan, the webpage had:

- 2,676 page views
- 2,377 unique visitors

3. CONSULTATION APPROACH

While developing the Transition Plan, Stewardship Ontario was committed to transparent communication and meaningful consultations with its stakeholders. Stewardship Ontario conducted three stakeholder-specific consultation webinars, as well as one-on-one meetings with certain stakeholder groups to gather feedback and address specific concerns and questions.

3.1 Consultation Webinars

Three stakeholder-specific webinars took place in June. During these webinars, Stewardship Ontario presented its proposals for the Transition Plan and encouraged stakeholders to submit feedback.

- **June 16, 2020, 10 – 12 p.m.:** Steward consultation
 - 475 registrants
 - 310 attendees
- **June 16, 2020, 1 – 3 p.m.:** Municipal, First Nations communities and waste management industry consultation
 - 367 registrants
 - 250 attendees
- **June 17, 2020, 1 – 3 p.m.:** Environmental non-government organization (ENGO) consultation
 - 112 registrants
 - 70 attendees

Please note: registrant and attendee metrics represent each individual who attended a consultation. More than one individual may have attended from an organization, and some individuals may have attended more than one consultation. A complete list of organization’s Stewardship Ontario consulted with can be found in [Section 6](#) of this report.

The webinar presentations, replays and Q&As were emailed to all stakeholders and made available on the [Blue Box Program Transition Plan webpage](#). A full list of stakeholders Stewardship Ontario consulted with can be found in [Section 6](#) of this report.

Canadian Stewardship Services Alliance (CSSA) held a consultation on the Material Cost Differentiation (MCD) Methodology for packaging and paper stewardship program stewards in British Columbia, Saskatchewan, Manitoba and Ontario. All Stewardship Ontario Blue Box stakeholders were invited to participate in the consultation to learn about the Methodology so they could submit feedback on Stewardship Ontario’s proposal to adopt the Four-Step Fee Methodology and MCD Methodology during transition.

3.2 One-on-one Consultation Meetings

After the broad consultation webinars, Stewardship Ontario met with stakeholder groups to review the Transition Plan proposals specific to them and answer any questions. The below table outlines the one-on-one meetings that occurred during the consultation period.

Date of Meeting	Stakeholder Group	Attendees
June 29, 2020	Steward trade associations	<ul style="list-style-type: none"> • Canadian Consumer Specialty Products Association (CCSPA) • Canadian Federation of Independent Grocers (CFIG) • Canadian Franchise Association • Canadian Vehicle Manufacturers' Association (CVMA) • Chemistry Industry Association of Canada • Cosmetics Alliance Canada • Electronics Product Stewardship Canada (EPSC) • Food & Consumer Products Of Canada (FCPC) • Restaurants Canada • Retail Council of Canada (RCC)

Date of Meeting	Stakeholder Group	Attendees
June 29, 2020	Waste management associations	<ul style="list-style-type: none"> Ontario Waste Management Association (OWMA) Miller Waste
July 6, 2020	ENGOS	<ul style="list-style-type: none"> Environmental Defence Recycling Council of Ontario Toronto Environmental Alliance
July 7, 2020	Municipal representatives	MICP Committee Members: <ul style="list-style-type: none"> Association of Municipalities of Ontario (AMO) City of Toronto
July 10, 2020	Newspaper industry	<ul style="list-style-type: none"> News Media Canada

4. CONSULTATION FEEDBACK

4.1 Feedback Approach

Feedback on Stewardship Ontario’s Transition Plan proposals was requested by July 15, 2020. Feedback could be provided via email to consultation@stewardshipontario.ca or via the feedback form on the [Blue Box Program Transition Plan webpage](#). All feedback received was carefully considered as the Transition Plan was developed and finalized.

4.2 Summary of Feedback Received

Stewardship Ontario received 28 written feedback submissions from stakeholders, as well as additional verbal feedback during one-on-one meetings and comments during the consultation webinars.

The 28 written feedback submissions were received from the following stakeholders:

Steward Community

- Canadian Beverage Association
- Canadian Consumer Specialty Products Association
- Costco Canada
- CropLife
- Electronics Product Stewardship Canada
- Food & Consumer Products of Canada
- Keurig Dr. Pepper
- Lutron Electronics Co Inc.
- News Media Canada
- Premier Tech Home & Garden
- Retail Council of Canada
- Scotts Canada
- Van de Water-Raymond 1960 Ltd.

Municipalities and First Nations Communities

- City of Hamilton
- City of Kenora
- City of Ottawa

- City of Toronto
- County of Simcoe
- Niagara Region
- Region of Peel
- The Association of Municipalities of Ontario, the City of Toronto, the Regional Public Works Commissioners of Ontario and the Municipal Waste Association
- Township of Bonnechere Valley
- Township of Perry
- York Region

ENGOS

- Canadian Association of Recycling Industries
- Environmental Defence Canada, Toronto Environmental Alliance, Citizens' Network on Waste Management and HEJ! Support

Packaging Associations

- Carton Council of Canada

Other

- Pollock Environmental

All feedback received is summarized below, organized by topic in relation to the [Minister's direction letter](#).

4.3 Demonstrating Transparency and Meaningful Consultation

Steward feedback:

Stewards were supportive of the extension being granted by the Minister to submit the Transition Plan to RPRA by August 31, 2020 instead of June 30, 2020 in light of the COVID-19 situation. Some stewards, however, commented that the consultation process should be paused until the province returns back to normal. It was also recommended that Stewardship Ontario consider ways to encourage a more interactive dialogue during the consultation webinars, as well have more opportunities to consult.

Municipal feedback:

It was recommended that Stewardship Ontario should provide for more interactive dialogue and sharing of questions and feedback during the webinars.

How this feedback was considered in the Transition Plan:

Stewardship Ontario will take these recommendations into consideration when planning future events related to the Transition Plan.

Relevant section in Transition Plan: Section 3

4.4 Supporting Competition and Preventing Conflict of Interest

4.4.1 Supporting Competition

Steward feedback:

Stewards supported Stewardship Ontario's approach to protecting stewards' confidential information. According to stewards, confidential business information includes such things as managers' names, emails, and phone numbers from a steward company which should not be included on any public registry. It was also recommended that solicitation lists

should not be provided by RPRA to undisclosed third parties for the purpose of soliciting business from stewards. Stewards also requested that Stewardship Ontario inform stewards when there has been a request from RPRA for steward-specific information.

Municipal feedback:

Municipalities suggested that information, intellectual property and knowledge collected by CSSA in the operation and support of Stewardship Ontario should be shared publicly.

How this feedback was considered in the Transition Plan:

Stewardship Ontario will take all necessary steps to ensure confidential business information remains protected throughout the transition. The plan has also been revised to clarify that Stewardship Ontario's inventory of intellectual property will include material that was compiled by CSSA on behalf of Stewardship Ontario.

Relevant section in Transition Plan: Section 5

4.4.2 Addressing Conflict of Interest

Steward feedback:

Stewards indicated that they were confident Stewardship Ontario staff have the expertise to meet the requirements of managing the Transition Plan. It was suggested that the Code of Conduct be reviewed to ensure consultants adhere to the same standards as Stewardship Ontario staff.

Municipal feedback:

Municipal governments supported the emphasis being placed on ensuring the avoidance of a real or perceived conflict of interest. There was some concern raised over the Material Cost Differentiation (MCD) Methodology initiative due to it being run by CSSA staff.

How this feedback was considered in the Transition Plan:

The Transition Plan has been revised to clarify that the code of conduct applies to Board members, employees and consultants, including any that are brought on after the plan is approved. The plan has also been revised to clarify the purely technical (non-decision making) role that CSSA has played with respect to Stewardship Ontario's consideration of the adoption of MCD.

Relevant section in Transition Plan: Section 4

4.5 Demonstrating Fairness to Stewards and Protecting Consumers

Steward feedback:

It was suggested that Stewardship Ontario preserve the integrity of the Blue Box Program until transition is complete. This includes maintaining auditing and compliance activities and closely reviewing steward reports to detect any material discrepancies, while also maintaining all efforts to pursue free-riders until transition is completed.

ENGO feedback:

ENGOS were interested in ensuring that consumer interests are protected during transition and that all communities have the same level of access to recycling services as they do now.

How this feedback was considered in the Transition Plan:

Stewardship Ontario will continue to operate its steward services function (including steward review and audit) on a "business as usual" basis throughout transition.

Relevant section in Transition Plan: Section 6

4.6 Maintaining Program Performance During Transition

4.6.1 Program Performance

Municipal feedback:

Municipalities were very supportive of maintaining program performance during transition. They encouraged maintaining a reasonable level of continuity with existing municipal recycling programs to avoid any negative impacts to municipal waste management programs. It was noted that reducing the recycling program service level would be a disincentive for many residents which could lead to additional materials being sent to landfill and higher costs imposed on municipalities.

How this feedback was considered in the Transition Plan:

Stewardship Ontario appreciates the broad-based support for Stewardship Ontario's, RPRA's and CIF's plans in regard to maintaining program performance.

Relevant section in Transition Plan: Section 7

4.6.2 Market Development Initiatives

Steward feedback:

Most stewards supported Stewardship Ontario's proposal to not pursue new market development initiatives during transition.

Municipal feedback:

Municipalities suggested that Stewardship Ontario continue market development initiatives during the transition period to improve current conditions in the recycling industry, assist with rebuilding Ontario's economy and ensure a strong recycling infrastructure post-transition. It was also noted that market development initiatives are important to ensure continued markets for materials that post challenges to the system.

ENGO feedback:

ENGOS were also in favour of continuing market development initiatives in order to support improved recycling in Ontario. They suggested Stewardship Ontario work with producers to develop a plan for transitioning any ongoing projects to appropriate producers and/or PROs in 2026.

Packaging association feedback:

The one packaging association that submitted feedback noted that it made sense to stop market development efforts during transition.

How this feedback was considered in the Transition Plan:

Stewardship Ontario is mindful of the challenges facing the recycling system in Ontario. However, since Stewardship Ontario will not have a role in the future recycling system, it must remain agnostic about how the system should be structured and managed in the future. To engage in market development activities that assume future system needs, the impact of which would be felt almost entirely post-transition is not consistent with Stewardship Ontario's restricted role. Also, Stewardship Ontario's plans are consistent with municipal recommendations to wind up the CIF, (i.e. not to initiate new projects) which have widespread support among municipal stakeholders.

Relevant section in Transition Plan: Section 7.2.5

4.6.3 Promotion and Education Initiatives

Municipal feedback:

Municipalities supported the continuation of promotion and education efforts throughout transition. They recommended stewards be responsible for providing ongoing promotion and educational materials for the Blue Box Program to reinforce positive consumer behaviours required to maintain program performance.

ENGO feedback:

ENGOS supported Stewardship Ontario's plans to continue promotion and education initiatives during the transition period to maintain public confidence, sorting behaviour, and system performance.

Packaging association feedback:

The one packaging association that submitted feedback also agreed with continuing promotion and education efforts during transition in order to reinforce consumer behaviours, stating this is particularly important given the rise in contamination levels and the loss of consumer confidence that the system has experienced in recent times.

How this feedback was considered in the Transition Plan:

Stewardship Ontario appreciates the broad support that exists for it to continue its proposed promotion and education efforts throughout transition.

Relevant section in Transition Plan: Section 7.2.4

4.7 Windup of the CIF

Steward feedback:

No comments were received from stewards on the windup of the Continuous Improvement Fund (CIF). One steward requested additional detail regarding exactly how much stewards have contributed to the CIF since its inception.

Municipal feedback:

Municipal governments found the proposed approach by the CIF Committee to complete the windup of this fund to be reasonable. It was recommended that intellectual property assets including previous research projects, pilot studies and training materials completed under the auspices of the CIF continue to be readily available to municipalities.

How this feedback was considered in the Transition Plan:

Stewardship Ontario notes the broad support that exists for the windup plan developed by CIF.

Relevant section in Transition Plan: Section 7.2.3

4.8 Timelines for Transition and Related Costs

Steward feedback:

Stewards were concerned about dual reporting requirements to both Stewardship Ontario and future PROs being very complex. It was noted that the proposed reporting deadlines are unrealistic and would be difficult to meet given that they would have to prepare two reports (one for Stewardship Ontario and one for the PRO under the new framework). Some stewards expressed concern about changes to the filing deadlines under the mistaken understanding that filing deadlines were being shortened from the normal May deadline to a March deadline. Stewards that submitted feedback on this topic suggested Stewardship Ontario hold a consultation on steward reporting timelines before making any final decisions.

Municipal feedback:

Municipalities had questions about the rationale for paying the Steward Obligation in any given year based on costs in the Datacall from two years prior. They noted that the proposed method does little to protect municipal taxpayers should there be a continued increase in recycling program costs later in the transition period. It was requested that Stewardship Ontario and RPRA provide documentation and a rationale for this approach.

How this feedback was considered in the Transition Plan:

With regard to submission deadlines, stewards will continue to have until the end of May to complete their **prior year reports**; however, deadlines for applying for **prior-year adjustments** will need to be truncated so that a final fee schedule can be published. Stewardship Ontario is committed to making transition as easy as possible, with steward reporting remaining the same. A clearer explanation of changes to reporting deadlines which impact only the timelines to make revisions to prior reports, can be found in Section 9 of the BBPTP. Stewardship Ontario does not have any influence over how stewards will report to future PROs. This will be determined in the new regulation released by the MECP.

Stewards began paying their obligation the year the program began in 2004. In order to begin payments to participating communities in 2004, the Blue Box Program plan set out to calculate municipal costs for 2004 on best available information from prior years. The data used to determine the steward obligation was refined and improved in subsequent years, but has always been calculated using information from the most recent Datacall report, as contemplated in the Transition Plan. A participating community that transitions at the end of 2023 will have participated in the program for 20 years and will have received payments from Stewardship Ontario for 20 years.

Relevant section in Transition Plan: Section 9 and 10

4.9 Ensuring Continuity of Funding for Municipalities and First Nation Communities

Municipal feedback:

Municipalities noted that the Transition Plan proposals highlight numerous potential risks that could impact the financing of the program (i.e. new Ministerial direction letters, delay of Regulation etc.). Municipalities agree that it is prudent to ensure sufficient contingency funds to manage any potential issues.

How this feedback was considered in the Transition Plan:

Stewardship Ontario has always ensured prudent management of its finances to ensure that it meets its obligations and will continue to do so.

Relevant section in Transition Plan: Section 7.2.1

4.10 Determining Steward Fees During Transition

4.10.1 Material Cost Differentiation (MCD) Methodology

Steward feedback:

The steward community was generally supportive of implementing the MCD Methodology to replace the Activity Based Costing (ABC) mechanism currently used. Some suggested that the Methodology be implemented using a phased-in approach to help mitigate its cost impacts to all material categories. There were some concerns that the Methodology was too complex to implement during transition. Concerns were also expressed about the timing and administrative burden associated with changing stewards' reporting categories to align with the more granular material categories required under MCD. It was mentioned during the consultations that steward reporting will remain the same; however, in later stages of implementing the Methodology there may be changes to the material categories.

One trade association suggested the Methodology not be adopted as it would just add to the complexity of transition.

News Media Canada considered the MCD Methodology in detail. Overall, they expressed concern over the impact the MCD Methodology would have on their share of the obligation and have questioned some of the assumptions underlying the Methodology, noting that it overburdens the newsprint category. While they agreed the MCD guiding principles seemed fair, they suggested an additional principle around contamination costs being fairly allocated between materials. They also suggested that fulsome examples be provided for all material categories in order to better understand the how the system will work for each material.

Municipal feedback:

Municipal governments were strongly opposed to Stewardship Ontario's proposal to implement a new fee setting methodology during transition. They said that this change in methodology would directly impact municipal budgets and costs of the program to residents. Also, they noted that making a significant change in the fee setting methodology at this time would introduce more uncertainty and complexity for all stakeholders in an already complex and challenging transition process. The methodology proposed would also significantly increase the proportion of in-kind compensation that municipalities receive through the Steward Obligation.

Packaging association feedback:

One packaging association submitted feedback in support of the replacement of the Activity Based Costing (ABC) methodology used for allocating system costs with the MCD Methodology.

How this feedback was considered in the Transition Plan:

The Transition Plan proposes the adoption of the Four-Step Fee and MCD methodologies as its process for determining steward fees. That said, in order to mitigate the impact of this change on stakeholders (both newsprint stewards and municipalities) who may be adversely impacted by this change, Stewardship Ontario proposes that the methodology be implemented over a two-year period to ease the transition, with 2021 fees based on a blend of the Three Factor Formula/ABC Methodology and the Four-Step Fee/MCD methodologies before adopting the full Four-Step Fee/MCD methodologies in 2022.

Relevant section in Transition Plan: Section 7.2.6

4.11 How Reserve Funds Will be Applied to Offset Transition Costs and Steward Fees

Steward feedback:

There were varying views related to reserve funds. Some stewards suggested the money be returned to stewards promptly, while others were supportive to returning the market development funds in 2023 and general reserve funds in 2025, holding money back as a contingency. It was recommended that the Transition Plan include options for returning surplus funds to stewards.

Municipal feedback:

Municipalities encouraged Stewardship Ontario to use the market development funds to continue market development initiatives related to challenging materials.

ENGO feedback:

ENGOS did not support returning market development funds to stewards. They suggested these funds be use to improve recycling education, collection, processes or markets through new initiatives. ENGOS also suggested Stewardship Ontario consult with stewards on opportunities to invest in research and development to boost recycling content levels in plastic packaging and improve end markets for mixed broken glass.

How this feedback was considered in the Transition Plan:

Stewardship Ontario is sympathetic to the desire of some stewards that it reduce fees as soon as possible and as a result

of the feedback received will propose to return market development funds in 2021. However, with respect to the General Reserve, Stewardship Ontario cannot at this stage commit to reducing its operating capital as early as 2023. Stewardship Ontario will review its forecasts annually with a view to determining whether it is in position to accelerate the return of a portion of the General Reserve prior to 2025. Many factors could affect pressures on the General Reserve including steward adjustments, bankruptcies and increases in the scope and activities of the wind up. These will be monitored carefully as they affect the General Reserve in positive/negative ways.

Relevant section in Transition Plan: Sections 6 and 13

5. CONCLUSION

As reflected above, the feedback received during consultations on the Blue Box Program Transition Plan was carefully considered and extremely useful to Stewardship Ontario as the plan was finalized. Stewardship Ontario's proposed Transition Plan was submitted to RPPRA by the August 31, 2020 deadline, as directed by the Minister.

6. STAKEHOLDERS CONSULTED WITH

A total of 460 organizations participated in consultations during the development of the Blue Box Program Transition Plan. These organizations are listed in the table below.

Company	Stakeholder Group
3M Canada	Steward
A&W Food Services of Canada Inc	Steward
A. Lassonde Inc.	Steward
A.M. Jensen Limited	Steward
AbbVie	Steward
ACH Food Companies, Inc	Steward
Active Tire & Auto Centre Inc.	Other
Adonis Group Inc.	Steward
AHAM	Trade Association
Algonquins of Pikwakanagan Ontario First Nation	First Nations Community
ANB Canada Inc	Steward
Apotex Inc.	Steward
Aquaterra Corporation	Steward
ARYZTA Ltd.	Steward
Association of Municipalities of Ontario	Municipal Association
Atron Electro Industries Inc.	Steward
BASF Corporation	Other
Bearskin Airlines	Steward
Beausoleil First Nation	First Nations Community
Beckwith Township	Municipality
Bell Canada	Steward
Bell Mobility	Steward
Benefect	Other
Benjamin Moore & Co.	Steward

Company	Stakeholder Group
Best Buy Canada	Steward
Blount Canada Ltd	Steward
Bluesky Strategy Group	Other
Bluewater Recycling Association	Municipality
BMW Canada Inc.	Steward
Boehringer Ingelheim	Steward
Booster Juice	Steward
Bose Ltd	Steward
Boston Pizza International	Steward
Brock University	Steward
Brockville	Municipality
Bruce Area Recycling	Municipality
BSH Home Appliances Ltd	Steward
Bushnell Corporation of Canada	Steward
C&D	Steward
C&J Clark Canada Limited	Steward
C.B.Powell Ltd.	Other
Campbell Soup	Steward
Campbell Soup of Canada	Steward
Canadian Association Of Recycling Industries	ENGO
Canadian Beverage Association	First Nations Community
Canadian Consumer Specialty Products Association	Trade Association
Canadian Environmental Law Association	ENGO
Canadian Franchise Association	Trade Association
Canadian Health Food Association	Trade Association
Canadian Hickory Farms, Ltd.	Steward
Canadian Medical Association	Steward
Canadian Plastics Industry Association	Packaging Association
Canadian Springs	Steward
Canadian Tire Corporation	Steward
Canadian Vehicle Manufacturers Association	Trade Association
Canon Canada Inc.	Steward
CANPREV NATURAL HEALTH PRODUCTS	Steward
Carton Council Canada	Packaging Association
Cascades Recovery	Waste Management
Catelli	Steward
Central Frontenac Township	Municipality
Chapman's Ice Cream	Steward
Chatham-Kent	Municipality
Chemistry Industry Association of Canada	Trade Association

Company	Stakeholder Group
Chudleighs Ltd	Steward
CIBC	Steward
Citi Cards Canada Inc.	Steward
Citizens' Network on Waste Management	Other
City of Barrie	Municipality
City of Belleville	Municipality
City of Brantford	Municipality
City of Brockville	Municipality
City of Clarence-Rockland	Municipality
City of Elliot Lake	Municipality
City of Guelph	Municipality
City of Hamilton	Municipality
City of Kawartha Lakes	Municipality
City Of Kenora	Municipality
City of Kingston	Municipality
City of London	Municipality
City of Markham	Municipality
City of North Bay	Municipality
City of Orillia	Municipality
City of Ottawa	Municipality
City of Pembroke	Municipality
City of Peterborough	Municipality
City of Sarnia	Municipality
City of Stratford	Municipality
City of Thunder Bay	Municipality
City of Timmins	Municipality
City of Toronto	Municipality
City of Toronto, Solid Waste Management Services	Municipality
City of Vaughan	Municipality
City of Windsor	Municipality
CKF Inc.	Steward
Cleanfarms	Other
Clorox	Steward
Clover Leaf Seafoods	Steward
Columbia Sportswear Canada	Steward
Compass Minerals	Steward
Concord Premium Meats Ltd.	Steward
ConstantineLegal	Other
Continuous Improvement Fund	CIF
Costco Wholesale Canada Ltd	Steward

Company	Stakeholder Group
County of Brant	Municipality
County of Dufferin	Municipality
County of Peterborough	Municipality
County of Simcoe	Municipality
County of Wellington	Municipality
Crayola Canada	Steward
CRC Industries, Inc.	Steward
CropLife Canada	Trade Association
Crossmark Canada	Steward
CUPE	Other
D&G Laboratories Inc	Steward
D&H Canada ULC	Steward
Dairy Queen	Steward
Danby Products	Steward
Danone Canada	Steward
Dart Container	Steward
Dell Canada Inc	Steward
Diana's Seafood delight inc.	Steward
Dillon Consulting Ltd.	Other
District Municipality of Muskoka	Municipality
Dorel Juvenile Canada	Steward
Dormer Laboratories Inc.	Steward
Duracell	Steward
Dural	Other
Earnscliffe	Other
Éco Entreprises Québec	Other
EcoCompass	Other
Economical INSurance	Steward
Edwardsburgh Cardinal Township	Municipality
EFS PLASTICS	Other
Electronics Product Stewardship Canada	Trade Association
Emterra Group	Waste Management
Enbridge Gas Inc.	Steward
Environmental Defence	Other
EPI	Steward
Epson America Inc.	Steward
Eunomia Research & Consult, INC.	Other
exp	Other
FaithLife Financial	Steward
Farm Boy Company Inc.	Steward

Company	Stakeholder Group
FCA	Steward
FCC	Steward
Ferring Inc.	Steward
FIGR	Steward
Fine Choice Foods Ltd.	Steward
Finica Foods	Steward
Food & Consumer Products Of Canada	Trade Association
Freud Canada, Inc.	Steward
Fromagerie Coopérative St-Albert Inc.	Steward
Front of Yonge Township	Municipality
Fruit of the Loom	Steward
fujifilm holdings america corp	Steward
Gambles Ontario Produce Inc.	Steward
Garant GP	Steward
Garth Hickle Consulting	Other
Gary Garland Consulting	Other
Gay Lea Foods Co-operative Ltd.	Steward
General Mills Canada	Steward
General Motors of Canada	Steward
Genuine Health	Steward
Georgian Bluffs	Municipality
GFL	Waste Management
GKPC	Steward
Global Automakers of Canada	Trade Association
Golder	Other
Golder Associates	Other
GoodLife fitness	Steward
Goodyear Canada Inc.	Steward
Goulais River LSB	Municipality
GOURMET TRADING CO LTD	Steward
GRACE FOODS CANADA INC	Steward
Gracious Living Corporation	Steward
Greater Sudbury Utilities	Other
Green VI	Other
Greenhawk	Steward
Greenview Environmental Management Limited	Other
Guy Perry & Associates	Other
Haldimand County - Environmental Operations	Municipality
Halton Region	Municipality
HAWKESBURY JOINT RECYCLING	Municipality

Company	Stakeholder Group
HBC	Steward
HDR	Other
Henkel of America, Inc	Steward
HEXO Corp	Steward
HFC International Prestige Inc.	Steward
Holt Renfrew	Steward
Howick Township	Municipality
Hudson's Bay Company	Steward
Ice River Springs	Other
Ice River Springs Water Co. Inc	Steward
I-D Foods Corp	Steward
Independent	Other
Iovate Health Sciences International Inc.	Steward
Iroquois Falls	Municipality
Janssen (J&J)	Steward
Johnson & Johnson	Steward
JVCKENWOOD Canada	Steward
Kapuskasing Moonbeam Landfill Site Management Board	Municipality
Kelleher Environmental	Other
Keurig Dr Peppere Canada	Steward
Kia Canada	Steward
Kidcentral Supply Inc	Steward
kidcentral.ca	Steward
KitchenCraft	Steward
Kohl & Frisch Limited	Steward
Krikorian Co. Ltd	Steward
L.H. Gray & Son Limited	Steward
Lactalis (Parmalat) Canada	Steward
Lambton College	Steward
Lasko Products/Air King America	Steward
Lee Valley Tools	Steward
LEGO Systems Inc	Steward
Lenovo	Steward
Lexmark International, Inc.	Steward
LG Electronics Canada, Inc.	Steward
LINCit	Other
Lindt	Steward
Lindt & Sprungli Canada	Steward
Loblaws Inc.	Steward

Company	Stakeholder Group
LONG & MCQUADE	Steward
Lontours Canada Ltd	Steward
Love Environment	Other
Lovell Drugs	Steward
LOWE'S Canada	Steward
Loyalist Public Affairs	Other
Loyalist Township	Municipality
Lush Handmade Cosmetics	Steward
Lutron Electronics Co., Inc.	Steward
LVMH FRAGRANCE BRANDS	Steward
Makita Canada Inc.	Steward
Mapei Inc	Steward
Maple Leaf Foods	Steward
Maricann Inc.	Steward
Mary Kay Cosmetics	Steward
Mattel Canada	Steward
Mattice - Val Côté	Municipality
McConnell Weaver Strategic Communication	Other
McKesson Canada	Other
MECP	MECP
Medical Pharmacies Group	Steward
Melitta Canada	Steward
Mentholatum	Steward
Metro Ontario Inc.	Steward
MFOA	Municipal Association
Minute Maid Canada	Steward
Mississippi Mills	Municipality
Mitsubishi Motor Sales	Steward
Mitsubishi motor sales of Canada, INC	Steward
MMSCAN	Steward
Moen	Steward
Mohawk College	Steward
Mondelez	Steward
Movado Group	Steward
MPS Group	Other
Multi-Material Stewardship Manitoba Inc.	Other
Municipal Waste Association	Municipal Association
Municipalité Alfred & Plantagenet	Municipality
Municipality of Calvin	Municipality
Municipality of Central Elgin	Municipality

Company	Stakeholder Group
Municipality of Dysart et al	Municipality
Municipality of Grey Highlands	Municipality
Municipality of Hastings Highlands	Municipality
Municipality of Highlands East	Municipality
Municipality of Huron Shores	Municipality
Municipality of Kincardine	Municipality
Municipality of Magnetawan	Municipality
Municipality of North Grenville	Municipality
Municipality of Powassan	Municipality
Municipality of South Dundas	Municipality
Municipality of Trent Lakes	Municipality
Municipality of West Grey	Municipality
Municipality of West Nipissing	Municipality
Muskoka Roastery Coffee Co.	Steward
National Presto Industries, Inc.	Steward
NATIONAL Public Relations	Other
Nespresso Canada	Steward
Nestle Canada	Steward
Nestle Purina	Steward
Nestle Water Canada	Steward
News Media Canada	ENGO
Niagara Region	Municipality
Nissan Canada Inc.	Steward
Norfolk County	Municipality
Northumberland County	Municipality
OCAD University	Steward
Ogemawahj Tribal Council	First Nations Association
Omron Healthcare	Other
Ontario Lottery & Gaming	Steward
Ontario Waste Management Association (OWMA)	Waste Management
Oppy	Steward
Ottawa Valley Waste Recovery Centre	Municipality
Owens Corning	Steward
Oxford County	Municipality
Papineau-Cameron Township	Municipality
Partylite Gifts, LTD.	Steward
PepsiCo	Steward
Pharmasave	Steward
Policy Integrity	Other
Pollock Environmental	Other

Company	Stakeholder Group
Postmedia Network Inc	Steward
PPEC	Packaging Association
PPG	Steward
Premier Tech Home & Garden	Steward
Premier Tech Ltd.	Steward
Prestone Products Corp.	Steward
Procter & Gamble Inc.	Steward
Quinte Waste Solutions	Municipality
R.J. Burnside & Associates Limited	Other
RBC	Steward
RBI	Steward
Recycling Council of Ontario	ENGO
Red Bull Canada	Steward
Regal	Steward
Region of Durham	Municipality
Region of Peel	Municipality
Region of Waterloo	Municipality
Regional Municipality of Durham	Municipality
Regional Municipality of Waterloo	Municipality
Renin Canada Corp	Steward
Resideo	Steward
Resource Productivity and Recovery Authority	RPPRA
Restaurants Canada	Trade Association
Retail Council of Canada	Trade Association
Rexall	Steward
Ripley's Aquarium of Canada	Steward
RLGA	Steward
Robins Environmental	Other
Rogers Communications	Steward
RSE	Steward
Rustoleum Canada	Steward
RW Consumer Products Ltd.	Steward
RWDI	Steward
Ryse Solutions	Waste Management
S&F Food Importers	Steward
SC Johnson	Steward
Scotts Canada Ltd.	Steward
Scout Environmental	Other
Sheridan College	Steward
Shurtape	Steward

Company	Stakeholder Group
Silva Custom Furniture	Steward
Simply Good Foods Canada, Inc.	Other
Sir	Steward
Six Nations of the Grand River	First Nations Community
Sleep Country Canada	Steward
Smucker Foods of Canada Corp.	Steward
Sony of Canada Ltd.	Steward
St. Clair Township	Municipality
Staples Canada	Steward
Stewardship Ontario	Stewardship Ontario
Stikeman Elliott	Other
Strategy Matters Inc.	Other
Stratford Festival	Steward
Sun-Rype Products Ltd	Steward
Sussex Strategy Group	Other
Swissmar Ltd.	Steward
T&T Supermarket Inc	Steward
Tay Valley Township	Municipality
TERRA Greenhouses	Steward
Terrapure	Waste Management
Tetra Tech Canada Inc.	Other
The CIF	Other
The Co-operators	Steward
The Corporation of the Town of Renfrew	Municipality
The Corporation of the Township of North Frontenac	Municipality
The Dominion of Canada General Insurance Company	Steward
The Home Depot	Steward
The Nation Municipality	Municipality
The Shopping Channel	Steward
Tim Hortons	Steward
Tlmex Group	Steward
TMF Foods - Lou's Kitchen	Steward
TOMRA	Waste Management
Toronto and Region Conservation Authority	Other
Town of Arnprior	Municipality
Town of Aylmer	Municipality
Town of Carleton Place	Municipality
Town of Cochrane	Municipality

Company	Stakeholder Group
Town of Englehart	Municipality
Town of Espanola	Municipality
Town of Fort Frances	Municipality
Town of Gananoque	Municipality
Town of Goderich	Municipality
Town of Greater Napanee	Municipality
Town of Newmarket	Municipality
Town of Parry Sound	Municipality
town of Perth	Municipality
Town of Plympton-Wyoming	Municipality
Town of Prescott	Municipality
Town of Saugeen Shores	Municipality
Town of Smiths Falls	Municipality
Town of Spanish	Municipality
Town of The Blue Mountains	Municipality
Town of Whitchurch-Stouffville	Municipality
Township of Addington Highlands	Municipality
Township of Admaston/Bromley	Municipality
Township of Algonquin Highlands	Municipality
Township of Armour	Municipality
Township of Augusta	Municipality
Township of Baldwin	Municipality
Township of Beckwith	Municipality
Township of Bonfield	Municipality
Township of Chatsworth	Municipality
Township of Chisholm	Municipality
Township of Drummond/North Elmsley	Municipality
Township of Edwardsburgh Cardinal	Municipality
Township of Evanturel	Municipality
Township of Georgian Bluffs	Municipality
Township of Greater Madawaska	Municipality
Township of King	Municipality
Township of Limerick	Municipality
Township of Machar	Municipality
Township of Malahide	Municipality
Township of Matachewan	Municipality
Township of McNab/Braeside	Municipality
Township of Minden Hills	Municipality
Township of North Glengarry	Municipality
Township of O'Connor	Municipality

Company	Stakeholder Group
Township of Perry	Municipality
Township of Sables-Spanish Rivers	Municipality
Township of South Frontenac	Municipality
Township of South Glengarry	Municipality
Township of South Stormont	Municipality
Township of Southgate	Municipality
Township of Southwold	Municipality
Township of Terrace Bay	Municipality
Township of the Archipelago	Municipality
Township of Whitewater Region	Municipality
Tree of Life Canada	Steward
Twp of Brudenell, Lyndoch and Raglan	Municipality
UAP INC	Steward
uccmm	First Nations Community
UNFI Canada Inc.	Steward
Unica Insurance	Steward
Unilever Canada	Steward
United Townships of Head, Clara & Maria	Municipality
University of Waterloo	Steward
University of Western Ontario	Steward
Valpak	Steward
VHS	Steward
Village of Burk's Falls	Municipality
Village of Point Edward	Municipality
Walmart	Steward
Waste Watch Ottawa	ENGO
Waste Watch Ottawa (WWO)	ENGO
Wawanesa Mutual Insurance Company	Steward
Wentworth Technologies	Other
West Elgin	Municipality
West Park Healthcare Centre	Steward
Western University	Steward
Whole Foods Market	Steward
Wikwemikong Unceded Territory	First Nations Community
Wrigley	Steward
Yamaha Canada Music Ltd	Steward
Yamaha Motor Canada	Steward
York Region	Municipality
York University	Steward

APPENDIX B: Detailed Communications Timeline

The following outlines Stewardship Ontario’s plan to fulfill this obligation. Communication initiatives during the implementation of the Transition Plan will remain consistent with information stakeholders receive during normal operations, with additional emphasis on information and updates related to key transition dates and deadlines as applicable. This section indicates whether a communication is **normal business (NB)** or **transition-related (TR)**. It’s important to note that while this plan provides the majority of communication activities that will occur between 2020 – 2026, the need for other communications will likely arise.

2020

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 1, 2020	Fee invoices for 2021 calendar year	Email	Stewards	NB
January 31, 2020	Annual obligation payment due	Email	Stewards	NB
January 31, 2020	Quarterly fees payment due (1/4)	Email	Stewards	NB
February, 2020	CSSA ‘Ready to Report’ webinars and updated reporting resources	Website Email Webinars	Stewards	NB
March, 2020	Q1 steward newsletter	Email	Stewards	NB
March 31, 2020	Final payment made to municipalities for 2019 obligation	Email	Municipalities and First Nations communities	NB
April 1, 2020	Stewardship Ontario’s annual filing on 2019 program performance submitted to RPRA	Website	All	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
April 30, 2020	Quarterly fees payment due (2/4)	Email	Stewards	TR
June, 2020	Q2 steward newsletter	Email	Stewards	NB
June, 2020	Late reporting notices	Email	Stewards	NB
June 16 & 17, 2020	Stewardship Ontario's consultation on its Blue Box Transition Plan proposals	Webinars	All	TR
June 30, 2020	First payment made to municipalities for 2020 obligation	Email	Municipalities and First Nations communities	NB
June 30, 2020	RPRAs announce 2021 obligation	Website Email	Stewards Municipalities and First Nations communities	NB
July 1, 2020	Annual report released	Website Email Steward newsletter	All stakeholders	NB
July 15, 2020	Stakeholder feedback due to Stewardship Ontario	Website Email	All	TR
July 31, 2020	Annual steward reporting deadline (2019 data) – extended due to COVID-19	Website Email	Stewards	NB
July 31, 2020	Deadline for stewards to submit adjustment requests (2018 supply data)	Website Email	Stewards	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
July 31, 2020	Quarterly fees payment due (3/4)	Email	Stewards	NB
Aug 31, 2020	Stewardship Ontario submits Blue Box Transition Plan and consultation report to RPRA	Email	All	TR
September, 2020	Q3 steward newsletter	Email	Stewards	NB
October, 2020	Annual steward meeting (2021 fees published)	Website Email Webinar	Stewards	NB
September 30, 2020	Second payment made to municipalities for 2020 obligation	Email	Municipalities and First Nations communities	NB
October 31, 2020	Quarterly fees payment due (3/4)	Email	Stewards	NB
December, 2020	Q4 steward newsletter	Email	Stewards	NB
December 31, 2020	Anticipated date RPRA will approve Stewardship Ontario's Blue Box Program Transition Plan	Website Email	All	TR

2021

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 1, 2021	RPRA's approval of the Blue Box Program Transition Plan	Website Email blast	All	TR
January 1, 2021	Fee invoices for 2021 calendar year	Email	Stewards	NB
January 31, 2021	Annual obligation payment due	Email	Stewards	NB
January 31, 2021	Quarterly fees payment due (1/4)	Email	Stewards	NB
February, 2021	CSSA 'Ready to Report' webinars and updated reporting resources	Website Email Webinars	Stewards	NB
March, 2021	Q1 steward newsletter	Email	Stewards	NB
March 31, 2021	Final payment made to municipalities for 2020 obligation	Email	Municipalities and First Nations communities	NB
April 1, 2021	Stewardship Ontario's annual filing on 2020 program performance submitted to RPRA	Website	All	NB
April 30, 2021	Quarterly fees payment due (2/4)	Email	Stewards	TR
Tentative April/May	New Blue Box regulations released by MECP	Website Email	All	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
May 31, 2021	Annual steward reporting deadline (2020 data)	Website Email	Stewards	NB
June, 2021	Q2 steward newsletter	Email	Stewards	NB
June, 2021	Late reporting notices	Email	Stewards	NB
June 30, 2021	RPRA announces 2022 obligation	Website Email	Stewards Municipalities and First Nations communities	Both
June 30, 2021	First payment made to municipalities for 2021 obligation	Email	Municipalities and First Nations communities	NB
July 1, 2021	Annual report released	Website Email Steward newsletter	All stakeholders	NB
July 31, 2021	Deadline for stewards to submit request for fee adjustments (2019 supply data)	Website Email	Stewards	NB
July 31, 2021	Quarterly fees payment due (3/4)	Email	Stewards	NB
September, 2021	Q3 steward newsletter	Email	Stewards	NB
October, 2021	Annual steward meeting (2022 fees published)	Website Email Webinar	Stewards	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
September 30, 2021	Second payment made to municipalities for 2021 obligation	Email	Municipalities and First Nations communities	NB
October 31, 2021	Quarterly fees payment due (3/4)	Email	Stewards	NB
December, 2021	Q4 steward newsletter	Email	Stewards	NB
December, 2021	Submission of inventory of intellectual property/market knowledge to RPRA	Email	All	TR
December 30, 2021	Third payment made to municipalities for 2021 obligation	Email	Municipalities and First Nations communities	NB

2022

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 1, 2022	Fee invoices for 2022 calendar year	Email	Stewards	NB
January 31, 2022	Annual obligation payment due	Email	Stewards	NB
January 31, 2022	Quarterly fees payment due (1/4)	Email	Stewards	NB
February, 2022	CSSA 'Ready to Report' webinars and updated reporting resources	Website Email Webinars	Stewards	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
March, 2022	Q1 steward newsletter	Email	Stewards	NB
March 31, 2022	Deadline for stewards to submit request for fee adjustments (2019 supply data)	Email	Stewards	TR
March 31, 2022	Final payment made to municipalities for 2021 obligation	Email	Municipalities and First Nations communities	NB
April 1, 2022	Stewardship Ontario's annual filing on 2021 program performance submitted to RPRA	Website	All	NB
April 30, 2022	Quarterly fees payment due (2/4)	Email	Stewards	NB
May 31, 2022	Annual steward reporting deadline (2021 data)	Website Email	Stewards	NB
June, 2022	Q2 steward newsletter	Email	Stewards	NB
June, 2022	Late reporting notices	Email	Stewards	NB
June 30, 2022	RPRA announces 2023 obligation	Website Email	Stewards Municipalities and First Nations communities	Both
June 30, 2022	First payment made to municipalities for 2022 obligation	Email	Municipalities and First Nations communities	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
July 1, 2022	Annual report released	Website Email Steward newsletter	All stakeholders	NB
July 31, 2022	Deadline for stewards to submit request for fee adjustments (2020 supply data)	Website Email	Stewards	NB
July 31, 2022	Quarterly fees payment due (3/4)	Email	Stewards	NB
September, 2022	Q3 steward newsletter	Email	Stewards	NB
October, 2022	Annual steward meeting (2023 fees published)	Website Email Webinar	Stewards	NB
September 30, 2022	Second payment made to municipalities for 2022 obligation	Email	Municipalities and First Nations communities	NB
October 31, 2022	Quarterly fees payment due (3/4)	Email	Stewards	TR
December, 2022	Q4 steward newsletter	Email	Stewards	NB
December 30, 2022	Third payment made to municipalities for 2022 obligation	Email	Municipalities and First Nations communities	NB

2023

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 1, 2023	Fee invoices for 2023 calendar year	Email	Stewards	NB
January 31, 2023	Annual obligation payment due	Email	Stewards	NB
January 31, 2023	Quarterly fees payment due (1/4)	Email	Stewards	NB
February, 2023	CSSA 'Ready to Report' webinars and updated reporting resources	Website Email Webinars	Stewards	NB
March, 2023	Q1 steward newsletter	Email	Stewards	NB
March 31, 2023	Deadline for stewards to submit request for fee adjustments (2020 and 2021 data)	Email	Stewards	TR
March 31, 2023	Final payment made to municipalities for 2022 obligation	Email	Municipalities and First Nations communities	NB
April 1, 2023	Stewardship Ontario's annual filing on 2022 program performance submitted to RPRA	Website	All	NB
April 30, 2023	Quarterly fees payment due (2/4)	Email	Stewards	NB
May 31, 2023	Annual steward reporting deadline (2022 data)	Website Email	Stewards	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
May 31, 2023	Deadline for stewards to submit request for fee adjustments (2021 supply data)	Website Email	Stewards	NB
June, 2023	Q2 steward newsletter	Email	Stewards	NB
June, 2023	Late reporting notices	Email	Stewards	NB
June 30, 2023	RPRA announces 2024 obligation for remaining municipalities	Website Email	Stewards Municipalities and First Nations communities	Both
June 30, 2023	First payment made to remaining municipalities for 2023 obligation	Email	Municipalities and First Nations communities	NB
July 1, 2023	Annual report released	Website Email Steward newsletter	All stakeholders	NB
July 31, 2023	Quarterly fees payment due (3/4)	Email	Stewards	NB
September, 2023	Q3 steward newsletter	Email	Stewards	NB
October, 2023	Annual steward meeting (2024 fees published)	Website Email Webinar	Stewards	NB
September 30, 2023	Second payment made to remaining municipalities for 2023 obligation	Email	Municipalities and First Nations communities	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
October 31, 2023	Quarterly fees payment due (3/4)	Email	Stewards	NB
December, 2023	Q4 steward newsletter	Email	Stewards	NB
December 30, 2023	Third payment made to remaining municipalities for 2023 obligation	Email	Municipalities and First Nations communities	NB

2024

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 1, 2024	Fee invoices for 2024 calendar year	Email	Stewards	NB
January 31, 2024	Annual obligation payment due	Email	Stewards	NB
January 31, 2024	Quarterly fees payment due (1/4)	Email	Stewards	NB
February, 2024	CSSA 'Ready to Report' webinars and updated reporting resources	Website Email Webinars	Stewards	NB
March, 2024	Q1 steward newsletter	Email	Stewards	NB
March 31, 2024	Deadline for stewards to submit request for fee adjustments (2022 data)	Email	Stewards	TR

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
March 31, 2024	Final payment made to remaining municipalities for 2023 obligation	Email	Municipalities and First Nations communities	NB
April 1, 2024	Stewardship Ontario's annual filing on 2023 program performance submitted to RPRA	Website	All	Both
April 30, 2024	Quarterly fees payment due (2/4)	Email	Stewards	NB
May 31, 2024	Annual steward reporting deadline (2023 data)	Website Email	Stewards	NB
May 31, 2024	Deadline for stewards to submit request for fee adjustments (2022 supply data)	Website Email	Stewards	NB
June, 2024	Q2 steward newsletter	Email	Stewards	NB
June, 2024	Late reporting notices	Email	Stewards	NB
June 30, 2024	RPRA announces 2025 obligation for remaining municipalities	Website Email	Stewards Municipalities and First Nations communities	Both
June 30, 2024	First payment made to remaining municipalities for 2024 obligation	Email	Municipalities and First Nations communities	NB
July 1, 2024	Annual report released	Website Email Steward newsletter	All stakeholders	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
July 31, 2024	Quarterly fees payment due (3/4)	Email	Stewards	NB
September, 2024	Q3 steward newsletter	Email	Stewards	NB
October, 2024	Annual steward meeting (2025 fees published)	Website Email Webinar	Stewards	NB
September 30, 2024	Second payment made to remaining municipalities for 2024 obligation	Email	Municipalities and First Nations communities	NB
October 31, 2024	Quarterly fees payment due (3/4)	Email	Stewards	NB
December, 2024	Q4 steward newsletter	Email	Stewards	NB
December 30, 2024	Third payment made to remaining municipalities for 2024 obligation	Email	Municipalities and First Nations communities	NB

2025

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 1, 2025	Fee invoices for 2025 calendar year	Email	Stewards	NB
January 31, 2025	Annual obligation payment due	Email	Stewards	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
January 31, 2025	Quarterly fees payment due (1/4)	Email	Stewards	NB
February, 2025	CSSA 'Ready to Report' webinars and updated reporting resources	Website Email Webinars	Stewards	NB
March, 2025	Q1 steward newsletter	Email	Stewards	NB
March 31, 2025	Deadline for stewards to submit request for fee adjustments (2023 data)	Email	Stewards	TR
March 31, 2025	Final payment made to remaining municipalities for 2024 obligation	Email	Municipalities and First Nations communities	NB
April 1, 2025	Stewardship Ontario's annual filing on 2024 program performance submitted to RPRA	Website	All	Both
April 30, 2025	Quarterly fees payment due (2/4)	Email	Stewards	NB
June, 2025	Q2 steward newsletter	Email	Stewards	NB
June, 2025	Late reporting notices	Email	Stewards	NB
June 30, 2025	First payment made to remaining municipalities for 2025 obligation	Email	Municipalities and First Nations communities	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
July 1, 2025	Annual report released	Website Email Steward newsletter	All stakeholders	NB
July 31, 2025	Quarterly fees payment due (3/4)	Email	Stewards	NB
September, 2025	Q3 steward newsletter	Email	Stewards	NB
September 30, 2025	Second payment made to remaining municipalities for 2025 obligation	Email	Municipalities and First Nations communities	NB
October 31, 2025	Quarterly fees payment due (4/4)	Email	Stewards	TR
December, 2025	Q4 steward newsletter	Email	Stewards	NB
December 30, 2025	Third payment made to remaining municipalities for 2025 obligation	Email	Municipalities and First Nations communities	NB

2026

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
April 1, 2026	Stewardship Ontario's annual filing on 2025 program performance submitted to RPRA	Website	All	Both
March 31, 2026	Final payment made to remaining municipalities for 2025 obligation	Email	Municipalities and First Nations communities	NB

Date	Description	Communication Method(s)	Stakeholder Group(s)	NB / TR
Q3, 2026	Submission of windup report to RPRA and the Minister	Email	All	TR
Q3, 2026	Final distribution of residual funds	Email	Stewards	TR
September, 2026	Stewardship Ontario completes corporate windup	Website Email	All stakeholders	TR



A Proposed Material Cost Differentiation Methodology

Consultation Report

August, 2020

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1 Introduction

The Material Cost Differentiation (MCD) Methodology is a new and innovative way to measure the cost impacts of materials on the recycling system. If approved, it will provide a significant input to setting fair and principle-based fee rates for the Recycle BC, MMSW, MMSM and Stewardship Ontario's packaging and paper product (PPP) recycling programs. Given that the MCD Methodology will produce this important input for fee setting, and therefore has significant impacts on all stewards, CSSA undertook a comprehensive consultation process with a wide cross-section of stakeholders to seek their input and answer their questions on the proposed methodology. This consultation report provides an overview of the MCD Methodology, the consultation process, stakeholder feedback, CSSA's responses to questions and concerns raised, and next steps for the MCD project.

1.1 Background on the MCD Methodology Project

In 2016 CSSA, in consultation with the producer community, developed a new fee setting methodology, known as the Four-Step Fee Methodology. Now in its fourth year, the methodology is principle-based and strives for fairness in setting fees for PPP for participating programs. The fee methodology is dependent on the quality of its inputs, chief among them the metric that reflects each material's unique impacts on the cost of recycling system activities. To date, this input has been generated by conducting Activity Based Costing (ABC) studies, but a number of factors have driven the need for a modernized approach: ABC's inability to satisfy steward priorities; ongoing challenges with regularly collecting data that is typically private and confidential; and the evolution of materials and recycling systems since ABC was created almost two decades ago.

In order to address these issues, the MCD project was initiated in 2017 to develop a new and better way to measure how PPP materials impact the cost of recycling system activities, taking into consideration each material's characteristics and the trends emerging in recycling technology and packaging design. The new methodology will produce a critical input to fee setting that is intended to replace today's ABC approach for the Recycle BC, MMSW, MMSM and Stewardship Ontario programs.

1.2 Governance and Development of the MCD Methodology

The MCD Methodology's development has been supported by a dedicated group of stewards who formed the Steward Consultation Committee (SCC). These stewards participated in a series of workshops beginning in 2018 and collectively represent all materials, as well as the interests and concerns of the wider steward community. SCC participants included the companies identified by their logos seen here.

The project was also supported by CSSA staff, program leaders, industry subject matter experts and the lead consulting firm, Resource Recycling Systems (RRS). The work of the SCC was guided by a Steering Committee representing each of the program's Board of Directors. In January 2020 the SCC completed its work and along with the Steering Committee and program Boards of Directors, approved the MCD Methodology for consultation with the stakeholder community.

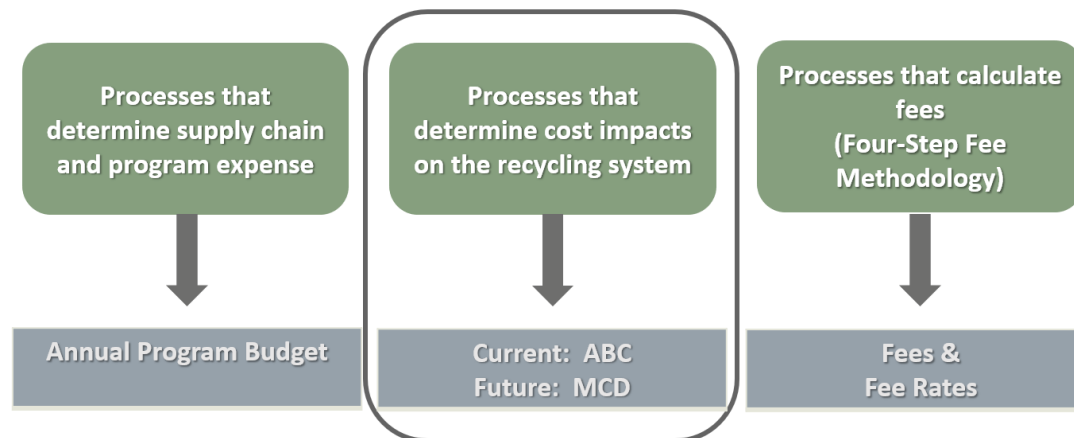


With the consultation process now complete, the MCD Methodology and this MCD Consultation Report will be submitted to the Boards of Recycle BC, MMSW, MMSM and Stewardship Ontario to approve the methodology's use in setting fees for their respective programs.

1.3 Overview of the MCD Methodology

Calculating the fees for each PPP program involves three distinct sets of activities: 1) setting the program budget; 2) determining material cost impacts on the recycling system; and 3) calculating fees and fee rates, as illustrated in Figure 1 below.

Figure 1 – Three distinct sets of processes for fee setting



The MCD Methodology applies to and supports the second set of activities, (i.e., measures material cost impacts in the recycling system), and, if approved, will replace current Activity Based Costing. In turn, the MCD Methodology's results will provide the key input to the third process set seen here -- calculating fees and fee rates.

The MCD Project's objective was to develop a methodology that:

1. Differentiates the cost impacts to manage each material in a recycling system in a manner that reflects the impact of the material's characteristics on the system;
2. Is clearly articulated and supported by procedures that are easily replicated;
3. Is based on defensible assumptions; and
4. Generates results that are sound and comparable over the long term.

The MCD Methodology has four components as illustrated below.

- 1) **Guiding Principles:** Created by stewards, these principles informed decision making when developing the remaining components of the MCD Methodology.
- 2) **The MCD Context** provides the assumptions, definitions and concepts necessary for the MCD model to successfully measure and calculate cost impacts. The MCD Context consists of four key elements: 1) material characteristics and the impacts to be measured; 2) material categories are identified and used to measure material cost impacts; 3) system boundaries that demarcate how materials enter the system and the extent of sorting activities needed; and 4) the conceptual MCD system, that is comprised of 18 distinct modules that collectively represent all activities and resources needed to deliver repurpose-ready material.
- 3) **The MCD Model** consists of the costing assumptions, impact measurement metrics, and measurement protocols used to calculate each material category's cost impacts, which informs fee setting.
- 4) **The Maintenance Procedures** that instructs how to monitor the evolving tonne, recycling processes and technology and their costs to ensure that the MCD model itself can change over time to stay in step with the marketplace.

Material Cost Differentiation Methodology

1 Guiding Principles

Developed by stewards to inform decision-making of the project team during the development of the remaining components of the MCD Methodology.



2 The MCD Context

1) **Material Characteristics:** Determine what impacts to measure.

2) **Material Categories:** Categories used for impact measurement tests.

3) **System Boundaries:** Where materials enter the system and extent of sorting activities needed.

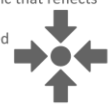
4) **The MCD System:** Comprised of 18 distinct modules that collectively represent all activities and resources necessary to deliver repurpose-ready material.



3 The MCD Model

The MCD model includes the following:

- Costing assumptions for all resources needed to complete the activities defined for each of the 18 modules in the MCD system, and which in turn are used to calculate each module's "cost factor", i.e., its share of the overall MCD System costs.
- Each module's impact measurement metric that reflects the utilization of the module's resources.
- The impact measurement results produced when applying the measurement protocols to each material for each metric which are inputs to fee setting.



4 MCD Methodology Maintenance

The guidelines for monitoring the evolving tonne, market trends and technological developments to ensure the MCD Context continues to align with the Guiding Principles.



2 Consultation Process

The MCD Methodology will produce a key input to the fee setting process and therefore warrants extensive engagement with the PPP programs' stakeholder community. In addition to the work carried out by the SCC in the MCD's development, CSSA managed a consultation with stakeholders through an extensive process that ran from June 9th through to the close of the comment period on July 23, 2020, and included an information webinar held on June 25, 2020. The full range of stakeholders across the PPP supply chain, representing all sectors and materials, was invited to participate. In addition, as part of its Blue Box Program Transition Plan consultations, Stewardship Ontario separately consulted with stakeholders on implementation of the Four-Step fee methodology and adoption of the MCD Methodology. Participants in the Stewardship Ontario consultation were encouraged to visit CSSA's dedicated MCD webpage for detailed information on the MCD methodology. Consequently, CSSA received feedback from stakeholders via two consultation processes. A summary of the feedback received via both consultation channels is provided below.

2.1 Stakeholder Engagement

Stakeholders were notified of the opportunity to learn more about the MCD methodology and provide input or questions through a series of communications and a [dedicated page](#) on the CSSA website. They were distributed to the full range of stakeholders representing all sectors across the recycling supply chain including material suppliers, waste management organizations, Ontario municipalities, recyclers, producers and their trade associations. CSSA engaged the stakeholder community via email notifications, an information session on June 25, 2020, and one-on-one meetings as requested, with supporting resources available on the dedicated webpage.

2.1.1 Communication and Education

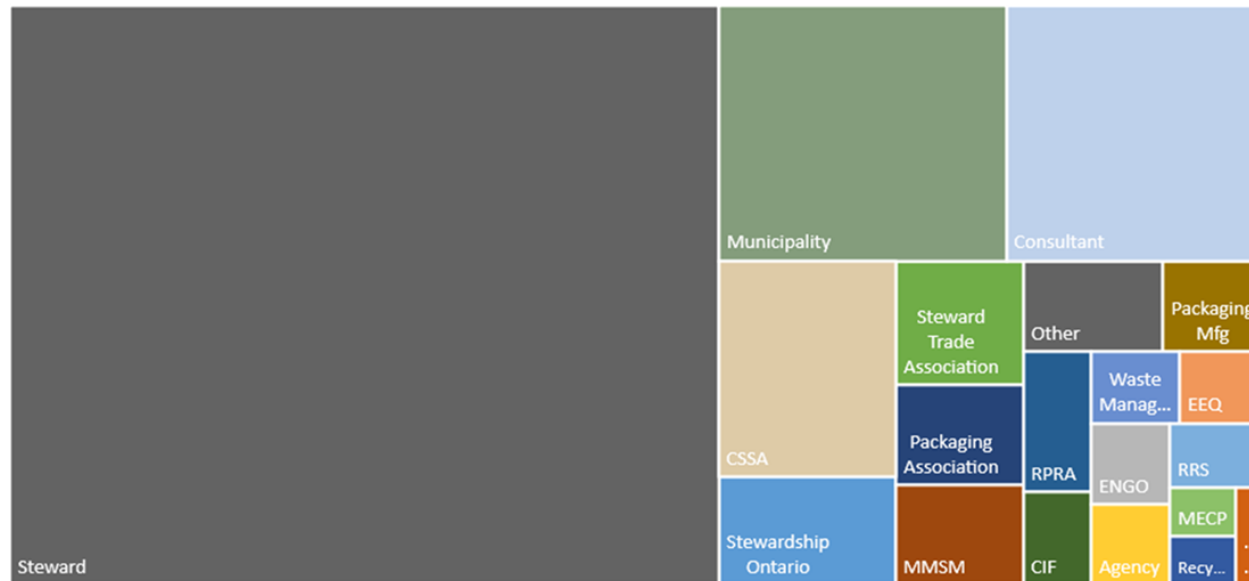
The following emails were distributed to stakeholders:

- The invitation to the MCD Methodology consultation webinar on June 25, 2020 was sent to over 5,300 individuals. The invite and reminders were sent on June 9, 18 and 23, 2020.
- Following the June 25, 2020 webinar, a notice was sent containing links to the webinar recording and the presentation slides; a reminder of the specific questions for which CSSA requested input, and the feedback submission deadline.
- An email on July 13 again reminded stakeholders of the availability of the above-mentioned resources, the deadline to submit comments and the availability of the Q&A document from the webinar.

2.1.2 MCD Methodology Webinar

On June 25, 2020 CSSA hosted a webinar to introduce stakeholders to the MCD Methodology and answer questions. Participation in the webinar was high with 406 registrants and 212 participants representing a good cross-section of sectors along the recycling value chain as illustrated in Figure 2. More than half of webinar attendees were from 115 steward organizations and those stewards in turn represented 41% of total fees paid, across all four PPP programs.

Figure 2: Webinar Participants



During the webinar, CSSA reviewed with stakeholders:

- Project development and governance
- The MCD Methodology and its outcomes
- How the methodology impacts fees, fee rates and stewards
- Consultation questions, timelines and how to submit comments and questions
- Next steps

A recording of the webinar and the presentation are [available here](#).

2.1.3 Consultation Resources

CSSA created a [dedicated page](#) on its website that contains a variety of resources aimed at improving stakeholders' understanding of the proposed MCD methodology including:

- Video: An introduction video explaining the need for a new material specific costing model.
- Project update notices were distributed on a quarterly basis throughout the project's lifecycle.

- A pre-read consultation document was distributed prior to the webinar that outlined the MCD Methodology in detail with a full explanation of its development, how it works and how it feeds into the fee setting process.
- Summary Document: An abridged description of the methodology, along with its key features and benefits, was sent to stakeholders prior to the webinar.
- A fee calculator comparison tool was available immediately following the webinar. It enables producers to compare material fees using the current Four-Step/ABC Fee Methodology¹ with the new Four-Step/MCD Fee Methodology based on the relevant 2020 program fee schedules. Note that it cautions stewards that the tool is designed to provide only an order of magnitude variance in fees, as there are many other data inputs used to calculate fees that differ from year to year.
- Q&A Document: CSSA received questions during the consultation period and frequently updated the Q&A page. A list of all the questions and answers is also available as Appendix A to this report.

Access to these resources culminated in 979 visits to the MCD webpage and the following number of downloads:

- **Webinar recording:** 23
- **Webinar presentation PDF:** 166
- **Pre-read consultation document:** 412
- **Overview document:** 348
- **Q&As:**
 - V1 (posted June 30): 25
 - V2 (posted July 13): 20
 - V3 (posted July 21): 5
 - V4 (posted July 23): 3
 - V5 (posted July 24): 17
- **Calculator tools:**
 - Recycle BC: 100
 - MMSW: 48
 - MMSM: 50
 - Stewardship Ontario: 119

2.1.4 One-on-one Consultation Meetings

In addition to the webinar, CSSA met with individual organizations upon request. CSSA thanks FCPC, RCC and CBA for reviewing an early version of the MCD presentation and providing valuable feedback on how to tell the MCD story. CSSA met with Restaurant Canada and 22 of its member companies

¹ For Stewardship Ontario, the fee calculator comparison tool compared the 3-factor formula/ABC to the Four-Step/MCD

to discuss the MCD Methodology and answer questions relevant to the restaurant sector. CSSA supported Stewardship Ontario at a meeting with representatives from the Ontario municipal community to review the MCD Methodology. CSSA also held individual meetings with the Canadian Beverage Association and the Carton Council of Canada to discuss questions related to the impact of the methodology on the materials most commonly used by their members.

3 Stakeholder Feedback

CSSA received feedback on the MCD methodology through two channels:

- 1) CSSA MCD Methodology consultation process; and
- 2) Stewardship Ontario Blue Box Program Transition Plan consultations.

3.1 Summary of Feedback to CSSA's MCD Methodology Consultation

CSSA posed the following four questions to help frame feedback:

1. Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive? If not, why not?
2. Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?
3. Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?
4. What else do you want to tell us about the proposed Material Cost Differentiation Methodology?

The following organizations provided feedback as part of the MCD consultation:

- Home Hardware Stores
- Loblaw
- Procter and Gamble
- Saputo
- Andrew Pollock Environmental
- Val de Raymond Water
- Staples
- My Green Planet
- V Tech
- Retail Council of Canada
- Federated Co-operatives Limited
- Carton Council of Canada
- Food & Consumer Products of Canada
- Restaurants Canada
- News Media Canada

CSSA received the following feedback to its questions. See Appendix B for respondents' detailed feedback and CSSA's responses.

Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive? If not, why not?

The majority of respondents who answered this question indicated that they agreed that the MCD methodology is principle-based, fair, defensible and comprehensive. One steward-respondent suggested that the MCI could be helpful to those engaged in the Circular Economy “to compare materials and allow for future modifications”. An exception, within the steward community is News Media Canada, representing newspaper publishers. It is concerned about the impact that the MCD Methodology will have on fees for newsprint. Their questions, together with CSSA’s responses are provided in Appendix A to this report. Details of their submission are also provided in Appendix B.

Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?

The majority of respondents who answered this question indicated that they felt it was clear how the MCD methodology will be applied to the fee setting process.

Following the June 25 MCD consultation webinar, CSSA posted fee calculator tools for each of the four PPP programs it supports. The tools provide stewards of each of the programs with an order-of-magnitude variance in fees by comparing each program’s current approach with the new approach, based on 2020 inputs. Download statistics for these tools (see above) indicate that they were popular.

Some members of the steward community expressed concern that the potential for fee increases for some materials may be difficult for stewards to absorb all at once, particularly in light of the challenges presented by the COVID-19 pandemic. The Retail Council of Canada suggested that it may be beneficial to conduct a staged implementation of the MCD Methodology to mitigate its impacts. This suggestion is highly appreciated and will be carefully considered.

Concern was also expressed about the potential complexity, timing and administrative burden associated with changing stewards’ reporting categories to align with the more granular material categories of the MCD Methodology. It is CSSA’s intention to initiate a project to explore if steward reporting categories should be aligned with MCD material categories because precision in the categories contributes to the fairness of the MCD Methodology and resulting fees. To that end, CSSA is planning a harmonization project that will examine the existing reporting categories. We will request steward participation in the project. Timing and potential complexity of implementation will certainly be part of that work and all efforts will be made to minimize administrative burden to stewards, while staying true to the principles of the MCD Methodology and the Four-Step Fee Methodology.

Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?

The majority of respondents who answered this question agreed that the pre-read materials were helpful and the resources provided were adequate.

What else do you want to tell us about the proposed Material Cost Differentiation Methodology?

In response to this question, a number of respondents indicated their support for the adoption of the MCD methodology. Some respondents, while recognizing that their comments were out of the MCD Project scope, took the opportunity to express their concern about rising stewardship costs in

general. Other respondents underscored their concern that difficult-to-recycle materials be attributed their fair share of costs. (The MCD Methodology ensures that all obligated materials are attributed an MCI value whether or not they are actually collected in individual recycling programs.)

3.2 Summary of Feedback to Stewardship Ontario's Blue Box Program Transition Plan Consultations

Stewardship Ontario held its Blue Box Program Transition Plan consultation webinars on June 16th and June 17, 2020. As part of those sessions, Stewardship Ontario asked for feedback on implementation of the Four Step Fee Setting Methodology and the Material Cost Differentiation Methodology. Stewardship Ontario asked stakeholders two specific questions to help frame stakeholder comments:

1. Should Stewardship Ontario proceed with the implementation of the Four-Step Fee Methodology?
2. Should Stewardship Ontario replace Activity Based Costing (ABC) used for allocating system costs with Material Cost Differentiation (MCD)?

Stewardship Ontario received seven MCD-related questions during its webinars. They are available on the Stewardship Ontario Program Transition Plan Consultation Q&A page here (please see questions 12, 46-50 and 67) and are also included in Appendix A of this report. In addition, Stewardship Ontario received submissions from the following organizations that contained feedback on the MCD Methodology, as follows:

- Carton Council of Canada
- Electronics Product Stewardship Canada
- City of Hamilton
- Lutron Electronics Company Inc.
- Retail Council of Canada
- County of Simcoe
- City of Toronto
- Joint submission from: City of Toronto, AMO, Regional Public Works Commissioners of Ontario and municipal Waste Association
- Canadian Beverage Association
- Canadian Consumer Specialty Products Association
- City of Ottawa
- News Media Canada
- Food & Consumer Products of Canada

A summary of feedback to Stewardship Ontario's MCD Methodology questions is provided here. See Appendix B for all comments and responses.

- 1. Should Stewardship Ontario proceed with the implementation of the Four-Step Fee Methodology?**
- 2. Should Stewardship Ontario replace Activity Based Costing (ABC) used for allocating system costs with Material Cost Differentiation (MCD)?**

Stakeholder responses to these questions reflect a difference in perspective between the Ontario municipal sector and the steward community. Municipalities are concerned about the implications for in-kind payments if the Four-Step Fee Methodology and the MCD Methodology are implemented in Ontario because in-kind payments to municipalities would increase by almost \$3.5M when comparing the outcomes using 2020 inputs and the cash payment would decrease by the same amount.² While the Material Cost Index value for newsprint is relatively low, (it ranks sixth on an index of 36 material categories) new measurement metrics, protocols and full costing for all obligated materials means that the MCD Methodology, together with the Four-Step Fee Methodology, shifts additional cost to newsprint. Municipalities and the City of Toronto argue that now is not the time to change the fee calculation methods because Stewardship Ontario is transitioning to wind-up of its program by 2025.

Alternatively, most steward organizations are supportive of implementing both methodologies in Ontario, although they too are concerned with resulting cost shifts (both increases and decreased, depending on the material) and suggest a phased implementation approach. They support adoption of both methodologies because it represents a harmonized approach to fee setting (Stewardship Ontario is the only CSSA-supported program that has not yet adopted the Four-Step Methodology). They recognize that the MCD Methodology is an improvement over the three-factor formula because the former is principle-based, better reflects the current state of technology and materials in the marketplace and provides a clearer, more comprehensive and transparent way to assess the cost impacts to manage each material in the recycling system.

3.3 Next Steps

CSSA would like to thank everyone who took the time to participate in the consultation and provide comments. All feedback received during the consultation period and contained in this consultation report will be submitted to the Boards of Directors of Recycle BC, MMSW, MMSM and Stewardship Ontario for consideration at their September board meetings. The Boards will carefully consider all stakeholders comments and concerns when deciding whether to approve the MCD Methodology. If approved, the intention is to use the Material Cost Index (MCI) as an input when setting 2021 fees.

² Based on 2020 inputs, in-kind payments from newspaper publishers would increase by \$3.5M. 2020 fees calculated using the Three Factor Formula and Activity Based Costing (density and composition updates only) result in municipalities receiving \$4.9M in-kind (i.e., newspaper advertising lineage in lieu of cash) and \$130.3M in cash payment for recycling packaging and printed paper. Had 2020 fees been calculated using the Four-Step Fee Methodology and the MCI input, the In-Kind portion would have been \$8.4M and the cash payment to municipalities would have been \$126.8M.

Appendix A: Stakeholder Questions and Answers on the MCD Methodology

#	Question	Answer
1.	How does the MCD account for differences in labour and capital needs based on the varying mix of materials across the four packaging EPR programs?	<p>The MCD Methodology is focused on measuring the impacts that materials have on a standardized conceptual MCD recycling system so that all material impacts are measured on a level-playing-field basis. As stated on Page 8 of the pre-read document, setting the fees for each program consists of three distinct sets of activities. The MCD methodology supports the second set of activities, which is to determine each material’s impact on the cost of the recycling systems as compared to all other materials.</p> <p>It is the first set of activities, the process by which annual budgets are set, when provincial programs costs are determined, that accounts for differences in labour and capital needs for the varying programs. It is the third set of activities of calculating the fees, that accounts for the varying mix of material supplied and managed for each program given that Step 1 of the Four-Step Fee Methodology requires that each material’s relative share of gross cost considers both its cost impact value (the MCI) and the quantities of materials supplied and managed.</p>
2.	Will there be a set of MCI values specific to each of the four jurisdictions (ON, BC, MB, SK), in order to reflect differences in material mix?	No – expanding on the information above, the MCI represents a material’s impact on recycling system resources defined for a standardized conceptual MCD system so there will be one Material Cost Index used by all four participating programs. As noted above, it is the first and third process that accounts for provincial differences.
3.	Given that about 50% of the tonnes collected in Ontario are collected in a two-stream bin program and that BC also has a significant number of two-stream programs, what is the impact on the accuracy of the MCI?	The MCI is not attempting to replicate the Ontario recycling system. This is a fundamental departure from the principles of the ABC methodology which attempted to replicate the cost of particular systems and then allocate the costs of participating study programs to materials or the commodities in which they are sorted. This resulted in different cost/tonne for each provincial program, reflecting the different mix of study programs. The MCD methodology is focused on the material and its characteristics rather than individual and varied system designs. The system design and other provincial system design differences are accounted for in process #1 illustrated above.
4.	Could you indicate what the CPS assumes in terms of how cartons are prepared by consumers for recycling? Will the CPS be	As it does for all materials, the CPS assumes that Cartons are placed into the collection cart clean and dry, free of all residual product. They are not modified by the consumer before being placed with other materials in the cart, e.g. they are not densified, broken down into a 2-dimensional format or

#	Question	Answer
	updated and if so, how and at what frequency?	<p>dismantled and they are not aggregated or nested. The CPS is silent on the handling of closures, i.e. caps may be on or off, but the expectation is that straws from drinking boxes would be removed from the package. The impact measurement protocols, e.g. various density measurements, exclude any materials that obviously did not conform to the CPS, e.g. if they contained residual product.</p> <p>The CPS is part of the MCD methodology context, specifically the system boundary conditions. While evolution of the system is expected to take place within a three to five-year timeframe, the system components and boundaries, including the CPS will be monitored annually. Updates would be guided by factors such as technological innovation and emerging technologies, consumption preferences, end market specifications, etc.</p>
5.	Can you confirm how cartons are managed between the QC Manual Sort/Mixed Paper Module and the Optical Sorter Module? Are all cartons assumed to be recovered into a PSI-52 grade? Or is a proportion of cartons assumed to be recovered with Mixed Paper#54?	<p>The MCD System and its boundary conditions are conceptual and standardized to all materials and jurisdictions. Using current or emerging technologies, all materials that can be, are sorted to a repurpose ready condition and all resources necessary to do this are accounted for.</p> <p>Cartons are assumed to be sorted optically and all recovered cartons are directed to the emerging Polycoat bale.</p> <p>The majority of the cartons are recovered by the primary optical sort module, Module #8.</p> <p>A portion of the cartons entering the system flow with the mixed paper stream because their characteristics are such that they cannot all be separated from the other fibre materials by the screens. This happens because they may be flattened during collection and behave like the fibre materials, or their light weight causes them to be entrained with the fibre. The portion of cartons that flow with the mixed fibre are therefore recovered in the QC Optical sort – Mixed Paper, Module #10.</p> <p>Therefore, Cartons have the combined mechanical sorting impacts from utilizing the resources of both these modules.</p>
6.	What is an Emerging Grade and why has the MCD not used the ISRI Grade 52, which is a recognized grade?	<p>To be repurpose ready, a material must be “prepared to meet the specification of an entity that will repurpose it without further sorting beyond general cleanup of prohibitive and undesirable materials using commercially available equipment that is not generally employed in MRFs.” The repurpose ready commodity specified for each material was determined through a standard set of criteria applied to all materials.</p> <p>The criteria considered the standard industry practice that either meets an established repurpose ready commodity specification (e.g. ISRI grade 52) or uses an emerging industry practice that meets an</p>

#	Question	Answer
		<p>emerging repurpose ready commodity specification when the predominant practice is declining. An emerging repurpose grade is one that has been successfully implemented in commercial applications.</p> <p>Recently, the predominant industry activity has been to sort cartons (ISRI grade 52 - aseptic and gable top) from other polycoat materials, but as pressure to repurpose other polycoat materials increases as well as the prevalence of optical sorting targeting all polycoated paper material, this sort is being displaced and mills are accepting the polycoat mix.</p>
7.	<p>Can you clarify the difference between Paper laminates and Polycoated Paperboard, and clarify which is included and which is excluded using examples (i.e. frozen food trays, cold drink cups)?</p>	<p>Polycoated Paperboard includes coated paper packaging used to package frozen foods such as ice cream and other food products and polycoated hot and cold drink cups. These are included for collection and sorting and repurposing in the MCD System.</p> <p>Paper Laminates includes packaging in which paper is the main component, and which may include metalized foil, wax or plastic coating, and other coated paper. They are typically flexible packaging and may include multi-layer bags with a poly-film, kraft or other paper layers in packaging. They are not included for collection, sorting and repurposing in the MCD System, but they still are assigned cost impacts according to their characteristics. As they are not repurposed, they would not share in the revenue in Step 2 of the Four-Step fee setting methodology.</p>
8.	<p>Can you provide the Relative Impact Factors (RIF) and Cost Factor (CF) values associated with all the material categories under the different modules?</p>	<p>We agree that understanding cartons' relative impacts in each of the relevant modules could be helpful to Carton Council and its members to understand where cartons' highest cost impacts may reside. However, providing you with RIF and CF values will not provide the kind of meaningful information you're seeking. Instead, CSSA recommends that a meeting be arranged with Carton Council and its interested members, sometime over the next couple of months, when CSSA can take you through in some depth how cartons behave in the various modules that make up the MCD conceptual system. Such a meeting is sure to foster an interesting and fulsome discussion.</p>
9.	<p>Why are aluminum cans called "used beverage container"? Could they be called "aluminum beverage container" to avoid confusion?</p>	<p>The MCD category 'Used Beverage Containers' is used to reflect the ISRI Scrap Circular Specification grade called "Baled Aluminum Used Beverage Can (UBC) Scrap" or Baled UBC for short. Because this grade can only be comprised of aluminum beverage cans, and not any other aluminum containers, the project team thought it was important to model the category name after the ISRI specification. However, given the potential for confusion and the fact that only one other MCD material category refers to materials in their post-consumer format, i.e. Used Beverage Containers (UBC) and Old Corrugated Cardboard (OCC), we will take into consideration your suggested name change going forward. As noted in the presentation deck, we will be initiating a full review of Material Categories in</p>

#	Question	Answer
		our next harmonization project and will do so at that time.
10.	In appendix E, UBCs (aluminum cans) are marked down as “manual, primary and secondary” sorting. Aren’t aluminum cans sorted with an eddy current?	<p>Yes. You will note that Appendix E identifies both Used Beverage Containers and Aluminum Foil and Other Aluminum Containers as the only two materials that utilize the ‘Electromagnetic Sort’ module. This is module #9 in the MCD system. You are correct that this is also referred to as sorting by ‘eddy current’. However, while not practiced in all MRFs, the predominate practice for repurposing and gaining value from aluminum packaging from recycling systems in North America is to sort used beverage containers from other aluminum packaging. This requires a secondary manual sort. Because of the tendency of aluminum used beverage containers to flow with other materials because of their light weight and because of their tendency to change shape (flattened, and therefore may go over the fibre screen in the MCD System), additional quality control sorting activities are required not only to ensure that used aluminum beverage containers are recovered to the degree specified by the MCD System, but also to ensure other materials can meet their specifications for repurposing. This additional sorting ensures that AL UBC satisfies Guiding Principle #4 – for it and other materials to become ready to be repurposed. For additional context, the electromagnetic/eddy current sort associated with AL Used Beverage Containers represents less than 10% of its MCI value whereas the secondary sorting and QC related sorts, just over 10%.</p> <p>The major contributor to this material’s MCI value is related to the Collection module (collection truck) where approximately 50% of its MCI value is assigned. In this module, the UBC has the 3rd highest MCDI (Module Cost Differentiation Index) value because UBC has a low compacted density relative to other materials, thus it takes up relatively more space in the collection vehicle and has a higher impact on this significant module.</p>
11.	Most members expected glass packaging to be higher on the material cost index due to its abrasiveness and damage to equipment. Why is it so low on the material cost index?	<p>When considering each of the Cart,-Collection, Infrastructure and Storage modules, which together represent approximately 75% of the MCD system costs, Glass has the highest density. In the Cart Module its density is second only to Magazines, Catalogues and Directories. Its high density means a lower impact on the resources of these modules relative to other materials.</p> <p>In addition, the MCD system is designed to deliver on the guiding principles outlined in Section 7. To adhere to these principles, including consideration of ‘emerging trends’, the MCD system’s design includes a Glass Separation module (Module 6) and this module’s impact is fully attributed to Glass and represents approximately 20% of its overall MCI value. Further, as you note, Glass does have abrasive and damaging characteristics (what we call ‘Impeding and Damaging Characteristics’). In Module 17, the ‘Abrasiveness’ module, Glass assumes almost 90% of the cost impacts of this module. Steel containers</p>

#	Question	Answer
		<p>and AL UBC are attributed 8% and 4% respectively.</p> <p>The Impeding and Damaging Characteristics module for abrasiveness, Module 17, represents just less than 5% of the MCD system cost, i.e. a significant cost for primarily one material, such that its MCDI reflects just less than 50% of the value of glass within the MCI. Thus, it's MCDI respects both the impact and the cost so that high impacts on low cost modules are not overstated. This, of course, works both ways and ensures that materials with low impacts on high cost modules such as the Cart, Collection and Infrastructure Modules are not understated.</p>
12.	<p>Some members have questioned why PET water bottles and PET beverage bottles are high on the material cost index above cartons, PP containers and PVC. Could you let me know why PET bottles rank where they do, so I can communicate that back to CBA members?</p>	<p>While PET beverage and water bottles are regarded as highly recyclable within recycling systems because they are numerous and have a relatively high value, the cost impacts of PET bottles are higher than cartons, PP containers and PVC. This is primarily because of their generally lower density (higher impact since they take up more space), in the Cart,- Collection and Infrastructure modules, which together make up over 70% of the MCD System cost. Moreover, like PP, PVC and Cartons, PET water bottles tend to be misdirected and flow with other materials such as mixed paper and therefore require additional QC sorting to ensure recovery and to ensure all materials meet repurpose specifications. The light weight of water bottles results in a higher impact in these related QC sorting activities.</p>
13.	<p>Although MCD's purpose is not to address STINO, what is CSSA doing to address STINO and e-commerce packaging?</p>	<p>You are correct that MCD does not address STINO nor e-commerce but both issues are important and complex and are addressed through various initiatives. We'll address each separately.</p> <p>STINO (Stuff That is Not Ours): STINO is a term that we use to describe things like non-obligated materials that resemble obligated materials that find their way into the Blue Box (e.g. bound books and packaging-like product) as well as materials that are supplied by non-obligated producers (e.g. Magazines shipped direct to the resident from out-of-province and out-of-province companies selling products and their associated packaging directly to residential consumers) or materials from producers below the de minimis thresholds. In addition, we include contaminants as STINO – things such as plastic toys and other non-targeted materials.</p> <p>The approaches to managing STINO will differ for each PPP program and are influenced both by the regulatory environment as well as the level of control the stewardship program has over the recycling system itself. Where the program has control of the collection service standards and composition data such as Recycle BC, the program actively works with its collection partners to reduce contamination. You can read examples of the success of these initiatives on page 24 of the Recycle BC 2019 Annual Report.</p>

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		<p>e-Commerce: This is a global challenge and CSSA is actively researching solutions to the e-Commerce problem (mainly associated with out of province vendors selling and shipping directly to residential consumers). We have undertaken a three-part research project on the impact of e-commerce on EPR programs and potential policy, financial, regulatory, and other approaches to address it.</p> <p>Phase One, a global literature review, has been completed and Phase Two and Three are expected to be completed later this year. Phase two calls for in-depth interviews with key Canadian stakeholders and Phase three will provide recommendations on how to minimize or solve the issue. In addition, we are currently completing a backgrounder report based on the Phase One research that provides eight potential approaches to address e-commerce in EPR programs that have been implemented or considered in Europe and the pros and cons of each approach. That report will help inform Phases Two and Three of our research project.</p>
14.	<p>Could you please provide some specifics on the MCD Methodology for pizza boxes?</p>	<p>Pizza boxes may be covered by two MCD material categories: Large Format OCC and Small Format OCC - depending on the size of the pizza box. The reason there are two MCD categories for OCC is because its size impacts how it moves through the MRF and the resources utilized to move it from collection to preparing it to be repurposed. While two OCC material categories are important for assessing costs in the MCD model, both Large and Small format OCC map to one fee setting category in the PPP programs.</p> <p>Overall, when the impacts of Large and Small Format OCC are measured through the MCD system they are determined to have a lower than average measured impact compared to other materials. This is generally due to the material's higher than average median density reducing its impact particularly during compaction on the collection truck (a new metric measured under MCD but not measured as part of ABC). OCC also has a relatively low sorting impact – also a new measure under MCD.</p> <p>While the ranking in the MCI is relatively low, the relative value of OCC within the MCI is slightly higher than the relative value within the range of cost/tonne from past ABC studies. This is because of the measured impacts for other materials using the new metrics. For example, the impact of compaction on the utilization of truck space also benefits many other materials that are compressive, e.g. PE Film and Bags. Given that both the MCD methodology and the fee methodologies are allocating impacts and budgets to all obligated materials on a 'relative share' basis, this means that a reduction in one material will necessarily create an increase in others.</p> <p>The relatively low MCI value of Large and Small Format OCC (versus other materials) on the MCI means a lower impact on the cost of the recycling system. However, please be aware that a lower MCI value</p>

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		<p>does not automatically translate into lower fee rates as the MCI value is only one of many inputs into the fee setting methodology. The quantity of material supplied and managed also impact Step 1 of the Four-Step Fee Methodology. In addition, the fee rates for OCC will be different in different programs due to each program’s unique features such as full producer responsibility versus shared cost programs, quantities supplied and collected and other factors.</p>
15.	<p>As I understand it, the MCI is a factor in fee setting. Going under the assumption that well-established materials with unvarying characteristic/composition will consistently have the same material impacts that were determined in the system, will the MCI then have a constant value? In line with this, should we only expect MCI changes for new materials or materials that require further research and development?</p>	<p>It is generally correct that well-established materials with unvarying characteristics and composition would have a more or less constant relative value within the MCI.</p> <p>However, we know that material characteristics and composition within a material category can vary from year to year. For example, as the form and density of PET thermoform packaging varies, this could impact the resulting MCI measurements for the PET Thermoform category. This variation would be captured in the measurements and resulting inputs to the MCI calculations. In addition, changes to the packaging and printed materials supplied by producers, such as light-weighting or material substitution would also be expected to result in some variation to inputs in the MCI calculations. While the changes are not expected to be dramatic year over year, some minor variation should be expected.</p> <p>It is also important to recall that even when the material’s value on the MCI is constant, that does not suggest that the fee rate will be constant year over year. The reason is that the MCI is one variable when calculating the material’s relative share of the Gross Cost in Step 1 of the Four-Step Fee Methodology. The other variables include supply quantities, collected/managed quantities, and the program’s budget.</p>
16.	<p>With an aim of lowering their remittances and helping create a more efficient system, how should stewards use the MCI in decision making when it comes to packaging selection, or should they not?</p>	<p>The MCI provides information about the relative cost impacts of materials on the recycling system such as how much does Material A impact costs compared to Material B and at what point in the system does it have those impacts? While this is an important input to the Four-Step Fee Methodology, it pertains only to Step One of the Methodology, i.e., the allocation of gross cost. Therefore, we do not recommend that it be used as the only indicator when making packaging choices because it is only one input to fees. The goal is to provide stewards with information about these cost impacts so that they have confidence in the MCI and therefore confidence in the fees that result.</p>
17.	<p>The pre-read document made reference to design assumptions that all programs are based on cart or commingled" collection. Our municipality (like many others) utilizes a two</p>	<p>The MCD conceptual recycling system includes the complete set of activities and technologies that collectively constitute a comprehensive, fully optimized, fully maintained system, that, operating at its highest level and efficiency, produces output material that is ready to be repurposed. As such, it establishes a common “level-playing field” set of conditions that enable all materials’ cost impacts to be</p>

#	Question	Answer
	<p>stream (container/ fibre) system and the existing MRF infrastructure is designed for separate stream processing. Does this imply that all Ontario municipal programs will be transitioning from a blue box(es) system to a single stream cart-based system? If so would all related costs (collection containers, vehicles, MRF infrastructure) be 100% covered by stewards under full EPR program (post 2023)? Do municipalities have any say should they wish not to see carts deployed throughout their community?</p>	<p>consistently measured. Therefore, by nature and design, it does not reflect any particular municipal recycling program. While the conceptual system is rooted in real world recycling technologies and processes it is used only to determine relative cost impacts and has no bearing on particular collection systems, processes or technologies used by individual municipalities. Further, no municipality is expected to adjust their recycling system based on the design of the conceptual system used to determine the MCI.</p>
18.	<p>Collection module assumes single stream. What if collection was fibres and containers rather than commingled?</p>	<p>Please see answer above.</p>
19.	<p>What does the category 'used beverage containers' refer to in the MCI? Does it refer to aluminum beverage containers only?</p>	<p>Used Beverage containers include: aluminum sealed rigid beverage containers used for alcohol and spirits, carbonated beverages, juices, sports drinks, water and energy drinks.</p>
20.	<p>You mentioned that currently, aggregation of fee categories happens before the 4-step methodology is applied. I was under the impression that it was the opposite and each individual material category undergoes the 4-step methodology, which produces its fee. Then certain material category fees are aggregated. Can you clarify?</p>	<p>MCD impact measurement studies were done on a greater number of material categories than the number of material categories on which stewards report and pay fees. This provides an additional level of granularity and detail on how a broad range of material characteristics impact the cost of the system. However, the MCD study categories are mapped to the existing fee setting categories which necessarily includes some aggregation and this is done before input to the fee setting methodology. This aggregation is completed during the calculation of the final MCI used in fee setting.</p>
21.	<p>How flexible is the MCD to new material streams being added as a new material stream would change the overall metrics established by the previous mix of materials</p>	<p>One of the four primary components of the MCD is maintenance procedures that monitor the evolving tonne and evolving recycling processes and technologies and their associated costs. This will ensure that the MCD model can respond over time and stay in step with the marketplace and the evolving tonne and the introduction of new materials and packaging formats. As new materials are introduced, they will be included in measurement studies so that we can gather the necessary metrics that will help</p>

#	Question	Answer
		inform their value on the Material Cost Index (MCI).
22.	Will any consideration be given adding more material categories? For example, newer plastics not in the exiting HDPE or PET categories.	Please see answer above. The evolving tonne refers to the ever-changing mix of materials in the recycling system as new materials and new formats are introduced into the marketplace. The MCD methodology has been built so that it has the flexibility and nimbleness to reflect these changing conditions.
23.	What happens if the PROs in Ontario do not approve the Four-Step fee methodology?	Stewardship Ontario will determine if it will propose the move to the Four-Step Fee Methodology and the Material Cost Differentiation methodology for use while it remains the designated IFO until wind up is complete. Once the transition is complete and the Ontario PROs assume operational responsibility, we cannot comment on how these organizations will go about setting their prices/fees.
24.	The MCD seems to categorize the recyclability of materials by cost of handling/processing/etc. Is there a similar study or ranking/scoring system that looks at the recyclability of materials regardless of cost? For example, PVC shows a lower cost than some other plastics but many MRF's do not want PVC mixed in their plastic. How will that be addressed?	The MCD Methodology was developed specifically to assess the relative cost impact of materials on the recycling system in order to appropriately allocate gross system costs to all materials in Step One of the Four-Step Fee Methodology. The MCD Methodology was not designed to assess each material's recyclability or end market value. When it comes to materials such as PVC, the MCD methodology is based on the principle that all materials count, all characteristics count and all the activities needed to prepare them to be repurposed are considered. Therefore, since PVC is in the system it must be included in the MCD system and its cost impacts determined based only on its material characteristics not on its recyclability. The MCI is only one input into the Four-Step Fee Methodology. The system costs associated with materials that are not recyclable or might be considered a contaminant are addressed in other aspects of the fee methodology including steps two and four.
25.	What about PVC in the general trends?	If there are innovations in technology that affect the management of PVC or changes to the supply of PVC, these will be considered as they evolve and incorporated into the MCD Methodology accordingly.
26.	How did you distribute the cost of cross contamination, for instance, a can ending up in the ONP and having to be removed at the MRF?	The MCD model, which is comprised of 18 distinct modules, ensures that all cost impacts related to the collection and sorting of each material category are considered. This includes quality control activities such as the impacts of materials that tend to be misdirected at various stages of the sorting process such as lightweight PET bottles that can be misdirected to the mixed paper stream and need to be recovered.
27.	For an excluded material (not collected) does that mean that the calculation for their share of gross cost allocation is based only on the 60% calculated from the contribution of	That is correct but it also means that this material will not receive any share of the commodity revenue under Step 2 of the Four-Step Fee Methodology. Further, this material may assume expense under Step 4 to fund research and development, end market development or other to improve its performance in

#	Question	Answer
	materials into the market - reported by stewards.	the system.
28.	Using your slide 19, if material two is a material that is not collected in a municipal collection program, its relative share would still be 66.7%. Would it be the expectation of a steward that material 2 should be collected in a blue box, otherwise if collected as trash, the taxpayer is paying twice.	In line with principle that all materials count and should contribute to program costs, material two in your example, will receive a 66.7% share of 60% of the cost of the program based on the supplied quantity as reported by stewards. This feature of the Four Step Fee Methodology ensures that all materials are contributing to the system costs whether or not they are collected for recycling. The steward of a material not collected in the recycling stream may also be contributing to the costs associated with improving its recyclability and/or the development recycling end markets under Step 4. Typically, a material is not collected in the recycling system if it cannot currently be recycled or recovered, due to lack of technology and/or lack of end-markets.
29.	With little to no commodity revenue in many categories, doesn't being a material that is not collected benefit you by avoiding the costs associated with collection, thus advantaging less environmentally sound materials?	The first principle of the Four-Step Fee Methodology is that all designated materials must bear a fair share of the costs of the recycling system irrespective of whether they are collected for recycling or waste disposal. This principle ensures that non-recyclables are not inadvertently rewarded through the fee methodology. Since all materials are assuming their relative share of 60% of the gross cost of the system whether or not they are collected, reduces the share of gross costs attributed to those materials that are collected and recycled, nor do uncollected materials earn commodity revenue, which is allocated in Step 2 of the Fee Methodology. In addition, Step 4 of the methodology attributes cost only to those materials that require investment to improve their cost and performance effectiveness in the recycling system or need development of recycling end markets. In these ways the Four-Step Fee Methodology ensures that materials not yet collected for recycling do not avoid their fair share of the system costs.
30.	<p>What are the expected implications of this new costing model on the allocation between stewards who pay cash and those who pay in-kind?</p> <p>Is the new replacement costing methodology to the ABC methodology expected to have any implication on municipal funding?</p>	The MCD project examined how the characteristics of different materials (density, weight, size, compaction, etc.) impact the cost of managing the blue box recycling system using scientifically controlled procedures. That process revealed that some materials, particularly but not exclusively newsprint, have a larger relative impact on the cost of the blue box recycling system than was previously understood. Adoption of MCD would result in a different distribution of costs among the materials than the current ABC process. Since this redistribution would result in an increase in newsprint fees, the effect would be to increase the proportion of the Steward Obligation that municipalities receive on an "in kind" basis. It should be noted that Stewardship Ontario's ongoing research suggests that the relative contribution of newsprint and therefore the in-kind amount is likely to decrease over time. Stewardship Ontario appreciates that municipalities will have concerns about the

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	<p>Are any cost implications expected for municipalities/First Nations communities funding with replacement cost model that replaces ABC model?</p>	<p>impact MCD would have on the in-kind amount. As noted during the webinar, Stewardship Ontario intends to engage further with municipal representatives on the Transition Plan, including this issue. Additional details on the MCD project and its impacts will be provided at that time, to ensure that municipalities have the information they require to respond meaningfully to this consultation.</p>
<p>31.</p>	<p>Regarding the MCD Methodology, what is the difference between Area Weight vs. Weighted Area Weight? And Pick Rate vs. Weighted Pick Rate?</p>	<p>The metric Area Weight is used to measure the impact on or utilization by a material of mechanical sorting equipment. For all mechanical sorting targeting specific materials, e.g. optical sorting of each plastic resin, electromagnetic sorting (eddy current) of aluminum, or sorting out OCC with an OCC screen, Area Weight is used to differentiate the utilization by materials targeted by that equipment.</p> <p>In the special case of quality control (QC) sorting The Area Weight metric is weighted by the proportion of each material undergoing the QC sorting. For example, several types of plastic packaging must be separated from the mixed paper stream in order for the mixed paper stream to meet the market specifications for its repurposing and to recover the plastic packaging for its repurposing. The screens are not able to separate the mixed paper and all the plastic packaging to the degree required because of the mix of characteristics of both the fibre materials and the plastic materials that flow together. Therefore, additional mechanical (optical) sorting is required to separate these materials. So in the case of this QC sorting, the Area Weight measurement for each material undergoing the optical QC sorting is weighted according to (multiplied by) the proportion of that material present and that must be separated.</p> <p>The difference between the metrics of [Manual] Pick Rate and Weighted [Manual] Pick Rate is precisely analogous. Pick Rate is used to measure the utilization of manual sorting labour and Weighted Pick Rate is used to measure the utilization of manual QC sorting labour. For example, manual QC sorting is required to separate materials that cannot be effectively separated by optical QC sorting, e.g. black plastics and fibre materials in the mixed paper stream. In this case the Pick Rate metrics of each material are weighted (multiplied) by the proportion of the material that utilizes the manual QC sort, in this case the black plastics and the fibre materials in the mixed paper stream.</p>
<p>32.</p>	<p>Regarding the MCD Methodology, can you explain the Percent Contribution Metric?</p>	<p>Some impacts on the cost of the recycling system are difficult to measure with a simple measurement apparatus. This is because of the time over which the impact occurs and because of the challenge of establishing standard conditions under which to make the measurement. The impact of abrasiveness is an example. Therefore the Delphi method was adopted, in which a series of questions framed by the</p>

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		<p>same context in which all other measurements are made, i.e. the MCD System, are posed to both a panel of industry experts knowledgeable about the issue and to a broad sample of recycling system managers and operators.</p> <p>The Delphi method is generally applied as follows:</p> <p>Questions are first posed and discussed in person to a panel of experts.</p> <p>The answers from the panel of experts are compiled and summarized.</p> <p>A second set of questions based on the answers of the expert panel are posed in a broad survey of recycling system managers and operators.</p> <p>The results of the survey are then compiled and summarized and then presented to and discussed with the industry experts with a view to determining whether their initial answers should be changed.</p> <p>The final results are then used as measurements in the MCD calculations.</p> <p>The metric Percent Contribution measures the contribution of a material to the total cost impacts of particular characteristic, say abrasiveness. For example, Glass contributes to X% of the cost impacts of abrasiveness, Steel, contributes Y% and so on.</p> <p>The Delphi method is employed to determine both the total impacts of material abrasiveness on the capital (life, replacement parts) and operating (maintenance) cost of all system activities, equipment and infrastructure and the Percent Contribution to those costs of each material having the characteristic of abrasiveness. Both are then subsequently used as inputs into the MCD calculations.</p>
33.	<p>Regarding the MCD Methodology, how are materials being treated that may be accepted in some municipal systems vs. not accepted in other systems (e.g. coffee cups)?</p>	<p>In accordance with the MCD Guiding principles, specifically:</p> <p><i>Guiding Principle #2:</i> All designated materials count. All designated materials of the packaging and printed paper programs should be considered when measuring cost impacts even when those materials are supplied and/or managed in small quantities because all materials are constituents of the recycling system.</p> <p><i>Guiding Principle #4:</i> All activities count. All activities necessary to prepare the material to be repurposed should be considered because the intention is that all materials supplied into the market should be repurposed.</p> <p>The MCD Methodology will produce a value for each material on the Material Cost Index (MCI) even</p>

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		<p>when the material is not targeted for collection in all municipal systems and even when it is not collected in any municipal system. This MCI value is then used in Step 1 of the Four-Step Fee Methodology to calculate each material’s relative share of the Gross Cost (Collection and Processing) of managing the overall system. The Guiding Principles of the Fee Methodology require that all materials contribute to the funding of the system based both on the quantity of material supplied and the quantity of material managed.</p> <p>The conceptual MCD System includes a broader range of materials than typically collected in Canadian municipal recycling programs to help meet Guiding Principle #2 above. The value of each material on the MCI is determined based on impact measurements (cart density, compacted density, area weight, pick rate, etc). However, measurements are typically made with materials obtained from municipal systems. But for some materials, impact measurements cannot be made because they either are not generally collected in Canadian municipal recycling programs or because they occur in quantities insufficient for precise measurement. For the purpose of fee setting, these materials are either assigned a proxy MCI value or they are assigned proxy measurement results used to determine their value within the MCI. The proxies are based on the measurements and MCI values of materials with similar characteristics.</p> <p>MCD Material categories assigned proxy MCI values include Paper Laminates, Plastic Laminates and Other Film, Natural Textile packaging and some plastic packaging which is not yet accepted in commodity specs, such as soft plastic tubes. Materials which are assigned one or more proxy measurements include PVC packaging and rigid PS containers. Coffee cups are part of the MCD material category of polycoated paper and at this time this is included as part of the Paper Laminates category for the purpose of fee setting.</p> <p>Component #4 of the MCD Methodology does include maintenance processes where both materials and recycling process/technology changes are monitored so that as materials begin to be collected by municipal recycling programs, they would be incorporated into the MCD System and impact measurements could become feasible.</p>
34.	Regarding the MCD Methodology, what are the assumptions with the MCD Method and do these assumptions have longevity?	The MCD Methodology is grounded in the MCD Context, in addition to identifying material characteristics and categories, the context establishes a conceptual recycling system’s entry and exit point and a corresponding conceptual recycling system design that includes all the activities necessary to move a material from the point of collection through to a state where it is ready to be repurposed

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		<p>without any subsequent operation.</p> <p>Key to this context are that all materials will be set out together, clean and dry in a 360 litre cart and collected as a single stream for the purpose of providing a consistent impact measurement condition only. Additionally, the MCD System includes all the necessary activities to move a material from the point of collection through to a state where it is ready to be repurposed without any subsequent operation. The methodology has defined the repurpose ready commodities based on a set of criteria rooted in the requirement to be ready to be repurposed without subsequent sorting and the predominate technologies and end market practices in the real world. Thus plastic packaging is generally sorted to its specific resin.</p> <p>The conceptual MCD System is assumed to be well maintained and achieves a 97% effectiveness, noting that only designated materials are included. The full cost of all activities and resources to achieve this have been included, rather than the varied financial and business conditions and objectives among municipal recycling programs.</p> <p>Lastly, the impact measurement studies (cart density, compacted density, area weight, manual pick rate, etc.) are conducted based on protocols that impose the same conditions on the measurements for all individual materials. This is so that only the characteristics of the individual materials are being addressed rather than those of the varied commodities which each different service provider or program chooses to produce and the conditions under which they choose to operate, as in the allocation determined by the ABC methodology.</p> <p>The conceptual MCD System has 18 modules, each of which is fully 'costed'. The labour rates, equipment costs, maintenance and operating expenses informing this model are sourced from referenceable sources such as Industry Canada for standard labour rates, equipment manufacturers for current cost of equipment, etc.</p> <p>All of these building blocks contribute to our ability to compare the relative impacts of the materials on a level-playing field basis.</p>
35.	What is the rationale on why in-kind amount for newspapers are doubled using four-step and MCI?	<p>Stewardship Ontario is seeking input on making two changes:</p> <p>First is the replacement of the three-factor formula fee methodology with the Four-Step Fee Methodology.</p>

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		<p>Second is the replacement of the ABC methodology with the MCD methodology.</p> <p>The combination of these replacements and the data and calculations that underpin them result in some materials having higher fees and some materials having lower fees. The replacements result in newsprint having higher fees.</p> <p>Both methodologies (Four-Step and MCD) are based on principles defined by stewards. There is no rationale pertaining to the outcome for any specific material, packaging or product, including that of newspaper.</p> <p>Newspapers are part of the newsprint MCD material category. Newsprint has a relatively low value and rank (sixth lowest) on the MCI. However, the relative value of all materials on the MCI is different than the relative value and ranking within the range of ABC cost/tonne and therefore the relative inputs to the Four Step Fee Methodology are different, resulting in different fees and a different in-kind contribution.</p> <p>The MCD methodology includes new measurement metrics and protocols and additional activities and full costing to ensure that the impacts of individual material characteristics are the focus and all materials are treated consistently.</p>
36.	How is relative cost applied?	As illustrated in the example provided to Q3, the 60% allocation of Gross Cost under Step 1 of the Four-Step Fee Methodology is based on quantities supplied by steward multiplied by the material's MCI value and the 40% allocation of gross cost is based on the quantities of material managed in the province.
37.	Why does PVC have such a low value on the MCI and, given this, might it incent stewards to move to this packaging?	<p>The MCD Methodology is based on the principle that all materials count, all characteristics count, and all the activities needed to prepare them to be repurposed are considered. Therefore, since PVC is a legally designated material under the EPR regulations, it must receive an MCI value and its cost and its impacts are determined based only on its material characteristics, not on its recyclability.</p> <p>It is important to emphasize that the MCI does not provide information about the recyclability of a packaging material or format. Rather the MCI provides information about the relative cost impacts of materials on the recycling system, specifically how much Material A impact costs compared to Material B.</p> <p>Further, while the MCI is an important input to the Four-Step Fee Methodology, it is only one input and pertains to Step One of the methodology i.e., the allocation of gross cost. The Four-Step Methodology can discourage use of materials that are not recyclable or might be considered as a contaminant,</p>

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		<p>specifically in its Step 2 (allocation of commodity revenue) and Step 4 (allocation of cost to materials that may require investment or to increase awareness of the inadvisability of a material, such as PVC).</p> <p>PVC is considered a contaminant if it is mixed with ‘other rigid plastics’ commodity bales. Other rigid plastics are sold as an engineered fuel ingredient. PVC creates issues of potential dioxin formation during combustion, if mixed with these other plastics. Accordingly, a PVC optical sorter is used in the MCD system to ensure PVC is separated from these other plastics and this, in part, accounts for its relative cost impacts on the system and its position on the MCI. In addition, PVC has a relatively high cart bulk density and average compacted density and a moderate area weight. These characteristics and the fact that no manual primary sortation or manual QC sorting is attributed to it, also account for its middle position on the MCI relative to the other rigid plastic packaging categories.</p> <p>In total, PVC is managed in 8 of the 18 MCD Modules in the MCD System. The cart and collection modules contribute to over 50% of PVC’s MCI value, with the ‘Mechanical Sort – Optical Sort’ and ‘QC Optical Sort – Mixed Paper’ modules contributing to roughly another 21%. An additional 20% of PVC’s MCI value is attributed System Infrastructure module, with 6% from Baling and Storage modules and the remaining % attributed to the Impeding and Damaging Characteristics – Residue module.</p>
38.	<p>While we fully understand that the MCD methodology measures the cost impacts of material characteristics in a “conceptual” recycling system and that the MCD system “could not mirror any one particular real-life recycling system”, it would seem that a given material’s impacts on the cost of recycling system activities would be directly correlated to its volume relative to other materials, and would be significantly different in a deposit vs a non-deposit system. For example, in a system which manages only non-beverage cartons due to the existence of a deposit system on all beverage containers (currently the case in Saskatchewan and soon to be the case in British Columbia), cartons would have</p>	<p>The MCD conceptual system is comprehensive and is indeed based on a standard mix of the full range of materials targeted for collection, including packaging that may be on deposit in some jurisdictions. In this way, the MCD system accounts for all the activities necessary to prepare the materials for repurposing and their associated relative cost impacts.</p> <p>However, the impact measurements, (which ultimately determine each material categories’ value and position on the MCI), are taken for each individual MCD material category’s set of characteristics, as they are expressed within each module. These measurements use the standardized metrics such as cart density, compacted density, area weight, manual pick rate, etc. The metrics that are used to measure the characteristics are not dependent on the relative quantity and mix of all of the MCD material categories, and in turn are not affected by them.</p> <p>Having said this, separate MCD material categories for beverage containers and non-beverage containers are defined when the measured impacts for these are different as they have different characteristics. For example, the impacts of PET Beverage Bottles and Jars were measured to be different from those of PET Non-beverage Bottles and Jars. The density of non-beverage bottles is greater than that of beverage bottles and even more different than lightweight PET bottles e.g. thin</p>

#	Question	Answer
	<p>an expected lower relative impact on the system due to the low volumes. Related to the point above, we are unclear whether and to what extent the relative mix of material categories impacts the MCI. In other words, does the MCD methodology consider a standard mix of materials in the collection truck when determining relative impacts? We look forward to discussing these points in further detail at a future meeting between the CSSA MCD team and CCC and its interested members, as proposed by CSSA.</p>	<p>walled 500 ml water bottles. The non-beverage bottles are quite varied and tend to be thicker walled. Notwithstanding these different impacts, the measurements are standardized and are conducted on each separate MCD category and therefore are not affected by the relative quantity and mix of these materials.</p> <p>In the case of cartons, measurements from the study collection operation were made with a mix of both beverage and non-beverage cartons (only wine and spirit were on deposit in the province where the tests were conducted). This is because the range of cartons used for beverages and those used for other non-beverage products, such as soups and mixes tend to be very similar, i.e., the same aseptic cartons were observed to be used in both applications and the gable-top cartons used in both applications were also observed to be very similar. Therefore, the measurements of density and area weight, etc. were expected to be very similar, such that there is no measurable difference between the impacts of beverage and non-beverage aseptic cartons and no measurable difference between the impacts of beverage and non-beverage gable-top cartons. Accordingly, measurements for cartons would not differ between jurisdictions in which cartons are on deposit and those in which they are not on deposit, and the MCI input would be the same. It is the Four Step Fee Methodology that accounts for differences between jurisdictions because this is where the total quantities supplied and managed come into play. The MCD Methodology, in its Maintenance component, requires that we monitor the characteristics of materials in the marketplace (among other things). Should differences emerge in the characteristics of beverage and non-beverage gable-top and cartons, this would demand we add new MCD study categories.</p>
39.	<p>In reference to Appendix E: Matrix of Material Categories and Modules, we are unclear as to why certain materials, including cartons, are assigned to the “Quality Control on the Optically Sorted Mixed Paper” module (i.e. why they are assigned the cost pertaining to this activity), while others are not. We would argue that all materials should assume some costs pertaining to this activity. As an example, HDPE Nat. Bottles & Jugs (both Beverage and Dairy Beverage) have been included as part of the “QC Optical Sort Mixed Paper” Module,</p>	<p>Only materials that tend to flow together over the mixed paper screens are subject to the QC Optical Sort Mixed Paper and/or the QC Manual Sort Mixed Paper modules. They need to be separated for mixed paper to meet specifications for repurposing and to enable the “misdirected” materials to be recovered for repurposing. These materials tend to flow together because they have some combination of characteristics that cause them to behave similarly, such that the screens cannot separate them. They may be two dimensional or may become two dimensional during collection, tipping or pre-sorting because they are compressible. Or, they may be friable and light and therefore travel with the fibre materials.</p> <p>A Material Category Test* was conducted on materials that tend to be misdirected in which the proportions of each material flowing with the mixed paper were measured. Materials that were observed to flow with the mixed paper stream consequently participate in the QC module.</p>

#	Question	Answer
	<p>but HDPE Colour Bottles & Jugs (both Beverage and Dairy Beverage) have been excluded. We look forward to further discussion on this point as well.</p>	<p>The test demonstrated that a portion of cartons were observed to flow with the mixed paper, and therefore they participate in the QC Module and are assigned measurements according to their Area Weight and their proportion flowing with the mixed paper**. However, Coloured HDPE Bottles and Jugs and Steel Containers were not observed to flow with the mixed paper in measurable quantities and therefore do not participate in the QC modules.</p> <p>* The material category test was conducted in a real facility with key attributes (materials, equipment, throughput) similar to the MCD System and fifty tonnes of material. ** It should be noted that the QC modules are the only modules in which quantity is considered in determining the MCDI. Even then, it is not the mix of materials, rather only the portion of each material present, which is considered. Thus, the corresponding metrics for Optical Sorting (Area Weight) and Manual Sorting (Manual Pick Rate) for each material are “weighted” by the corresponding proportion of each material’s presence.</p>
40.	<p>Regarding the repurpose-ready commodities produced by the MCD system (Table 1 in the pre-read document), although the rationale for assigning “Emerging Grade” to the polycoat category was explained to CCC’s Managing Director at the July 24th call, we feel it is important to re-iterate that an official ISRI-sanctioned grade has been in existence for food and beverage cartons since 2011. While some carton end markets also accept other polycoated materials (such as hot beverage cups) – typically North American mills with de-inking capabilities – it is our understanding that this is very much on a case-by-case basis. CCC would like to better understand whether and how the MCD system’s inclusion of other polycoated materials in this grade affects the MCI values assigned to both carton types (gable top and</p>	<p>All materials that are targeted by the MCD System must be sorted to be prepared for repurposing and the MCD System is designed to employ existing or emerging technology to do so. The repurpose- ready commodity specifications define the extent of sorting required for each material within the MCD System.</p> <p>Notwithstanding the existence of an ISRI grade for cartons alone, the fact that existing mills can receive and repurpose the mix of cartons and other polycoat materials without the need for further sorting, even on a case by case basis, meets the definition of “repurpose”.</p> <p>Moreover, since the mix of cartons and other polycoat materials can be sorted for repurposing using existing technology, i.e., optical sorting, and since this is increasingly being done to meet the objectives of recovering this broader range of materials, the mix of cartons and polycoat materials is defined as the repurpose-ready commodity for these materials in the MCD system.</p> <p>The MCI values for cartons and other polycoat materials are determined according to the modules in which they participate and are assigned measurements. The measurements for cartons are independent of all other materials. Similarly, the measurements for other polycoated materials are independent of all other materials.</p> <p>Separation of other polycoat containers and cartons to meet the ISRI 52 grade would require an</p>

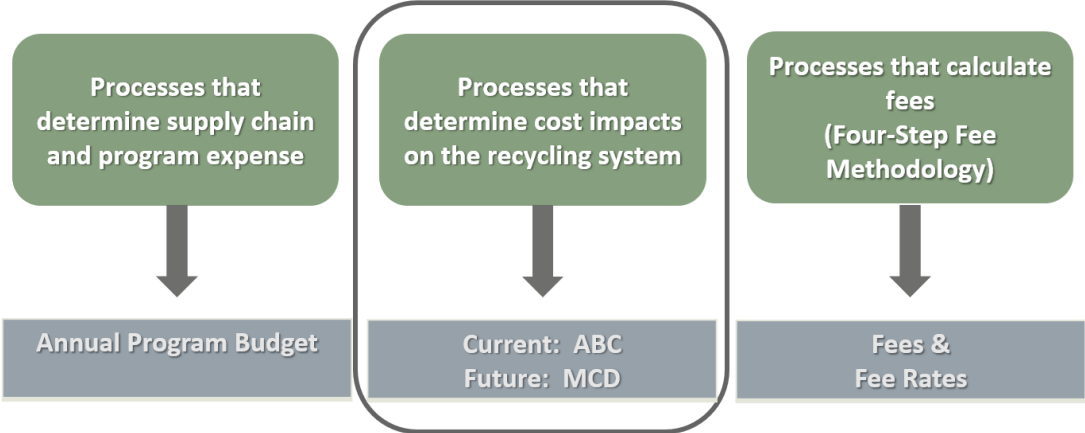
#	Question	Answer
	aseptic containers).	additional, secondary, likely manual sorting step after the initial optical sort and this would mean additional sorting impacts attributed to cartons, with the likely result of increasing its value within the MCI.
41.	<p>Re Guiding Principles: Eight principles as outlined are acceptable, but an additional principle is needed: Principle #9: Contamination by other materials should not be a burden to one material, and contamination removal costs should be fairly allocated between the material being prepared for market and the material causing the contamination. Page 14 of the pre-read document comments that because of its flat shape, a plastic package can find its way into the fibre stream. Newsprint should not have to pay for clean-up of plastics mixed in the newsprint because CSSA have modelled a 360 litre cart based single stream system (Page 20 and elsewhere), and then mis-directed into the fibre stream because of the flat plastic package shape. The flat plastic package then needs to be separated from fibres to clean up the fibre stream to meet market specs (this example is cited Page 14,21 and an example of a lightweight PET bottle misdirected to the mixed paper stream on page 22). Most or all of the clean-up costs should be assigned to</p>	<p>Both Guiding Principles #3 and #4³ were designed to address the very concern that you articulate in the proposed Principle #9. These instruct us to account for all activities necessary to ready a material to be repurposed and to account for all characteristics of a material that require those activities so that cost impacts are accurately measured and appropriately attributed.</p> <p>By respecting Principles 3 and 4, Newsprint assumes only the portion of the quality control sorting costs that reflect its characteristics. Newsprint does not assume the cost impact of sorting, for example, the PET Thermoforms or PE Rigid Containers and Lids that find their way into the Mixed Paper stream.</p> <p>Fibre screens are used to separate two-dimensional materials, such as corrugated cardboard and newsprint, from other materials, primarily plastic, metal and some paper packaging. The screens exploit the two-dimensionality and size of a fibre target material such as a large corrugated cardboard or smaller corrugated cardboard, newsprint and boxboard, to separate them from the rest of the stream. The effectiveness of the screens and the relative utilization of them is determined by the area weight of each of the individual fibre materials screened off and in this case the cost impacts are entirely attributed to fibre . The Area Weight metric is explained more fully below.</p> <p>Quality Control (QC) sorting of mixed paper is required because the fibre screens alone cannot separate materials sufficiently. Some plastic, paper and metal packaging tend to flow with the mixed paper over the screens because they share some combination of characteristics, either the packaging is two-dimensional like newsprint, or it becomes two-dimensional during the collection, tipping and pre-sorting process or because it is light and is entrained with the various fibre materials, like newsprint. These materials must be separated to enable the mixed paper to meet the market specifications and for the packaging to be effectively recovered.</p> <p>The QC modules (Module 10 – QC Optical Sort Mixed Paper and Module 11 – QC Manual Sort Mixed</p>

³ Principle 3: **All materials characteristics count.** When differentiating the cost impacts of one material as compared to another, all of a material’s characteristics that can reasonably be measured, should be measured because each material’s characteristics can impact costs in different ways.

Principle 4: **All activities count.** All activities necessary to prepare the material to be repurposed should be considered because the intention is that all materials supplied into the market should be repurposed.

#	Question	Answer
	<p>plastics in particular. Capital and operating costs of screens should at least be shared between ONP and plastic, but all be assigned to ONP.</p>	<p>Paper) together represent a small component (only 3%) of the overall system resources and assign cost impacts to each of the 23 of the 36 MCD Material categories, not only newsprint. The impacts are determined using the appropriate module metrics (area weight for optical sorting and manual pick rate for manual sorting) and the corresponding measurements for each participating material. The measurements express how the material characteristics impact system resources. Thus, each of the materials that require the resources of the QC modules generate impacts that are directly related to their characteristics.</p> <p>Finally, a note about how the eight MCD guiding principles were developed. They were created by a Guiding Principles Working Group, composed of a “steward” delegate from each of the four Packaging and Paper Product program Boards of Directors over the course of two workshops held in early 2017. They were subsequently carefully reviewed by the Steward Consultation Committee shared with the entire steward community first in July 2017 and then again during the 2017 Annual Steward Meeting, thus providing numerous opportunities for comment. They have actively guided the work of the project team during the development of the MCD Methodology.</p>
42.	<p>Newsprint is easy and inexpensive to recycle when collected in a 2-stream (fibres/containers) system. The decision to only model a cart based single stream system unfairly burdens ONP with higher costs than it would incur in a 2-stream system which is being encouraged in BC because 2-stream systems produce cleaner materials which are less costly to process, and produce higher quality materials for sale at higher revenues because of better quality to end markets.</p>	<p>Principle #6⁴ requires taking account of all designs as well as operation resources and their drivers. It requires that they be rooted in the real world, i.e., that they reflect the resources required by existing or emerging commercial technologies. However, it does not suggest that the methodology attempt to pick a specific, preferred or most cost-effective design, such as the dual-stream system you suggest. In fact, the objective of the Conceptual MCD System is to eliminate the influence of different system/program designs as they exist across jurisdictions.</p> <p>As well, it was important to put all materials on a level-playing field before measuring the impacts their characteristics have on the cost of the recycling system activities – a top priority for stewards. That is not to say that specific program designs are not taken into account. They are reflected in each program’s annual budget, expressed in the supply chain costs. Recall that calculating the fees for each PPP program involves three distinct sets of activities: 1) setting the program budget; 2) determining material cost impacts on the recycling system; and 3) calculating fees and fee rates, as illustrated in Figure 1 below.</p>

⁴ Principle 6: **System design and operations count.** The Material Cost Differentiation Methodology should be rooted in measurable recycling system activities, resource usage and costs drivers.

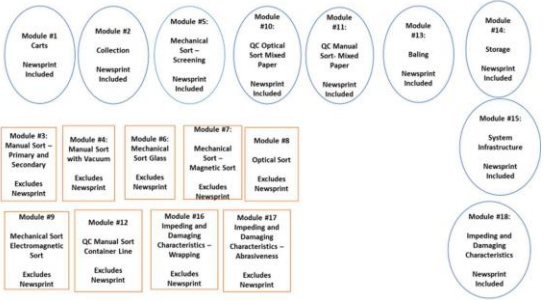
#	Question	Answer
		<p>Figure 1 – Three distinct sets of processes for fee setting</p>  <pre> graph TD A[Processes that determine supply chain and program expense] --> B[Annual Program Budget] C[Processes that determine cost impacts on the recycling system] --> D["Current: ABC Future: MCD"] E[Processes that calculate fees (Four-Step Fee Methodology)] --> F[Fees & Fee Rates] </pre> <p>The MCD Methodology applies to and supports the second set of activities, illustrated here, (i.e., measures material cost impacts in the recycling system), and, if approved, will replace current Activity Based Costing. In turn, the MCD Methodology’s results will provide the key input to the third process set seen here -- calculating fees and fee rates.</p> <p>The MCD methodology does not and should not suggest what design is most appropriate for a specific program as these design decisions are far more complex than the number of streams for collection and the type of box/cart itself. For example, they can extend to the level of sorting that is appropriate to do locally, based on proximity to end markets, the cost-benefit of utilizing technology locally, etc. These are all important inputs to a particular program’s operation, and are reflected in setting its annual budget as noted above.</p> <p>The choice of a conceptual system in which all materials are collected together in a cart ensures that all activities to recover and prepare all materials for repurposing are captured and that all resources are attributed in a standardized way, addressing Principle #4. No required activities are externalized, such as sorting by residents into separate streams. All sorting activities are included so that all commodities meet all market specifications for repurposing them.</p> <p>As with the selection of any different conceptual system design, the selection of dual stream collection</p>

#	Question	Answer
		<p>for the conceptual system would require a different MCD model, consisting of different modules and cost factors. Instead of QC sorting of mixed paper, it would rely on separation by residents and additional loading activity at the curb, likely resulting in higher collection costs. Processing costs might be lower, but there would be some additional dedicated processing infrastructure, such as tipping floor space and feed conveyors, in which newsprint would assume some cost impacts. How much higher and lower these costs would be and the impact on the MCI is unknown and would depend on specific design choices (such as whether a Mixed Paper (ISRI 54) or Sorted Residential Papers & News (SRPN) (ISRI 56).</p> <p>That said, the approach to measuring the impacts would be the same. The impacts of each individual material on the resources of all applicable activities would be measured using appropriate metrics, and standardized protocols would reflect the characteristics of the individual materials on those activities. In some cases, the measurements themselves would be the same whether the collection was single-stream or dual-stream, such as for cart (or other set out container) density and compacted density, whether the collection was single-stream or dual-stream.</p> <p>The impacts would be determined in the same way, but given different activities and corresponding cost factors, the precise effect on the MCI is unknown without full modelling of the modified MCD System. However, since the MCD conceptual system was designed specifically to meet all the guiding principles and the requirements of the Four Step Fee Methodology, this is not considered appropriate. for the additional collection costs, the dedicated infrastructure and equipment and for any externalized sorting costs.</p>
43.	<p>The MCD Model has 10 metrics, 10 protocols and 36 material categories, along with a model with 18 modules. Our interest is the newsprint category. The MCD calculation consists of 4 steps:</p> <ul style="list-style-type: none"> • Calculate the RIF (relative impact factors); • Calculate CF (cost factors) for each module; • Multiply RIF by CF for relevant modules (to create MCDI – module cost differentiation index) and 	<p>Thank you. Your comments about Appendix E are noted.</p>

#	Question	Answer
	<ul style="list-style-type: none"> • Sum MCDI to determine material position on MCI. <p>For newsprint, from Appendix E matrix the 9 relevant modules are:</p> <ul style="list-style-type: none"> • #1: Cart • #2: Collection • #5: Screens • #10: QC Optical sort mixed paper • #11: QC manual sort mixed paper • #13: Baling • #14: Storage • #15: System infrastructure • #18: Damaging residue <p>It is worth noting that the matrix in Appendix E does not number the modules, and the modules after “screens” (along the top) are in a different order to the numbering system in Appendices D and E, which was somewhat confusing.</p>	
44.	<p>Section 9.2. Producing the Relative Impact Factor (RIF): The RIF uses ten metrics, some of which are straightforward, but we would like more information on how two metrics in particular are fair to newsprint:</p> <ul style="list-style-type: none"> • #4 - Area weight and • #6 – Weighted area weight. <p>We have a concern that the measurements may not be accurate or fair to newsprint and would like to see the results on</p>	<p>Area Weight</p> <p>Fibre screens are used to separate two-dimensional materials such as corrugated cardboard and newsprint, from other materials primarily plastic, metal and some paper packaging. The screens exploit the two-dimensionality and size of a target material such as large corrugated cardboard or smaller corrugated cardboard, newsprint and boxboard, to separate them from the rest of the stream.</p> <p>And while screening is primarily a sizing operation, with some screens targeting large materials, e.g., large corrugated cardboard and some targeting smaller materials, e.g., small corrugated cardboard, boxboard and newsprint, size is not the characteristic that best reflects the relative impact of the screening module. Rather, the measurement that most effectively expresses the relevant characteristics and their relative impacts on screening materials is the weight per time of material that travels over a screen. More specifically, it is the weight of <i>a single layer</i> of material that travels over a</p>

#	Question	Answer
	<p>which the calculations are based.</p>	<p>screen (area weight) that best determines the material’s utilization of the screen. Like other mechanical sorting equipment (e.g. optical sorting of each plastic resin, electromagnetic sorting (eddy current) of aluminum), screens need to spread material out into a single screening layer to be effective.</p> <p>Weighted Area Weight</p> <p>As noted above, several types of plastic, paper and metal packaging must be separated from the mixed paper stream in order for the mixed paper stream to meet market specifications for its repurposing and to recover the plastic and other packaging for their respective repurposing. The screens are not able to separate the mixed paper from all the plastic and other packaging to the degree required because of the mix of characteristics of both the fibre materials and the plastic, as well as other materials that flow together – characteristics such as flatness, size, lightness, etc.</p> <p>Therefore, additional mechanical (optical) and manual sorting is required to separate these materials. So, in the case of optical QC sorting, the Area Weight measurement for each material undergoing the optical QC sorting is weighted according to (i.e. multiplied by) the proportion of each material present that must be separated from the others.</p> <p>To illustrate, assume that X% of the PET Thermoforms, Y% of the EPS and Z% of newsprint flows with the mixed paper. Thus, the resulting Weighted Area Weight measurement will be Area Weight of PET Thermoform x X%; Area Weight of EPS x Y%; and Area Weight of Newsprint x Z%.</p> <p>Please note that the QC modules are the only modules in which quantity is considered in determining each Module Cost Differentiation Index. Even then, it is not the mix of materials, rather only the portion of each material present, that is considered. Thus, the corresponding metrics for Optical Sorting (Area Weight) and Manual Sorting (Manual Pick Rate) for each material are “weighted” by the corresponding proportion of each present material.</p> <p>Incidentally, the proportion of each material that required QC sorting was measured using a material category test and conducted in a real facility with key attributes (materials, equipment, throughput) that resembled the MCD System, with fifty tonnes of material.</p>
45.	<p>Section 9.2.3 (P 27) Determining the Relative Impact Factors (RIF): We would like to see the inputs to developing the RIF for each module, to more fully understand how the relative</p>	<p>CSSA would be pleased to prepare a targeted presentation for Newsprint stewards, both Newspaper publishers and Retailers, interested in understanding more about the contributors to the category’s MCI. We have been open to requests from all stakeholders throughout the consultation process and have hosted similar meetings with Restaurants Canada, Carton Council and Canadian Beverage</p>

#	Question	Answer
	<p>contribution of newsprint is calculated for the 9 modules which are considered relevant (listed above). We are also interested in the other 9 non-newsprint modules to see how much cost they proportionally contribute to the system total cost.</p>	<p>Association. We will be in contact to arrange a meeting with Newsprint stewards now that you have indicated your interest in learning more about the MCI. Our presentation will focus on the metrics used in the modules that impact the newsprint position on the MCI and provide comparison to other materials using the same modules.</p>
46.	<p>P 27 – Module Cost Factor (CF): We understand that MCF are developed or being developed for a system which processes 31.75 tonnes per hour each of the 18 modules. Is it possible to get the material mix on which the MCF is based – for newsprint in particular we would like to know the assumptions about the material mix which is being collected and processed. No detail was available in the report and it would be helpful to see what the relative costs of each of the 18 modules (as a % of the whole) are.</p>	<p>CSSA would be pleased to prepare a targeted presentation for Newsprint stewards, both Newspaper publishers and Retailers, interested in understanding more about the contributors to the category’s MCI. We have been open to requests from all stakeholders throughout the consultation process and have hosted similar meetings with Restaurants Canada, Carton Council and Canadian Beverage Association. We will be in contact to arrange a meeting with Newsprint stewards now that you have indicated your interest in learning more about the MCI. Our presentation will focus on the metrics used in the modules that impact the newsprint position on the MCI and provide comparison to other materials using the same modules.</p>
47.	<p>P 29 – Module Cost Differentiation Index</p> <p>Is it possible to provide us with the RIF for each material and the CF for each module in your model. We have used the information in your pre-read to try to better understand the factors that go into the MCI for newsprint. The figure below shows your 18 modules, with the 9 impacting newsprint and the remaining 9 where newsprint is not involved. Understanding the relative cost of each of the 18 modules in your model as well the relative contribution of newsprint to the overall module cost (in the 9 modules where</p>	<p>CSSA would be pleased to prepare a targeted presentation for Newsprint stewards, both Newspaper publishers and Retailers, interested in understanding more about the contributors to the category’s MCI. We have been open to requests from all stakeholders throughout the consultation process and have hosted similar meetings with Restaurants Canada, Carton Council and Canadian Beverage Association. We will be in contact to arrange a meeting with Newsprint stewards now that you have indicated your interest in learning more about the MCI. Our presentation will focus on the metrics used in the modules that impact the newsprint position on the MCI and provide comparison to other materials using the same modules.</p>

#	Question	Answer
	<p>newsprint is included) would help us to better understand the material cost differentiation details. The figure shows the modules which include newsprint in round blue shapes, and the 9 modules where newsprint is not included in rectangular orange shapes. We have constructed this figure from the information in Appendices D, E and F of the pre-read.</p> 	
48.	<p>P31 Material Cost Index (MCI): The figure on Page 31 shows the relative MCIs of all materials. Is this the actual MCI or just an illustrative example? We understand why magazines, catalogues and directories could have a lower MCI than newsprint (assuming it is because of density), but we need more detail on how specifically the calculations were carried out that resulted in newsprint having a higher MCI than steel containers and glass packaging in particular. The video on the CSSA website uses glass packaging as an example of a material which is abrasive to equipment, increasing wear and tear, and</p>	<p>CSSA would be pleased to prepare a targeted presentation for Newsprint stewards, both Newspaper publishers and Retailers, interested in understanding more about the contributors to the category’s MCI. We have been open to requests from all stakeholders throughout the consultation process and have hosted similar meetings with Restaurants Canada, Carton Council and Canadian Beverage Association. We will be in contact to arrange a meeting with Newsprint stewards now that you have indicated your interest in learning more about the MCI. Our presentation will focus on the metrics used in the modules that impact the newsprint position on the MCI and provide comparison to other materials using the same modules.</p>

#	Question	Answer
	<p>therefore maintenance costs on collection vehicles and sorting equipment (also stated on Page 14 of the pre-read report). Newsprint which is easy to handle, with good markets should surely be lower than glass packaging on the MCI scale, therefore we took a more careful look at the factors that go into the MCI calculation and where we need more detail to assess whether the assumptions that went into the MCI were reasonable or not. These information requests are listed earlier.</p>	
49.	<p>P 17 – sorting protocol criteria. Point # 2: “when not the simplest sorting process, the sorting protocol represents the predominant industry practice. Can you confirm that screens are the predominant industry practice for cleaning up fibre at this time?”</p>	<p>The use of non-wrapping screens to separate two-dimensional fibre materials from three-dimensional containers and other packaging formats has been incorporated into the MCD System design, because this is the predominant technology used in MRFs across North America today. When applying the “sorting protocol criteria”, as described on page 17 of the MCD pre-read, the two repurpose-ready commodities that emerge for fibres are OCC (ISRI 11) and Mixed Paper (ISRI 54).</p> <p>OCC (ISRI 11) While this does not represent the simplest sort of fibre materials (the simplest sort would be to sort all fibre to Mixed paper (54), it is overwhelmingly the predominant industry practice to sort large OCC from all other fibre materials. In addition, OCC (ISRI 11) is an established repurpose-ready commodity specification.</p> <p>Mixed paper (ISRI 54) Represents the simplest sort of remaining 2D fibre materials after large OCC is removed by the OCC screen. It is the emerging industry practice to produce a Mixed Paper (54) grade at MRFs across North America, noting that newsprint is a declining material or product in residential recycling programs. While some recycling programs still undertake some sorting of newsprint, it generally does not meet the Sorted Residential Paper and News (ISRI 56) specification. Mixed Paper (54) is an established repurpose-ready commodity specification.</p>
50.	<p>P17 – point #3: The sorting protocol represents and emerging industry practice –</p>	<p>Please refer to response above.</p>

#	Question	Answer
	<p>can you confirm there are no emerging industry practices that would impact on newsprint recycling and increase the cost of recycling.</p>	
<p>51.</p>	<p>P 18 – Commodities produced by the MCD System – we have noted that there is no separate newsprint category assumed and that paper is marketed as either mixed paper ISRI Grade 54 or OCC – ISRI Grade 11. Can you confirm what percentage of newsprint was directed to each of these bale categories?. Also confirm if possible how much boxboard was assumed to go into each of these bales.</p>	<p>In the MCD System, large format OCC is directed to the OCC bale (ISRI grade 11) using the OCC Screen. Small format OCC flows together with other fibre materials to the Mixed Paper (ISRI Grade 54) using the second level of fibre screens. The newsprint entirely flows with the Mixed paper stream. All boxboard flows with the mixed paper stream.</p> <p>OCC bale (ISRI grade 11) and Mixed Paper (ISRI Grade 54) are the repurpose-ready commodities defined for fibre in the MCD System and for each individual material category. A Material Category test was conducted to establish how materials flowed in the preparation of each of these bales and accounted for the need for any additional sorting. The test was conducted in a real facility with applicable equipment similar to the MCD System using 50 tonnes of material.</p> <p>Regarding your question about the proportion of newsprint and boxboard that went into the bales, the composition of the commodity bales is not relevant to the MCI because it only measures the cost impacts required to get them into bales (i.e., a repurpose-ready state).</p>

Appendix B: Stakeholder Feedback to the MCD Consultation with CSSA Responses

Organization	Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive?	Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?	Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?	What else do you want to tell us about the proposed Material Cost Differentiation Methodology?	CSSA Response
Home Hardware	Yes	Yes.	Yes. The in-depth [pre-read] gives a good background, and the abridged version was nice for a quick summary. I also like the video on CSSA's MCD webpage.	Two years into this, I think you have nailed everything you wanted to include, and the explanations are clear and consistent. I have nothing to add, or to question. I understand the reasoning, and think the process makes complete sense.	Thank you for your comments in support of the MCD Methodology.
Loblaw Company Limited			MCD methodology was well presented. After being involved in initial discussion and later with expanded group we only have positive comments on the methodology.	Establishing universal weightage/percentages is better option in applying across all provinces. New provinces joining CSSA will know beforehand how their total expense will be allocated to different material	Thank you for your comments in support of the MCD Methodology.
Procter & Gamble	Yes, we agree	Yes, it is clear	All materials are clear and helpful	It needs to be implemented as soon as possible	Thank you for your comments in support of the MCD Methodology.
Saputo	Agree with new methodology as all characteristics and cost impact for each material is being considered as well as being much more standardized.	Yes, all four components to material cost differentiation is understood.	Yes, pre-read is helpful		Thank you for your comments in support of the MCD Methodology.
Retail Council of Canada	RCC supports replacing the Activity Based Costing (ABC) Methodology with the proposed Material Cost Differentiation (MCD) Methodology. Given the age of	RCC suggests that there be a limit to annual fee increases introduced as a result of the methodology change. Limits		Despite RCC's support for the methodology, it is important to consider how implementation will impact other program aspects for	Thank you for your comments in support of the MCD Methodology.

Organization	Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive?	Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?	Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?	What else do you want to tell us about the proposed Material Cost Differentiation Methodology?	CSSA Response
	<p>the ABC Methodology, RCC believes the MCD Methodology is more comprehensive, has strong guiding principles and better reflects the current state of technology and materials in the marketplace. The methodology will help provide a level-playing field for stewards as well as being repeatable, defensible, and adaptive to innovation in the marketplace.</p>	<p>are a common practice in other jurisdictions, including Quebec where Éco Entreprises Québec (ÉEQ) limits material fee increases to a maximum of 50% each year. Annual fee increase limits will also help provide stability as stewards take on additional responsibilities and costs as programs transition to extended producer responsibility, including the Ontario Blue Box.</p> <p>A way to better manage the potential cost increase for certain categories would be to introduce the MCD over two years, so the four provincial programs do not implement it all at once. If this approach is taken, reporting categories should be harmonized between provinces throughout transition, regardless of whether the MCD Methodology has been implemented or not.</p>		<p>stewards, such as reporting. Although changes in reporting categories can help incentivize desirable packaging behaviour, RCC calls on CSSA to avoid, as much as possible, any additional administrative burden for stewards to adjust IT procedures, databases, reporting templates and more to ensure compliance. Stewards need sufficient lead time to prepare for the implementation of the new methodology, particularly in programs undergoing transition such as the Ontario Blue Box. In addition, we recommend that any changes to reporting coincide with the end of a reporting period to simplify the process for stewards in terms of compiling data and producing reports</p>	<p>Concerns about potential changes to reporting categories are noted. It is CSSA's intention to explore whether steward reporting categories should be aligned with MCD material categories to balance precision in the categories where it contributes to the fairness of the MCD Methodology. Our next harmonization project will consist of an examination of the existing reporting categories and we will request steward participation in the project. Timing and potential complexity of implementation will certainly be part of that work and all efforts will be made to minimize administrative burden to stewards, while staying true to the principles of the MCD Methodology and the Four-Step Fee Methodology.</p> <p>The suggestion to phase in the implementation of the MCD Methodology to mitigate the cost implications for some stewards is appreciated, and will be carefully considered.</p>
<p>Van de Water-Raymond 1960</p>	<p>I agree the MCD methodology looks fair, but I don't know really if it's better than</p>	<p>The application from what I understand is pretty similar to</p>		<p>You want to change your methodology to MCD to change</p>	<p>Thank you for your comments. We believe that the MCD will improve the fairness of</p>

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Ltd	the actual method used to calculate the fees. I supposed you also made some similar studies when you classified the actual fees we are paying? We are also paying the fees right now based on the material we are using.	the actual methodology for us. From my understanding, it will only impact the fees associated with a material, but it doesn't change the way we produce our reports, which is already based on the material multiplied by the weight.		the fee rates. From what I understand, this change would only have an impact between now and 2025 (end of Stewardship Ontario), so what is the point of changing make a lot of efforts to change the methodology for something that would only have an impact for 5 years. I hope the cost-benefit to do that makes sense.	<p>fee setting because it: is principle-based; establishes a level playing field by treating all materials in a standardized and consistent way; and differentiates the impacts that material characteristics have on the cost of the recycling system. All of these attributes are improvements over the current Activity Based Costing (ABC) method primarily because the ABC expresses the cost impacts to manage each material solely on a cost-per-tonne (i.e., weight basis). This is not sufficient to accurately assess the extent to which various materials impact the cost of a recycling system and therefore does not consider material impacts in a standardized way.</p> <p>Regarding the MCD Methodology's impact on steward reporting categories, It is CSSA's intention to explore whether steward reporting categories should be aligned with MCD material categories to balance precision in the categories where it contributes to the fairness of the MCD Methodology. CSSA is planning a harmonization project that will examine the existing reporting categories. We will request steward participation in the project. Timing and potential complexity of implementation will certainly be part of that</p>

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					<p>work and all efforts will be made to minimize administrative burden to stewards, while staying true to the principles of the MCD Methodology and the Four-Step Fee Methodology.</p> <p>Regarding implementation of the MDC Methodology, its application will not be limited to Stewardship Ontario's program. The Board of Directors of each of the four PPP programs, supported by CSSA (Recycle BC, MMSW in Saskatchewan, MMSM in Manitoba and Stewardship Ontario) will consider the results of this consultation in their decision whether to approve the MCD Methodology for use in fee setting.</p>
<p>Andrew Pollock Environmental</p>				<p>All non-recyclable packaging (e.g. multi-layer plastic pouches, plastic-lined paper bags, PVC thermoplastic, etc.) should be assessed, in addition to the proposed "proxy impact value", as "non-recyclable packaging surcharge" that reflects the following cost impacts:</p> <p>a) higher residue sorting and residue disposal costs at MRFs as a result of residents mistakenly placing non-recyclable packaging in their Blue Cart or Blue Box due to</p>	<p>Thank you for your suggestions.</p> <p>Regarding the treatment of "non-recyclable" formats such as PVC and plastic-lined paper bags, it is important to remember that the MCD Methodology was developed specifically to assess the relative cost impact of materials on the recycling system in order to appropriately allocate gross system costs to all materials in Step One of the Four-Step Fee Methodology.</p> <p>The MCD Methodology was not designed to</p>

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				<p>confusion with respect to its recyclability, and</p> <p>b) higher municipal garbage collection and disposal costs when non-recyclable packaging is sorted correctly by residents and placed in the garbage stream.</p> <p>2. The non-recyclable packaging surcharge also sends an important message to brand owners that the use of non-recyclable packaging has system impacts beyond the proposed proxy impact value</p> <p>PVC (No. 3) packaging should be moved to the excluded material list in Appendix B of the Consultation Document because PVC packaging cannot be marketed as a recyclable material and is not permitted in engineered fuel products.</p> <p>4. Packaging made from No. 7 plastic, listed as an included material in Appendix B, is usually defined as "other plastics not included in Nos.1 to 6, such as acrylic, nylon, polycarbonate, polylactic acid, and multilayer combinations of different plastics". Since these plastic types have</p>	<p>assess each material's recyclability or end market value. When it comes to materials such as PVC, the MCD methodology is based on the principle that all materials count, all characteristics count and all the activities needed to prepare them to be repurposed are considered. Therefore, since PVC is in the system it must be included in the MCD system and its cost impacts determined based only on its material characteristics not on its recyclability. The MCI is only one input into the Four-Step Fee Methodology. The system costs associated with materials that are not recyclable or might be considered a contaminant are addressed in other aspects of the Four-Step Fee Methodology including steps two (allocation of commodity revenue) and four (allocation of P&E and market development costs).</p> <p>If there are innovations in technology that affect the management of PVC or changes to the supply of PVC, they will be considered, and incorporated into the MCD Methodology.</p>

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				distinctly different properties, they should be evaluated individually to determine if any of them are actually recyclable. Non-recyclable No. 7 packaging should be added to the excluded material list and be assigned a non-recyclable packaging surcharge as described in Comment 1 above	
V Tech	Boundaries" description is lacking and/or kind of fuzzy, especially Exit. The "exit" part is fuzzy because it's not really something we will have had experience seeing since it's done at a transfer station. Or, do we review each item with first hand knowledge of what it is and, decide at what point it would be in a state for "repurpose"? I.e, "Corrugated Cardboard", all it needs is to be sorted out and baled. That's the exit point for the MCD methodology.	No, I feel that a set of examples that specifically tracks an item from start to finish would be very helpful.	<p>Would it be possible that CSSA provide a tool in the form of a spreadsheet which would lay out what factors in to setting an MCI for each item?</p> <p>That is, an example spreadsheet that includes all material categories, characteristics, metrics, and modules?</p> <p>Then, new Stewards would easily see what is expected because, as the described methodology is presently presented, it's a bit fuzzy.</p> <p>"Weight" has been replaced with ... then, list all applicable up front? All that apply (i.e., Appendix A, B, C, D and so on)</p>	There's a lot of text that describes each well but, there is so much that one loses track of the forest for the trees. Suggest CSSA add a couple of "examples" leading off and then track it right through the "MCD Guide" where, at the end of each section description, show how it affects or, adds to those examples.	<p>Thank you for your suggestion that more examples be provided. The June 25th webinar presentation provides a number of examples, not contained in the pre-read, that you might find useful and we invite you to review them, beginning on slide #45. They include the observation that HDPE colour bottles have a lower MCI value than HDPE natural bottles; newsprint has a higher value than magazines and why.</p> <p>If the MCD Methodology is approved, then each year in the fall at the Annual Steward Meeting, the Material Cost Index will be published, along with appropriate context and commentary on its use in fee setting, including helpful examples.</p>
My Green Planet				I read the pre-read and it is all but	Thank you for your comments. We do

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				<p>incomprehensible except to operations managers. As this program includes all businesses, the language of this publication should be at a level that all stewards can understand if they are expected to participate. The more complex reporting becomes (i.e. additional materials added to the reporting list etc.) the higher chance of poor and inaccurate reporting by the stewards. Many companies do not have the level of sophistication to be able to do the existing reporting let alone adding additional categories. I noticed that all the companies listed in the pre-read document are very large companies with considerable resources and money to hire consultants, if needed.</p> <p>Also, nothing in this document address the complexities of actually determining what the packaging is (boxboard, plastic film, PET etc.) for each product. For example, if a company has 6000 different SKU's ALL WITH DIFFERENT PACKAGING, just determining what the packaging is, and estimating a weight for each</p>	<p>recognize that the pre-read document has a great deal of detailed content. The pre-read document was provided for transparency purposes to detail the technical procedures and research that went into the MCD project and determining its outcomes. This kind of document is especially important for stewards who rely on consultants to formulate their feedback.</p> <p>To ensure this content is accessible to all stewards, we provided a five-page overview document for stewards that highlights the Material Cost Differentiation (MCD) project and summarizes its key elements. This includes a Features & Benefits summary that is intended to assist you when reviewing the Methodology with your colleagues. You may also find the MCD Methodology webinar held on June 25, 2020 helpful. A recording of the webinar is available here and the presentation is available here.</p> <p>We hope that these additional tools help, and please feel free to reach out to us if you have any questions.</p>

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				<p>SKU is a daunting task. I believe that allowing stewards to estimate their packaging weight based on different revenue streams, would be a much better idea. The small business cut off is too low.</p> <p>Finally, what is being done to make the manufacturer/packager of the products cut back on their packaging? The current system assumes that the resellers of, most likely, imported products have influence on how the manufacturer packages the product. Again, the only companies that have any influence on packaging are the large ones. As a small company, we have no influence and are penalized by having to pay fees for something we have no control over. Additionally, it is in the best interest of recycling organizations to keep the revenue stream going so encouraging the generator of the packaging to change their practices has not been pursued sufficiently. If stewardship programs are too good at their jobs, they will be put out of business.</p>	

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				Recycling regulations are deflecting attention away from the real problem.	
Staples	The new MCD Methodology is much needed to reflect the current recycling technology and changes in material characteristics. The MCI will be very helpful for Stewards engaged in the Circular Economy to compare materials and allow for future modifications.			<p>The MCD Methodology doesn't address some of the bigger issues facing Stewards. Namely, financial planning due to increasing costs. The fee calculator provided as part of the consultation to allow Stewards to gauge the potential difference in material fees is shocking. While some material fees decreased, many materials increased by 50% or more and some even over 100%. As a Retail Steward registered in all four provinces, these fees are becoming a financial burden and risk. We used the calculator to estimate potential fees for 2021 and saw our fees increase by approximately 50% across all four provinces.</p> <p>CSSA on behalf of the provincial programs should consider implementing a maximum annual material fee increase to allow stewards to better plan their financial obligations. Each year when the fees are released during the CSSA annual meeting in</p>	<p>Thank you for your comments in support of the MCD Methodology.</p> <p>Thank you for your concerns regarding increasing costs. We agree that the MCD Methodology is not designed to address the issue of rising costs to recycle materials. However, your concerns are noted and the suggestion raised by Retail Council of Canada (above) to phase in the application of the MCD Methodology will be carefully considered.</p>

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				<p>October, our Finance team must adjust and budget for these costs. The constant change and significant increases make this extremely challenging. For example, the 85% increase of General Paper fees between 2019 and 2020 in BC had a significant impact on our Blue Box fees.</p>	
<p>Federated Co-operatives Limited</p>	<p>FCL supports the MCD Methodology design in that fees are set in consideration of current recycling technologies in addition to the impact of material’s characteristics (weight, density, size, etc.) on collection and management costs. We also support the intended outcome: the lower the impact on the environment and the recycling system, the lower the fee. The methodology therefore seems consistent with FCL’s principles for effective policy design in that they are:</p> <p>☐</p> <ul style="list-style-type: none"> • Equitable – no jurisdiction, sector or entity should be expected to bear an unreasonable burden or be competitively disadvantaged; • Transparent – policy design and costs will be clearly communicated along with clearly defined objectives; 			<p>While FCL recognizes the benefits of advancing the MCD methodology, we are cognizant of the operational and administrative burdens that implementation of a change in fee structure will incur. These include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Assessment of existing and potential alternative packaging and paper products; • Procurement of new packaging and paper products as warranted; • Adjustment of inventory data bases and reports in IT systems; • Development of new processes and administrative practices; and • Employee training 	<p>Thank you for your comments in support of the MCD Methodology.</p> <p>We note your concerns about the potential complexity, timing and administrative burden associated with adopting the MCD Methodology. All efforts will be made to minimize the administrative burden to stewards.</p> <p>The Retail Council of Canada’s suggestion to phase in the implementation of the MCD Methodology to mitigate the cost implications for some stewards is also appreciated, and will be carefully considered.</p>

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	<ul style="list-style-type: none"> • Sustainable – policies are based on economic analysis and supported by feasibility and impact assessments that consider the balance of environmental, economic and social goals; and, • Achievable – must involve existing and contemplated technologies and policies that can be applied and sustained in both the immediate and long term. 			<p>In consideration of the time and costs that associated with the above, FCL requests a minimum of one of year notice between the dates of publication and implementation of new rates and reporting systems. We further request that the date of implementation coincide with the end of a reporting period.</p> <p>FCL is committed to developing cost-effective solutions that are effective in our environment and our communities. We support the adoption of the MCD Methodology with the understanding that time and administrative costs for implementation will be accounted for.</p> <p>In addition to this feedback, FCL strongly supports the Retail Council of Canada’s submission in its entirety.</p>	
Carton Council	We agree that the MCD methodology as presented to stakeholders on June 25 is sufficiently principle-based, defensible	Yes.	Yes, in particular we found the pre-read very helpful, as well as the program fee calculators.	Regarding the repurpose ready commodities produced by the MCD system (Table 1 in the pre-read document), although the rationale	Thank you for your comments in support of the MCD Methodology.

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	<p>and comprehensive.</p> <p>Although we also agree that the methodology is fair, we would like to make the following observations:</p> <p>While we fully understand that the MCD methodology measures the cost impacts of material characteristics in a “conceptual” recycling system and that the MCD system “could not mirror any one particular real-life recycling system”, it would seem that a given material’s impacts on the cost of recycling system activities would be directly correlated to its volume relative to other materials, and would be significantly different in a deposit vs a non-deposit system. For example, in a system which manages only non-beverage cartons due to the existence of a deposit system on all beverage containers (currently the case in Saskatchewan and soon to be the case in British Columbia), cartons would have an expected lower relative impact on the system due to the low volumes. Related to the point above, we are unclear whether and to what extent the relative mix of material categories impacts the MCI. In other words, does the MCD methodology consider a standard mix of</p>			<p>for assigning “Emerging Grade” to the polycoat category was explained to CCC’s Managing Director at the July 24th call, we feel it is important to re-iterate that an official ISRI-sanctioned grade has been in existence for food and beverage cartons since 2011. While some carton end-markets also accept other polycoated materials (such as hot beverage cups) – typically North American mills with deinking capabilities – it is our understanding that this is very much on a case-by-case basis. CCC would like to better understand whether and how the MCD system’s inclusion of other polycoated materials in this grade affects the MCI values assigned to both carton types (gable top and aseptic containers).</p> <p>CCC would like to commend CSSA for the quality and the thoroughness of the work conducted on the MCD project.</p>	<p>With respect to your first observation and question about a standard mix of materials, we offer the following explanation:</p> <p>The MCD conceptual system is comprehensive and is indeed based on a standard mix of the full range of materials targeted for collection, including packaging that may be on deposit in some jurisdictions. In this way, the MCD system accounts for all the activities necessary to prepare the materials for repurposing and their associated relative cost impacts.</p> <p>However, the impact measurements, (which ultimately determine each material categories’ value and position on the MCI), are taken for each individual MCD material category’s set of characteristics, as they are expressed within each module. These measurements use the standardized metrics such as cart density, compacted density, area weight, manual pick rate, etc. The metrics that are used to</p>

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	<p>materials in the collection truck when determining relative impacts? We look forward to discussing these points in further detail at a future meeting between the CSSA MCD team and CCC and its interested members, as proposed by CSSA.</p> <p>In reference to Appendix E: Matrix of Material Categories and Modules, we are unclear as to why certain materials, including cartons, are assigned to the “Quality Control on the Optically Sorted Mixed Paper” module (i.e. why they are assigned the cost pertaining to this activity), while others are not. We would argue that all materials should assume some costs pertaining to this activity. As an example, HDPE Nat. Bottles & Jugs (both Beverage and Dairy Beverage) have been included as part of the “QC Optical Sort Mixed Paper” Module, but HDPE Colour Bottles & Jugs (both Beverage and Dairy Beverage) have been excluded We look forward to further discussion on this point as well.</p>				<p>measure the characteristics are not dependent on the relative quantity and mix of all of the MCD material categories, and in turn are not affected by them.</p> <p>Having said this, separate MCD material categories for beverage containers and non-beverage containers are defined when the measured impacts for these are different as they have different characteristics. For example, the impacts of PET Beverage Bottles and Jars were measured to be different from those of PET Non-beverage Bottles and Jars. The density of non-beverage bottles is greater than that of beverage bottles and even more different than lightweight PET bottles e.g. thin walled 500 ml water bottles. The non-beverage bottles are quite varied and tend to be thicker walled.</p> <p>Notwithstanding these different impacts, the measurements are standardized and are conducted on</p>

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					<p>each separate MCD category and therefore are not affected by the relative quantity and mix of these materials.</p> <p>In the case of cartons, measurements from the study collection operation were made with a mix of both beverage and non-beverage cartons (only wine and spirit were on deposit in the province where the tests were conducted). This is because the range of cartons used for beverages and those used for other non-beverage products, such as soups and mixes tend to be very similar, i.e., the same aseptic cartons were observed to be used in both applications and the gable-top cartons used in both applications were also observed to be very similar. Therefore, the measurements of density and area weight, etc. were expected to be very similar, such that there is no measurable difference between the impacts of beverage and non-beverage aseptic cartons and no measurable difference between the impacts of beverage and</p>

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					<p>non-beverage gable-top cartons. Accordingly, measurements for cartons would not differ between jurisdictions in which cartons are on deposit and those in which they are not on deposit, and the MCI input would be the same. It is the Four Step Fee Methodology that accounts for differences between jurisdictions because this is where the total quantities supplied and managed come into play. The MCD Methodology, in its Maintenance component, requires that we monitor the characteristics of materials in the marketplace (among other things). Should differences emerge in the characteristics of beverage and non-beverage gable-top and cartons, this would demand we add new MCD study categories.</p> <p>With respect to your question about Appendix E we offer the following response:</p> <p>Only materials that tend to flow together over the mixed paper screens are subject to the QC Optical Sort Mixed Paper and/or the QC Manual Sort Mixed Paper modules. They need to be</p>

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					<p>separated for mixed paper to meet specifications for repurposing and to enable the “misdirected” materials to be recovered for repurposing. These materials tend to flow together because they have some combination of characteristics that cause them to behave similarly, such that the screens cannot separate them. They may be two dimensional or may become two dimensional during collection, tipping or pre-sorting because they are compressible. Or, they may be friable and light and therefore travel with the fibre materials.</p> <p>A Material Category Test* was conducted on materials that tend to be misdirected in which the proportions of each material flowing with the mixed paper were measured. Materials that were observed to flow with the mixed paper stream consequently participate in the QC module.</p> <p>The test demonstrated that a portion of cartons were observed to flow with the mixed paper, and therefore they</p>

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					<p>participate in the QC Module and are assigned measurements according to their Area Weight and their proportion flowing with the mixed paper**.</p> <p>However, Coloured HDPE Bottles and Jugs and Steel Containers were not observed to flow with the mixed paper in measurable quantities and therefore do not participate in the QC modules.</p> <p>* The material category test was conducted in a real facility with key attributes (materials, equipment, throughput) similar to the MCD System and fifty tonnes of material.</p> <p>** It should be noted that the QC modules are the only modules in which quantity is considered in determining the MCDI. Even then, it is not the mix of materials, rather only the portion of each material present, which is considered. Thus, the corresponding metrics for Optical Sorting (Area Weight) and Manual Sorting (Manual Pick Rate) for each material are “weighted” by the corresponding proportion of each material’s presence.</p>

Organization	Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive?	Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?	Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?	What else do you want to tell us about the proposed Material Cost Differentiation Methodology?	CSSA Response
					<p>With respect to your question about emerging grade and polycoat containers we offer the following response:</p> <p>All materials that are targeted by the MCD System must be sorted to be prepared for repurposing and the MCD System is designed to employ existing or emerging technology to do so. The repurpose- ready commodity specifications define the extent of sorting required for each material within the MCD System.</p> <p>Notwithstanding the existence of an ISRI grade for cartons alone, the fact that existing mills can receive and repurpose the mix of cartons and other polycoat materials without the need for further sorting, even on a case by case basis, meets the definition of “repurpose”.</p> <p>Moreover, since the mix of cartons and other polycoat materials can be sorted for repurposing using existing technology, i.e., optical sorting, and since this is increasingly being done to meet the objectives of recovering this</p>

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					<p>broader range of materials, the mix of cartons and polycoat materials is defined as the repurpose-ready commodity for these materials in the MCD system.</p> <p>The MCI values for cartons and other polycoat materials are determined according to the modules in which they participate and are assigned measurements. The measurements for cartons are independent of all other materials. Similarly, the measurements for other polycoated materials are independent of all other materials.</p> <p>Separation of other polycoat containers and cartons to meet the ISRI 52 grade would require an additional, secondary, likely manual sorting step after the initial optical sort and this would mean additional sorting impacts attributed to cartons, with the likely result of increasing its value within the MCI.</p>

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Food & Consumer Products of Canada	<p>An important element of the fee setting methodology is ensuring stewards pay their fair share for the materials in the system, and that the methodology reflects variances of how materials impact system operations and costs. FCPC supported the use of the Activity Based Costing (ABC) mechanism when it was developed and recognizes that given changes in the market and material composition ABC no longer provides the fairness it was designed to offer. The Material Cost Differentiation (MCD) initiative, was developed with engagement and input from a range of producers, including a number of FCPC members, and FCPC supports the inclusion of the MCD to replace ABC, in order to ensure costs are fairly attributable. The MCD is objective, replicable and verifiable.</p>			<p>As it is expected to impact fees, and specifically as it will impact the in-kind contribution offered to municipalities, FCPC recommends Stewardship Ontario develop a communications strategy to respond to potential concerns or public questions about the impact on some system partners.</p>	<p>Thank you for your support of the MCD Methodology.</p>
New Media Canada	<p>We agree that the principles outlined seem fair, but were not complete. We have suggested another principle #9, namely that: <i>Contamination by other materials should not be a burden to one</i></p>	<p>No, it is not at all clear. The explanation became more opaque and difficult/impossible to follow part way through Section 9. A</p>	<p>Yes, the pre-read was very helpful, but honesty, we could not explain this to anyone without real numbers to explain how the bottom line is calculated for each material. We</p>	<p>We need to see a worked-up example for all materials, or at least one material in plastics, paper packaging, printed paper, glass and metal, to understand what factors</p>	<p>With respect to your suggestion that an extra principle is needed, we offer the following response. Both Guiding Principles #3 and #4⁵ were designed to address the very concern that</p>

⁵ Principle 3: **All materials characteristics count.** When differentiating the cost impacts of one material as compared to another, all of a material's characteristics that can reasonably be measured, should be measured because each material's characteristics can impact costs in different ways.

Principle 4: **All activities count.** All activities necessary to prepare the material to be repurposed should be considered because the intention is that all materials supplied into the market should be repurposed.

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	<p><i>material and contamination removal costs should be fairly allocated between the material being prepared for market and the material causing the contamination.</i></p> <p>Page 14 of the pre-read document comments that because of its flat shape, a plastic package can find its way into the fibre stream. Newsprint should not have to pay for clean-up of plastics mixed in the newsprint because CSSA has modelled a 360 litre cart based single stream (Page 20 and elsewhere), and then mis-directed into the fibre stream because of the flat plastic package shape. The flat plastic package then needs to be separated from fibres to clean up the fibre stream to meet market specs (this example is cited Page 14, 21 and an example of a lightweight PET bottle misdirected to the mixed paper stream on page 22). Most or all of the clean-up costs should be assigned to plastics in particular. Capital and operating costs of screens should at least be shared between ONP and plastic, but all be assigned to ONP.</p>	<p>real-life worked example would have helped considerably and we strongly suggest that examples worked up for each material be added.</p>	<p>consider this an essential next step.</p>	<p>impact on the bottom line by module and material.</p> <p>The webinar and to some extent the pre-read is quite repetitious and assumes that people are not following along. We are following along fine but need more actual numbers to get our heads around how these calculations impact on our own materials.</p>	<p>you articulate in the proposed Principle #9. These instruct us to account for all activities necessary to ready a material to be repurposed and to account for all characteristics of a material that require those activities so that cost impacts are accurately measured and appropriately attributed.</p> <p>By respecting Principles 3 and 4, Newsprint assumes only the portion of the quality control sorting costs that reflect its characteristics. Newsprint does not assume the cost impact of sorting, for example, the PET Thermoforms or PE Rigid Containers and Lids that find their way into the Mixed Paper stream.</p> <p>Fibre screens are used to separate two-dimensional materials, such as corrugated cardboard and newsprint, from other materials, primarily plastic, metal and some paper packaging. The screens exploit the two-dimensionality and size of a fibre target material such as a large corrugated cardboard or smaller corrugated cardboard, newsprint and boxboard, to separate them from the rest of the stream. The effectiveness of the screens and the relative utilization of them is determined by the area weight of each of the individual fibre materials screened off and in this case the</p>

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					<p>cost impacts are entirely attributed to fibre . The Area Weight metric is explained more fully below.</p> <p>Quality Control (QC) sorting of mixed paper is required because the fibre screens alone cannot separate materials sufficiently. Some plastic, paper and metal packaging tend to flow with the mixed paper over the screens because they share some combination of characteristics, either the packaging is two-dimensional like newsprint, or it becomes two-dimensional during the collection, tipping and pre-sorting process or because it is light and is entrained with the various fibre materials, like newsprint. These materials must be separated to enable the mixed paper to meet the market specifications and for the packaging to be effectively recovered.</p> <p>The QC modules (Module 10 – QC Optical Sort Mixed Paper and Module 11 – QC Manual Sort Mixed Paper) together represent a small component (only 3%) of the overall system resources and assign cost impacts to each of the 23 of the 36 MCD Material categories, not only newsprint. The impacts are determined using the</p>

Organization	Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive?	Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?	Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?	What else do you want to tell us about the proposed Material Cost Differentiation Methodology?	CSSA Response
					<p>appropriate module metrics (area weight for optical sorting and manual pick rate for manual sorting) and the corresponding measurements for each participating material. The measurements express how the material characteristics impact system resources. Thus, each of the materials that require the resources of the QC modules generate impacts that are directly related to their characteristics.</p> <p>Finally, a note about how the eight MCD guiding principles were developed. They were created by a Guiding Principles Working Group, composed of a “steward” delegate from each of the four Packaging and Paper Product program Boards of Directors over the course of two workshops held in early 2017. They were subsequently carefully reviewed by the Steward Consultation Committee shared with the entire steward community first in July 2017 and then again during the 2017 Annual Steward Meeting, thus providing numerous opportunities for comment. They have actively guided the work of the project team during the development of the MCD Methodology.</p>

Organization	Do you agree that the MCD Methodology is sufficiently principle-based, fair, defensible and comprehensive?	Is it clear how the MCD methodology will be applied and how it will contribute to fee setting?	Did you find the pre-read and other project materials helpful and will you be able to use them to brief your colleagues? If not, what additional materials would be helpful?	What else do you want to tell us about the proposed Material Cost Differentiation Methodology?	CSSA Response
					<p>With respect to your request for an example, we would be pleased to walk Newsprint stewards, both newspaper publishers and retailers, through a detailed example of how the MCI is used as an input to the Four Step Fee Methodology and in setting fees. Further, we would also be pleased to walk Newsprint stewards, both Newspaper publishers and Retailers, through a detailed discussion of how the Newsprint MCI compares to other materials and its corresponding impact on fees. We have been open to requests from all stakeholders throughout the consultation process and have hosted similar meetings with Restaurants Canada, Carton Council and Canadian Beverage Association. We will be in contact to arrange a meeting with Newsprint stewards now that you have indicated your interest in learning more about the MCI.</p>

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City of Toronto	<ul style="list-style-type: none"> ○ Opposes proposal to implement a new fee setting methodology during the wind-up of the Blue Box Program, ○ Questions the merit and timing of the change given that such a change directly impacts the amount of cash payments to municipalities through substantial changes to the amount allocated to in-kind lineage without sufficient rationale and documentation of the change from the previous to current proposed model to be followed in the wind-up plan. ○ Implementing such a change now complicates the transition plan. 	<p>CSSA notes concerns about the MCD Methodology’s impact on in-kind payments to municipalities. They will be carefully considered by Stewardship Ontario’s Board during its deliberations on whether to approve the MCD Methodology for use in Ontario.</p> <p>Regarding the concern about conflict of interest, CSSA was established by the steward community to provide harmonized administrative and management</p>

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	<ul style="list-style-type: none"> Conflict of interest given's CSSA's involvement in the new methodology presents concerns about the perception that CSSA and SO are not necessarily operating at arms length. 	<p>services to all stewardship programs. Both the Four-Step Fee Methodology and the MCD Methodology projects are examples of how it fulfills its harmonization mandate to stewards and complies with its contractual obligations to Stewardship Ontario, Recycle BC, MMSW and MMSM.</p>
County of Simcoe	<ul style="list-style-type: none"> Concern regarding the proposal to implement a new fee setting methodology during the wind-up of the Blue Box program and the increase in in-kind payments instead of cash payment; we feel strongly that all payments should be cash contributions and not in-kind. 	<p>CSSA notes concerns about the MCD Methodology's impact on in-kind payments to municipalities. They will be carefully considered by Stewardship Ontario's Board during its deliberations on whether to approve the MCD Methodology for use in Ontario.</p>
City of Hamilton	<ul style="list-style-type: none"> Stewardship Ontario's proposed fee setting methodology during the wind-up of the Blue Box program is a concern. Municipalities want to ensure that they receive fair payment for all applicable costs associated with delivering the Blue Box program during the transition period. 	<p>CSSA notes concerns about the MCD Methodology's impact on in-kind payments to municipalities. They will be carefully considered by Stewardship Ontario's Board during its deliberations on whether to approve the MCD Methodology for use in Ontario.</p>
Lutron Electronics Company Inc.	<ul style="list-style-type: none"> Stewardship Ontario should do what is necessary to keep the Blue Box program viable during the transition following the direction and guiding principles of the Ministry. Lessons learned from any changes in fee setting methodology and allocation of system costs should be made available to producers and PROs they transition to assuming funding and operational responsibility for continuing the Blue Box program into the future. Whatever methodology is used, fee accommodation, protection and incentivization should be considered for handling/recovery of materials with long life cycles (e.g. 10-20 years +) compared to the vast majority of waste which is understood to be in the 1-5 year life cycle range. 	<p>Thank you for your comments.</p>
Carton Council of Canada	<ul style="list-style-type: none"> We support Stewardship Ontario proceeding with the implementation of the four-step methodology, in order to harmonize fee setting in Ontario with the other packaging and paper stewardship programs who are serviced by CSSA. We support the replacement of the Activity Based Costing (ABC) methodology used for allocating system costs with the Material Cost Differentiation (MCD) methodology, as presented by CSSA to stakeholders on June 25th 	<p>Thank you for your comments in support of the MCD Methodology.</p>
AMO, City of Toronto, Regional Public Works Commissioners of Ontario (RPWCO) and the Municipal Waste Association	<ul style="list-style-type: none"> Concerned about the proposed implementation of a new fee setting methodology for two reasons: It appears to illustrate a real, perceived or potential conflict of interest for CSSA's proposed fee setting methodology to be a part of Stewardship Ontario's wind-up process. There are a number of slides that discuss CSSA's work on how materials impact recycling costs in SO's presentation and it adds a level of complexity to the process that is not necessary Municipal governments strongly oppose Stewardship Ontario's proposal to implement a new fee setting methodology during the wind-up of the Blue Box program as the adoption of the new methodology will double the amount of in-kind payments municipal governments would receive as part of the Steward 	<p>Regarding the concern about conflict of interest, CSSA was established by the steward community to provide harmonized administrative and management services to all stewardship programs. Both the Four-Step Fee Methodology and the MCD Methodology projects are examples of how it fulfills its harmonization mandate to stewards and complies with its contractual obligations to Stewardship Ontario, Recycle BC, MMSW and MMSM.</p> <p>CSSA notes concerns about the MCD Methodology's impact on in-kind payments to</p>

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	<p>Obligation instead of cash due to the cost of managing newspapers being under-allocated in previous years. However, no rationale or data to support why this change has occurred from the previous model to this model could be provided when requested. We believe the idea that newspaper management costs would double when all data points to rapidly decreasing amounts of newspaper in the system seems incredibly counter-intuitive.</p> <ul style="list-style-type: none"> ○ While we understand the interest in updating an older model, the implications of this change, the lack of a rationale to explain the significant change in results and the added complexity this change would bring to this wind-up process cannot be supported. This change in methodology will directly impact municipal budgets and costs of the program to residents. Furthermore, the timing is unfortunate where Stewardship Ontario is proposing to introduce this new formula in a transitory period with little consultation and insufficient rationale 	<p>municipalities. They will be carefully considered by Stewardship Ontario’s Board during its deliberations on whether to approve the MCD Methodology for use in Ontario.</p> <p>On July 7, 2020 CSSA supported Stewardship Ontario in a meeting with the Ontario municipal sector to review the MCD Methodology and its impacts on newsprint. During that meeting there was a fulsome discussion about the impacts of Stewardship Ontario implementing both the Four-Step Methodology and the MCD Methodology.</p> <p>Based on 2020 inputs, in-kind payments from newspaper publishers would increase by \$3.5M. 2020 fees calculated using the Three Factor Formula and Activity Based Costing (density and composition updates only) result in municipalities receiving \$4.9M in-kind (i.e., newspaper advertising lineage in lieu of cash) and \$130.3M in cash payment for recycling packaging and printed paper. Had 2020 fees been calculated using the Four-Step Fee Methodology and the MCI input, the In-Kind portion would have been \$8.4M and the cash payment to municipalities would have been \$126.8M.</p> <p>While the Material Cost Index value for newsprint is relatively low, (it ranks 6th on an index of 36 material categories) new measurement metrics, protocols and full costing for all obligated materials means that the MCD Methodology, together with the Four-Step Fee Methodology, does shift additional cost to newsprint.</p>
<p>Electronics Product Stewardship Canada</p>	<ul style="list-style-type: none"> ○ EPSC recommends maintaining the current fee methodology through transition and wind up in Ontario. During this time SO will be using up surplus funds which were generated using the existing fee methodology. ○ The proposed MCD Methodology may be an improvement over the current activity-based costing model, due to guiding principles and the addition of commodity values to the formula. However, it is difficult for us to review how the new methodology is built and how it impacts individual materials and steward costs using the fee calculators provided by CSSA. ○ The MCD methodology is too complex. It would be helpful to have last years packaging weight data, including the total weights in each material category, and last years average commodity values, run through both methodologies to see the impact. ○ The simpler the framework, calculations or methodology are, the simpler and more cost efficient the administration of your program will be. EPSC supports a transparent and efficient framework. ○ It is clear that a great deal of work has gone into developing the MCD proposal. It is less clear if the costs of administering the new model are worth the change. We support a clear and transparent process that is supported by best practices. 	<p>Thank you for your comments. We regret that EPSC members did not find the fee calculator tools helpful. The tools were designed to provide stewards of each of the programs with an order-of-magnitude variance in fees by comparing each program’s current approach with the new approach using the 2020 fees rates. They simply require a steward to input their 2019 material quantities into the calculator tools provided here.</p> <p>Thank you for the suggestion to apply last year’s packaging weight data together with commodity revenues. However, this data will not provide EPSC members with information about how the Material Cost Index values will affect their fee rates. The application of commodity revenue represents Step 2 of the Four-Step Fee Methodology, which is outside the scope of the MCD Methodology project.</p>

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Retail Council of Canada	<ul style="list-style-type: none"> ○ RCC supports replacing the Activity Based Costing (ABC) Methodology with the proposed Material Cost Differentiation (MCD) Methodology. Given the age of the ABC Methodology, RCC believes the MCD Methodology is more comprehensive, has strong guiding principles and better reflects the current state of technology and materials in the marketplace. ○ With this in mind, RCC recognizes that the new methodologies will impact how costs are allocated among material categories and fees paid by stewards in cash or in-kind. Given the potential for challenges with municipalities as a result of the MCD Methodology, RCC wonders if the introduction of the methodology could be delayed until 2022 in order to fully understand and assess the cost impact for municipalities. A 2022 phase-in date for the methodologies could be included in the wind-up plan. This would allow programs in BC, Saskatchewan and Manitoba to implement the methodologies first and better identify its impacts, with Ontario being onboarded a year later given the complexities of transition. This approach would further protect the methodology developed by stewards for years from being questioned politically. 	<p>Thank you for your comments in support of the MCD Methodology.</p> <p>The suggestion to phase in the implementation of the MCD Methodology to mitigate the cost implications for some stewards is appreciated and will be carefully considered.</p>
Canadian Beverage Association	<ul style="list-style-type: none"> ○ The CBA strongly supports the implementation of the four-step fee methodology in Ontario. It aligns with the CBA's stewardship principles to: <ul style="list-style-type: none"> ○ distribute recycling system costs in an accurate and equitable manner; ○ allocate commodity revenue to those materials responsible for generating the revenue; and, ○ ensure no cross-subsidization among material categories ○ CBA supports the modernization of the costing methodology by transitioning from the Activity-Based Costing (ABC) methodology to the Material Cost Differentiation (MCD) methodology. A significant amount of work went into the development of the MCD over the past couple of years that involved the time and dedication of CBA members, as well as the members of the Retail Council of Canada and Food & Consumer Products Canada. ○ Our association agrees that replacing the ABC with the MCD methodology will provide a clearer, more comprehensive and transparent way to assess the cost impacts to manage each material in the recycling system. Like all good scientific approaches, the MCD is based on defensible assumptions and is supported by procedures that are easily replicated. ○ By moving forward with both the four-step fee and MCD methodologies, Ontario can harmonize requirements with other provinces and deliver a fairer, more effective system leading up to and during transition to the new producer-responsibility regulation. 	<p>Thank you for your comments in support of the MCD Methodology.</p>
City of Ottawa	<ul style="list-style-type: none"> ○ Municipal governments support the emphasis being placed on ensuring the avoidance of a real or perceived conflict of interest. However, we are concerned about the proposed fee setting methodology for two reasons: <ul style="list-style-type: none"> ○ It appears to illustrate a real, perceived or potential conflict of interest for CSSA's proposed fee setting methodology to be a part of Stewardship Ontario's wind-up process. There are a number of slides that discuss CSSA's work on how materials impact recycling costs in SO's presentation. 	<p>Regarding the concern about conflict of interest, CSSA was established by the steward community to provide harmonized administrative and management services to all stewardship programs. Both the Four-Step Fee Methodology and the MCD Methodology projects are examples of how it fulfills its harmonization mandate to stewards and complies with its contractual obligations to Stewardship Ontario, Recycle BC, MMSW and MMSM.</p>

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	<ul style="list-style-type: none"> ○ It adds a level of complexity to the process that is not necessary. ○ Municipal governments strongly oppose Stewardship Ontario's proposal to implement a new fee setting methodology during the wind-up of the Blue Box program ○ Stewardship Ontario has indicated that this change to the fee setting methodology will double the amount of in-kind payments municipal governments would receive as part of the Steward Obligation instead of cash. Stewardship Ontario has indicated that this is due to the cost of managing newspapers being under-allocated in previous years. However, no rationale or data to support why this change has occurred from the previous model to this model could be provided when requested. ○ We believe the idea that newspaper management costs would double when all data points to rapidly decreasing amounts of newspaper in the system seems incredibly counter-intuitive. ○ While we understand the interest in updating an older model, the implications of this change, the lack of a rationale to explain the significant change in results and the added complexity this change would bring to this wind-up process cannot be supported. This change in methodology will directly impact municipal budgets and costs of the program to residents. Furthermore, the timing is unfortunate where Stewardship Ontario is proposing to introduce this new formula in a transitory period with little consultation and insufficient rationale to validate the reasonableness of the conclusions they are putting forward. 	<p>CSSA notes concerns about the MCD Methodology's impact on in-kind payments to municipalities. They will be carefully considered by Stewardship Ontario's Board during its deliberations on whether to approve the MCD Methodology for use in Ontario.</p>
CCSPA	<ul style="list-style-type: none"> ○ Some of our members did participate in the MCD webinar and are currently evaluating the directional change in fees with the calculator that has been provided to stewards. ○ In general, we are in support of any improvement that fairly assigns fees to packaging categories. 	<p>Thank you for your comments in support of the MCD Methodology. We are pleased that CCSPA members are find the calculator tools helpful.</p>
Food & Consumer Products of Canada	<ul style="list-style-type: none"> ○ FCPC supports the proposal to include the four step fee setting methodology, bringing Ontario in line with Blue Box programs in British Columbia, Saskatchewan and Manitoba. Including the four step fee setting methodology in the Plan increases ease of use and fairness for stewards, and alignment among the provincial programs. FCPC recommended the inclusion of the four step methodology when it was first proposed in 2016, and supports its inclusion now. ○ An important element of the fee setting methodology is ensuring stewards pay their fair share for the materials in the system, and that the methodology reflects variances of how materials impact system operations and costs. ○ FCPC supported the use of the Activity Based Costing (ABC) mechanism when it was developed and recognizes that given changes in the market and material composition ABC no longer provides the fairness it was designed to offer. ○ The Material Cost Differentiation (MCD) initiative, was developed with engagement and input from a range of producers, including a number of FCPC members, and FCPC supports the inclusion of the MCD to replace ABC, in order to ensure costs are fairly attributable. The MCD is objective, replicable and verifiable. ○ As it is expected to impact fees, and specifically as it will impact the in-kind contribution offered to municipalities, FCPC recommends Stewardship Ontario develop a communications strategy to 	<p>Thank you for your support of the MCD Methodology.</p>

Feedback Received as Part of the Stewardship Ontario Blue Box Consultation	CSSA Response
	respond to potential concerns or public questions about the impact on some system partners.