

Proposed Changes to the Methodology to Calculate the Cash Portion of the InKind Obligation

Consultation Report

February 2023

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Introduction

Between December 15, 2022, and January 13, 2023, the Resource Productivity and Recovery Authority (RPRA) consulted on proposed changes to the methodology for calculating partial cash payments for the InKind Program obligation during the transition of the Blue Box Program for the 2024 and 2025 funding years. RPRA consulted with municipalities and First Nations communities set to transition in 2024 and 2025, the Association of Municipalities of Ontario (AMO), News Media Canada and the Ontario Community Newspaper Association (NMC/OCNA), and NMC/OCNA newspaper stewards.

Prior to RPRA's consultation, Stewardship Ontario (SO) initiated the Wind Up Plan (WUP) amendment process by holding a public consultation on the proposed methodology between November 14, 2022, and December 9, 2022. SO submitted a consultation report and proposed WUP addendum to RPRA in December 2022 (see Appendix A and B respectively).

All comments received during the consultation process were considered when reviewing the proposed addendum. RPRA also assessed whether the proposed amendment was compliant with direction issued by the Minister and the *Waste Diversion Transition Act, 2016* (WDTA), and whether it is consistent with RPRA's Wind Up Guide.

This report details RPRA's consultation process, the feedback received and how RPRA incorporated the feedback that was received from consultation participants. Questions about this report can be emailed to consultations@rpra.ca.

About RPRA

RPRA is the regulator created by the Ontario government to enforce the requirements of the *Resource Recovery and Circular Economy Act* (RRCEA) and the *Waste Diversion Transition Act, 2016* (WDTA).

The RRCEA establishes a resource management regime where producers are individually responsible and accountable for their products and packaging, recovering resources and reducing waste. The WDTA allows for the continuation of waste diversion programs and sets out provisions to wind up those programs as directed by the Minister of the Environment, Conservation and Parks.

Principles for Public Consultation

RPRA's consultations are guided by the following best practice principles developed by the Organization for Economic Cooperation and Development:

Inclusiveness and openness: Engage broadly with a wide variety of stakeholders, provide clear and understandable information, and make the consultation process accessible, comprehensible, and responsive.

Timeliness: Engage stakeholders early before decisions are made and provide regular opportunities for engagement on key program and policy matters.

Accessible and cost effective: Consider a variety of tools and methods to gather feedback that promote efficient and cost-effective consultations.

Balance: Provide opportunities for diverse perspectives and opinions to be heard and considered.

Transparent: Record feedback, report back a summary to stakeholders, and synthesize feedback into programs and policies as appropriate.

Evaluation: Demonstrate the impact of public consultations on program delivery and policy development.

Consultation

Background

Under the Blue Box Program Plan, members of News Media Canada and Ontario Community Newspaper Association (NMC/OCNA) contribute newspaper advertising lineage to municipalities and First Nations in lieu of cash funding. A cash payment, which is calculated based on a methodology outlined in the Blue Box Program Plan, is also required if commodity prices reach a certain level.

RPRA reviewed the methodology to calculate the cash portion of the InKind obligation to determine whether the methodology needed to be adjusted for the transition years of the Blue Box Program. The review was undertaken because certain data inputs required for the calculation would not be available as participating communities transition to the new producer responsibility framework under the *Resource Recovery and Circular Economy Act, 2016*. RPRA determined that a change to the methodology was required to account for the loss of key data inputs as communities begin to transition out of the program in order to calculate the cash portion of the InKind obligation.

The Blue Box Program Windup Plan (WUP) states that the InKind Advertising Program is to continue without changes through to the end of the Blue Box transition in 2025. However, as the calculation used to implement the InKind Advertising Program is impacted by the loss of reported municipal data, a consultation and a resulting adjustment to the methodology was required.

Process

RPRA's consultation on Stewardship Ontario's proposed WUP addendum began on December 15, 2022. A [dedicated web page](#) was created on the Authority's website with background information on the consultation and presentation materials.

Those stakeholders interested in and/or impacted by the matter were invited to submit feedback on the proposed changes to the methodology via email. Municipalities or First Nations communities transitioning out of the WDTA Blue Box Program in 2024 and 2025, many of which are represented by the Association of Municipalities of Ontario (AMO), and NMC/OCNA newspaper stewards obligated for 2023 were the two primary affected groups.

Consultation participants were asked the following questions:

1. Do you support the proposed revised methodology to allow for the cash contribution of the InKind obligation to continue to be calculated during the Blue Box Program transition?
2. If not, do you have an alternative methodology to propose to continue calculating the cash contribution of the InKind obligation?

Prior to RPRA's consultation period, two joint SO-RPRA webinars were held on Wednesday, November 30, 2022: one for AMO and the municipalities, and the second for NMC/OCNA and NMC/OCNA newspaper stewards.

What we heard

RPRA heard feedback through the following channels:

- Joint SO-RPRA webinars held during SO's consultation
 - Municipal webinar was attended by 22 representatives, including municipalities and AMO
 - NMC/OCNA stewards webinar was attended by 9 representatives including stewards and the association
 - The webinar presentation and recordings can be found [here](#)
- Feedback received via email during RPRA's consultation period
 - NMC/OCNA provided feedback in writing

Questions and comments submitted during the joint webinars and the respective responses are recorded in the table below. Questions have been organized by stakeholder group. Questions not relevant to this consultation have been excluded.

Question	Response
Municipal Webinar	
If we have comingled recycling would this affect us?	This calculation will affect all municipalities that transition in 2024 and 2025.
Why is it necessary to remove one grade of ONP?	The issue arises because the majority of communities that currently report data separately for the grades of used newsprint (ONP #6 and #8) will transition out of the WDTA Blue Box Program in 2023. The formula does not allow for a proper calculation where data for one of the two grades of ONP is not available. Hence, the methodology is proposed to be adjusted so that the cash portion calculation can be done with only one grade of ONP.
How would you define "insufficient data"? How many programs would be required to report newsprint revenue to allow a fulsome calculation?	Insufficient data is defined as data from less than two participating communities. As a calculated average is required for the calculation, data from at least two programs are currently required for the calculation.
NMC/OCNA Stewards Webinar	
Are municipalities required to report ONP #6 and #8 or is that voluntary?	It is voluntary for municipalities to report ONP#6 and #8.
Have you done calculations for three or more sample years (those in which cash portion was triggered and those in which it wasn't) using both methods so we can see if there is any difference in the end results? If not, will you?	Yes, RPRA did conduct this analysis and the actual to proposed methodology calculation can make a payment increase or decrease. The data is variable; however, analysis shows: <ul style="list-style-type: none"> • The cash payment methodology was not triggered by the proposed methodology if it was not triggered otherwise.

	<ul style="list-style-type: none">• On average there is an +/- 8% difference between the cash payments calculated through the actual and proposed methodology.
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NMC/OCNA also provided feedback via email, noting that they cannot definitively conclude if the proposed changes will cost or benefit their member newspapers. They also expressed concerns about consulting on a program that is set to wind up on December 31, 2025 along with the Blue Box Program. Although the consultation openly invited alternative proposals to adjust the methodology to calculate the cash portion of the InKind obligation during the transition years, no alternative solutions were submitted.

No objections to the proposed approach were heard through the feedback received during the consultation period. Municipal feedback received through the webinar and SO's consultation reflected agreement with the proposed approach. Although NMC/OCNA raised concerns about the outcomes of the InKind program for newspaper stewards generally, they expressed an understanding that the proposed changes to the methodology are required for the continued implementation of the InKind program calculations.

Conclusion

RPRA considered and carefully addressed all of the feedback provided through the consultation process. Based on the feedback received, RPRA made the decision to continue with the proposed changes to the methodology to calculate the cash portion of the InKind obligation as it is necessary for the continued implementation of the 2005 Amendment to the Blue Box Program Plan. The proposed change to the methodology is required to accommodate for the loss of key data inputs as communities begin to transition out of the program starting July 1, 2023 in order to calculate the cash portion of the InKind obligation.

Appendix A: SO's Consultation Report on Calculating the Potential Cash Portion of Newspaper InKind Obligation



Stewardship Ontario

**BLUE BOX TRANSITION PLAN
NEWSPAPER INKIND
CALCULATION**



Stewardship Ontario

Blue Box Transition Plan

**Calculating the Potential Cash
Portion of Newspaper InKind
Obligation**

Consultation Report

December 2022

**BLUE BOX TRANSITION PLAN
NEWSPAPER INKIND
CALCULATION**

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1. INTRODUCTION

Under the Blue Box Program Plan, News Media Canada and Ontario Community Newspaper Association (NMC/OCNA) stewards contribute newspaper advertising lineage to municipalities and First Nations in lieu of cash funding. Some of this obligation may need to be paid in cash if commodity prices reach a certain level, which is calculated based on a methodology outlined in the Blue Box Program Plan.

Some data inputs required to determine the cash portion that may apply to the in-kind obligation will not be available as participating communities transition to the new producer responsibility framework under the Resource Recovery and Circular Economy Act, 2016. Proposed changes to the calculation methodology have been developed by the Resource Productivity and Recovery Authority (RPR) to enable it to determine the potential cash obligation using the remaining available data.

The proposed changes require amendments to the Blue Box Transition Plan. The amendments require Stewardship Ontario to consult on the proposed changes to the methodology for the 2024 and 2025 funding years.

2. STAKEHOLDER COMMUNICATION

Stewardship Ontario posted information on the consultation on its website and engaged directly with the following stakeholders about the proposed change by email notices, a dedicated web page and webinars:

- News Media Canada and Ontario Community Newspaper Association (NMC/OCNA) stewards
- Municipalities not transitioning to the new regulatory framework in 2023.

Stakeholders were advised that feedback on the proposal was to be submitted via email by December 9, 2022.

2.1 Email Notifications

Email notifications were a primary channel for informing stakeholders about the proposed change to the InKind methodology. Email lists for stakeholders included contacts provided by Stewardship Ontario and RPR. RPR approved all email notifications.

All emails advised of pending webinars, referenced the available presentation file, pointed to more information on the Stewardship Ontario website and directed questions and feedback submissions to consultation@stewardshipontario.ca

Date sent	Stakeholder group	Subject and link	Number sent to	Open rate
November 14, 2022	Municipalities	Consultation on calculating the potential cash portion of newspaper in-kind obligation	296	38%
November 14, 2022	Newspaper Stewards	Consultation on calculating the potential cash portion of newspaper in-kind obligation	27	52%

Date sent	Stakeholder group	Subject and link	Number sent to	Open rate
November 28, 2022	Municipalities	Reminder: Consultation on calculating the potential cash portion of newspaper in-kind obligation	295	30%
November 28, 2022	Newspaper Stewards	Reminder: Consultation on calculating the potential cash portion of newspaper in-kind obligation	29	31%
December 5, 2022	All	Feedback on proposed change to newspaper In-Kind obligation due by December 9	314	29%

2.2 Website

Stewardship Ontario created a news item and dedicated page on its website for the InKind consultation: [Consultation on Calculating the Potential Cash Portion of Newspaper InKind Obligation](#)

The website included background on the proposal, a link to the webinar [presentation file](#) and links for webinar registration. After the webinars, recordings of the events were posted on the web page.

2.3 Webinars

Separate webinars were held for Municipalities and Newspaper Stewards on November 30, 2022. Both events were co-hosted by Stewardship Ontario and RPRA, with speakers from both organizations. Both events lasted about 30 minutes. The below table provides summary data for both events.

	Register	Attend	Questions
Municipalities	40	22	5
Newspaper Stewards	14	9	6

3. CONSULTATION APPROACH

Stakeholders were invited to provide their thoughts and questions about the InKind proposal submissions during the webinars and/or by sending email to a dedicated address by December 9, 2022.

4. SUMMARY OF FEEDBACK

Two stakeholders sent email to consultation@stewardshipontario.ca by the December 9 deadline:

- Township of Howick: Unsure if/how the change would affect a small township.
- City of Hamilton: Expressed support for the proposed revised methodology.

Questions and comments submitted in the webinars were responded to during the events. The following were submitted by newspaper stewards:

- Are municipalities required to report ONP #6 and #8 or is that voluntary?
- Have you done calculations for three or more sample years (those in which cash portion was triggered and those in which it wasn't) using both methods so we can see if there is any difference in the end results? If not, will you?
- Follow up questions requested details about cost estimates.

The following were submitted by municipalities:

- If we have comingled recycling would this affect us?
- Why is it necessary to remove one grade of ONP?
- If we transition in mid-2024, will we receive the InKind contribution for the whole year, or will it be pro-rated?
- How would you define "insufficient data"? How many programs would be required to report newsprint revenue to allow a fulsome calculation?

5. NEXT STEPS

Stewardship Ontario agrees with the proposed changes to the Blue Box Windup Plan. Stewardship Ontario has advised stakeholders that RPRA will conduct its own consultations on the InKind methodology. Further Stewardship Ontario communications with stakeholders on this subject are to be determined.

Appendix B: SO's Proposed Addendum to the Blue Box Wind-up Plan



Changes to the methodology for calculating partial cash payments for the InKind Program obligation during the Blue Box Program transition years (2024–2025).

In December 2020, the Resource Productivity and Recovery Authority (the Authority) approved, with certain conditions, the Blue Box Program Windup Plan (WUP) submitted by Stewardship Ontario.

The approach underlying the approved WUP sought to maintain operational stability of the Blue Box Program during transition in order to enable parties to prepare for the implementation of the producer responsibility framework under the RRCEA. The approved WUP states that no changes are recommended to certain key elements of the Blue Box Program Plan (BBPP), including the Newspaper InKind Program.

On June 3, 2021, the Ontario Government issued O. Reg. 391/21, the Blue Box Regulation, under the *Resource Recovery and Circular Economy Act, 2016*, which outlines producer responsibility requirements for the new Blue Box Program. Municipalities and First Nation communities will begin to transition to the new program according to the transition schedule set by the Ministry of the Environment, Conservation and Parks.

Local communities will begin to transition on July 1, 2023. The process and timing of transition raises issues for the continued operation of the Newspaper InKind Program that were not anticipated at the time of approval of the WUP.

Under the Blue Box Program Plan, newspaper stewards fulfill their steward funding obligation by providing in kind advertising space to municipal and First Nations programs instead of cash. However, when commodity prices for newsprint fall below a certain level – to the financial disadvantage of local communities – newspaper stewards must fulfil their steward obligation partially through cash payments. The formula used to determine the cash portion is prescribed in the [2005 amendment to the BBPP, s.9.14.3 Contributions from the Newspaper Industry](#).

The formula set out in section 9.14.3 relies on tonnage and revenue data for two grades of used newsprint (ONP #6 and #8) that local communities report into the annual Datacall. As municipalities gradually cease Datacall reporting and move to the new producer-funded and operated Blue Box Program, there is not likely to be sufficient data available complete the calculation.

Therefore, an adjustment to the methodology is required. Authority staff propose the following:

BLUE BOX TRANSITION PLAN NEWSPAPER INKIND CALCULATION

- *In the event that fewer than two participating communities report tonnage and revenue for a grade of ONP, either #8 or #6, only the data for the other grade of ONP will be considered for the purposes of the initial comparison for the calculation laid out in s.9.14.3 Contributions from the Newspaper Industry in the Blue Box Program Plan (amended 2005).*
- *In the event that sufficient data is not available to undertake the price index comparison steps described in the last paragraph of s.9.14.3 Contributions from the Newspaper Industry in the Blue Box Program Plan (amended 2005), those steps will be omitted from the overall calculation methodology.*

A detailed explanation of the proposed changes is provided in the consultation materials.

The proposed changes would only impact Blue Box funding for the 2024 and 2025 transition years. The changes would not affect the implementation of the rest of the Blue Box Program WUP. The only Blue Box stewards that would be affected by the proposed amendment are the newspaper stewards that fulfil their obligation through the Newspaper InKind Program.

The proposed amendment supports the Minister's windup direction to the Authority to ensure that the apportionment of obligations among stewards is fair and equitable.

Stewardship Ontario has consulted on the proposed changes to the WUP with steward members of News Media Canada and Ontario Community Newspaper Association (NMC/OCNA), as well as the local communities that are set to transition to the new regulatory framework after 2023.

Stewardship Ontario has considered stakeholder feedback and recommends the adjusted methodology to the Authority to address the Newspaper InKind Program issues that are likely to arise due to the anticipated loss of data inputs during transition.

The Authority will undertake a further round of public consultation prior to evaluating the proposed Blue Box WUP amendment.