

Cost Containment Principles,
Policies and Practices

Efficiency and Effectiveness
Policies and Practices

Small Business Measures



Waste Diversion Ontario

July 12, 2004

Revised January 31, 2005

Policies and Practices to Support Cost Containment and Efficiency and Effectiveness and Small Business Measures

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Note to Reader

The policies and practices to support cost containment, efficiency and effectiveness and small business measures were approved by the Board of Directors on July 9, 2004 and submitted to the Minister of the Environment on July 12, 2004 for approval.

Following posting on the Environmental Registry, the Minister approved the cost containment plan on December 30, 2004 for implementation on an accelerated timetable with 'reasonable cost' bands implemented in 2006 rather than 2008. The Minister requested that Waste Diversion Ontario revise the cost containment plan to reflect these changes for submission by January 31, 2005.

Revisions arising from the Minister's request are highlighted in the following sections to differentiate from the original July 12 document:

- Executive Summary, pages v, vii, viii and x;
- Section 5.1, pages 16, 17 and 18;
- Section 5.2, pages 21 and 22; and
- Section 6.1, page 24.

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Executive Summary

On December 22, 2003, Minister Dombrowsky informed Waste Diversion Ontario (WDO) that she had approved the Blue Box Program Plan (BBPP). In her letter, the Minister also requested that WDO propose “new measures or enhancements to existing measures that will allow the Blue Box system to divert at least 60 per cent of Blue Box wastes by 2008”. These detailed program requirements included:

- Specific cost containment principles for municipalities and stewards to follow. Policies and practices that will ensure compliance with cost containment principles.
- Policies and practices to encourage effectiveness and efficiency for municipal Blue Box systems.

The Minister also asked WDO to:

- Undertake analysis of the financial and operational impacts of the Blue Box Program Plan on the small business community; and
- Consider incentives for small business to improve diversion of their Blue Box Waste in order to reduce their cost.

While policies and practices to ensure cost containment are focused on the efficiency of the Blue Box Program, the Program is also expected to increase its effectiveness as measured through increased recovery of Blue Box materials. The WDO Board has noted that cost containment measures for municipal recycling programs are not intended to be a disincentive to increased diversion.

WDO’s Cost Effectiveness Committee first developed nine cost containment principles on August 6, 2003, and subsequently, a series of nine cost containment strategies at their September 17 and October 23, 2003 meetings. WDO’s Municipal Industry Program Committee (MIPC) was tasked with further developing these strategies and an implementation workplan. The work completed by MIPC in this regard, combined with key learnings gained through implementation of the 2003 Datacall, preparatory work for launching of the Effectiveness & Efficiency Fund and comments received through the consultation process, has led MIPC to make the following recommendations on refinements to these principles:

1. The annual Municipal Datacall will:
 - a. compile costs for residential Blue Box materials only;
 - a. compile costs for agreed cost components of municipal Blue Box programs as outlined in the Blue Box Program Plan;

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- b. incorporate verification to ensure accuracy, transparency and consistency of reporting; and
 - c. analyze year over year cost increases in relation to increases in tonnage marketed, increases in population or households, changes in the mix of Blue Box materials, increases in the cost of living for factors related to the operation of Blue Box programs or cost increases supported by documentation provided during the Datacall and accepted during the verification process.
2. Bridging from the 2002 verified costs to the approved cost categories as defined in the BBPP will occur by 2007.
3. Cost bands will be:
 - a. defined to reflect municipal diversity and 'reasonable costs' in 2006 and best practices in 2008;
 - b. utilized to analyze program costs to identify those that are higher than best practice costs; and
 - c. utilized to determine net program costs and funding.
4. Municipal Blue Box recycling programs will, where possible, work to operate at best practices to minimize gross and net Blue Box program costs.
5. Stewards will, where possible, use materials that can be cost effectively managed in the Blue Box Program while meeting their customers' needs and will support enhanced material markets through procurement and other market development initiatives.
6. Autonomy of municipal government decision-making remains intact.
7. No cross subsidization of materials' costs.
8. Stewards, where possible, will seek to minimize the amount of materials that result in Blue Box Waste while meeting their customers' needs.

After considering comments from stakeholders attending the consultation workshops and providing written submissions and building on the work undertaken by MIPC to support discussions at the Cost Effectiveness Committee, a series of policies and practices have been identified to support the cost containment principles.

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of the Ministry of the Environment:

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- *Support municipalities' efforts to operate Blue Box recycling programs at best practices to minimize net Blue Box program costs by various measures including but not limited to*
 - Enforcing existing regulations requiring waste generators (such as multi-family housing units) to recycle Blue Box wastes or alternately designating a person under Section 157 of the *Environmental Protection Act* in each municipal recycling program as a "provincial officer for the purposes of the Act and the regulations" so that the municipality can enforce these provisions with costs recovered from the province or through tools the province may wish to provide
 - Establishing and actively supporting a provincial procurement policy to promote recycled content in products utilizing recycled printed papers and packaging in their manufacture
 - Using existing powers to introduce new regulations to: promote the use of recyclable materials for packaging and products; ban materials from disposal sites; require the adoption of user pay waste collection services; make recycling mandatory; and specify minimum levels of recycling services

- *Support stewards' efforts to minimize the amount of Blue Box materials required to meet their customers needs, use materials that can be cost effectively managed in the Blue Box Program and support enhanced material markets through procurement and other market development initiatives by various measures including but not limited to*
 - Providing economic incentives in support of increased recycling including tax incentives and green procurement policies and through economic development programs

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of Ontario municipalities:

- *Work, where possible, to operate municipal Blue Box recycling programs at best practices to minimize gross and net Blue Box program costs by various measures including but not limited to*
 - Adopting user pay waste management charges and limiting the quantities of wastes that will be collected and/or making participation in Blue Box recycling programs mandatory
 - Co-operating with other municipalities and private sector operators to integrate recycling program services to improve economies of scale and cost effectiveness
 - Providing economic incentives in support of increased recycling including green procurement policies and through economic development programs
 - Adopting best practices identified by WDO through analysis of Municipal Datacall data and other research

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The following policies and practices to support containment of municipal Blue Box system costs require action on the part of Stewardship Ontario and the Association of Municipalities of Ontario, working co-operatively through Waste Diversion Ontario:

- *Support municipalities' efforts to operate municipal Blue Box recycling programs at best practices to minimize gross and net Blue Box program costs through analysis of 2002 and 2003 and future Datacall data by various measures including but not limited to*
 - Identifying collection and processing contract arrangements that reduce costs (e.g. preliminary analysis of 2002 data suggests that specific types of revenue sharing arrangements can lead to higher or lower revenue)
 - Identifying program characteristics, such as frequency of service (weekly or bi-weekly), type of collection (depot or curbside), range of materials collected and service sharing arrangements (co-operation among neighbouring municipalities to better utilize collection or processing capacity) that result in reduced costs while maintaining or increasing material recovery
 - Sharing identified best practices with municipalities through correspondence to councils, training workshops and site visits from a WDO Blue Box Assistance Team
 - Modifying 2004 Datacall to ensure that the data necessary for best practice analysis are being requested
 - Modifying the Municipal Funding Allocation Model to reward municipalities that have implemented the identified best practices and to provide incentives for municipalities to adopt the identified best practices

- *Verify Municipal Datacall data to ensure accuracy, transparency and consistency of reporting by various measures including but not limited to*
 - Providing expanded descriptions in the 2003 Datacall for eligible capital cost items, acceptable cost allocation methodologies, reporting of stockpiled materials and revenue sharing
 - Requesting budgeted and planned capital expenditures for next two years
 - Providing submission support visits to largest programs in 2004 and expanding this program in 2005
 - Utilizing submission support visits to compile additional information on direct and indirect administration costs
 - Utilizing year over year cost data to identify anomalies
 - Calculating projected annual cost increase by municipality for use as reference during verification of Datacall
 - Implementing the various audit procedures outlined in the approved BBPP including financial audits and program reviews

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- *Prepare for bridging from the 2002 verified costs to the approved costs as defined in the BBPP by 2007 by various measures including but not limited to*
 - Determining an appropriate rate of interest on debt for municipal capital investment by 2005 for application in 2006
 - Developing a detailed definition of best practice administration costs by 2006 for application in 2007

- *Support the use of cost bands by various measures including but not limited to*
 - Identifying ‘reasonable costs’ and the range of the cost bands for defined municipal groups (those defined in Section 4.2 will be reviewed and possibly revised for this purpose) to reduce the 2004 net system cost for the purpose of setting 2006 fees
 - Developing standards for ‘reasonable costs’ and procedures for appeals of decisions regarding reasonable costs by 2005 for application in 2006
 - Determining best practice costs to be used for the purpose of setting 2008 fees

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of Stewardship Ontario:

- *Support enhanced material markets through procurement and other market development initiatives by various measures including but not limited to*
 - Establishing green procurement protocols through consultation with stewards and interested stakeholders
 - Developing higher value glass markets by issuing a Request for Expressions of Interest for glass market development followed by a Request for Proposals for glass processing capacity and by supporting feasibility studies and small projects
 - Assessing market development levies for other materials (than glass) to support material-specific targets

- *Support municipalities’ efforts to operate Blue Box recycling programs at best practices to minimize net Blue Box program costs by various measures including but not limited to the following*
 - Administering Efficiency and Effectiveness (E&E) Fund (refer to Section 6 for additional information about the E&E Fund)
 - Designing a voluntary co-operative marketing service, entering into agreements with markets for minimum pricing and soliciting participation from municipalities marketing materials below these prices
 - Assessing MRF residue composition to identify opportunities for increased capture at minimal cost
 - Implement audits of aluminum used beverage can (UBC) recovery rates to identify opportunity for increased capture at minimal cost

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The following policies and practices to support containment of municipal Blue Box system costs require action on the part of stewards of Blue Box Waste:

- *Where possible, promote actions to minimize the amount of materials that result in Blue Box Waste while meeting their customers' needs, select materials that can be managed at the lowest cost and support enhanced material markets through procurement and other market development initiatives by various measures including but not limited to the following*
 - Minimizing the use of materials that will result in Blue Box Wastes
 - Use, where possible, materials that can be cost effectively managed in the Blue Box program.
- *Support municipalities' efforts to operate Blue Box recycling programs at best practices to minimize net Blue Box program costs by various measures including but not limited to the following*
 - Supporting enhanced material markets through procurement and other market development initiatives to maximize revenues
 - Promoting householder participation in municipal recycling programs through marketing campaigns

Three main policy recommendations have been developed regarding the implementation of a recycling Effectiveness and Efficiency Fund in 2004:

- Implement the E&E Fund effective July 1, 2004 following the policies and practices on cost containment and effectiveness and efficiency recommended by WDO to the Minister and incorporating any revisions requested by the Minister after the policies and practices on cost containment and effectiveness and efficiency are posted through the MOE's Environmental Bill of Rights process.
- Six priority project areas have been recommended for the E&E Fund for 2004 (i.e. projects for which greater than 50% funding to municipalities may be made available). For 2004, these six priorities are:
 1. *Multi-family recycling* – the single largest potential source of new Blue Box tonnes;
 2. *Material Recycling Facility (MRF) optimization and rationalization* – optimizing the 60+ MRFs in the province to achieve greater efficiencies and reduce costs;
 3. *Support for innovative financing/program compliance* – e.g. bag limit and user pay systems, etc;
 4. *Waste audits/benchmarking studies* – e.g. a comprehensive province-wide program of representative and seasonal audits to support benchmarking of best practices;
 5. *Communications and education initiatives* – to address specific contamination issues, targeted material recovery, etc; and

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6. *Cost Containment* - including the WDO Blue Box Assistance Team to provide proactive, on-site peer support and advice, development of model contracts and providing assistance to municipal programs with costs above the cost bands.
- Conduct an evaluation of the E&E Fund through MIPC (with input from WDO's Municipal Affairs Committee) at the end of the first year to: consider findings from 2003 Datacall analyses re opportunities for system/program improved performance; evaluate progress on the first year priority areas identified; initiate a process to establish on-going priorities; and review whether the 10% funding allocation to the E&E Fund for the second year might be increased to accelerate the achievement of WDO's best practice goals.

A new priority area for the E&E Fund in 2005 and subsequent years will be municipal programs with costs above the cost bands.

Policies and practices to support effectiveness and efficiency of municipal Blue Box programs include:

- Allocating 10% of Blue Box funding to an Efficiency and Effectiveness Fund;
- Accepting open applications for effectiveness and efficiency improvements from Ontario municipalities with Blue Box programs for which 50% of eligible costs for approved projects will be covered;
- Identifying priority project areas through Stewardship Ontario (and approved annually by MIPC and the WDO Board) through consultation with municipalities (including WDO's Municipal Affairs Committee), waste management experts and affected industry sectors for which municipal applicants (and their potential partners) can submit applications;
- Requiring applicants to complete a two page Intent to Apply form prior to submitting a full application to ensure that applicants' proposals meet the Fund's goals and objectives;
- Requiring a baseline assessment of programs requesting funding in excess of an established threshold (e.g. over \$50K) using a modeling tool such as the EPIC-CSR Integrated Waste Management tool, FCM's Partners for Climate Protection tool and/or the GAP calculation to determine overall diversion;
- Requiring applicants to model, on a case by case basis, improvements from the changes made to their programs to assist with an environmental review of selected, funded projects;
- Submitting applications above a \$15K threshold to a peer review panel established through MIPC and submitting projects under the threshold level to Stewardship Ontario technical staff for review or referring them to peer reviewers on a case by case basis prior to MIPC's review and Stewardship Ontario's approval;
- Evaluating applications against five main criteria:

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1. increase in tonnes recycled,
 2. diverting tonnes in a cost effective manner,
 3. replicability of results to other municipalities,
 4. proponents' project management demonstrated capabilities and partnerships, and
 5. ability to implement and realize results of project given contractual arrangements and time remaining on applicable contracts;
- Accepting appeals on rejected applications at MIPC for reconsideration;
 - Committing to an application review process of 90 days;
 - Refusing payment to projects that significantly diverge from the original objectives of the study (without written consent from Stewardship Ontario) or do not meet the study objectives;
 - Requiring interim and final reports (i.e., report on technical results, diversion impacts, costs and cost savings, etc.) for all projects;
 - Evaluating projects against the objectives set out in project proposals;
 - Posting all final project reports on Stewardship Ontario's website; and
 - Rolling over funds not fully allocated in one year into the next year, as long as all funds are expended by the end of June of the following calendar year (or the remaining monies must be distributed to municipalities in the same manner as the primary funds from the Blue Box Program Plan i.e., as per the Municipal Funding Allocation Model).

Four main recommendations have been developed by MIPC regarding the implementation of the Blue Box Program Plan and its impacts on small business:

- 1) The Board of Stewardship Ontario determine on an annual basis, as part of its annual Blue Box Program Plan review process, the need to review the de minimus level for obligated stewards.
- 2) Stewardship Ontario staff explore options, as part of a continuous improvement process, to minimize the administrative time and expenses for Ontario small businesses that are obligated to register as stewards.
- 3) Municipal Blue Box services not be expanded to service the small business sector.
- 4) In collaboration with the Ministry of the Environment, the Canadian Federation of Independent Business and the Retail Council of Canada, WDO consider as part of its overall waste diversion communication strategy the development of a small business education/communication program to alert small business to the potential for cost reduction by diverting Blue Box waste (i.e. in cases where such potential exists). (It should be noted that funding for this initiative would be required from sources other than Stewardship Ontario as Blue Box materials generated by small business are not part of the Blue Box Program Plan.)

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It should also be noted that incentives for small business to improve diversion of their Blue Box Waste may be within the scope of the Ministry's recently announced consultation on *Ontario's 60% Waste Diversion Goal*. The Ministry of the Environment may identify incentives or other mechanisms to encourage small business to improve diversion through this process.

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1. Background

On December 22, 2003, Minister Dombrowsky informed Waste Diversion Ontario (WDO) that she had approved the Blue Box Program Plan (BBPP). In her letter, the Minister also requested that WDO propose “new measures or enhancements to existing measures that will allow the Blue Box system to divert at least 60 per cent of Blue Box wastes by 2008”. These detailed program requirements included:

- Specific cost containment principles for municipalities and stewards to follow. Policies and practices that will ensure compliance with cost containment principles.
- Policies and practices to encourage effectiveness and efficiency for municipal Blue Box systems.

The Minister also asked WDO to:

- Undertake analysis of the financial and operational impacts of the Blue Box Program Plan on the small business community; and
- Consider incentives for small business to improve diversion of their Blue Box Waste in order to reduce their cost.

1.1 Policies and Practices to Ensure Cost Containment

The Blue Box Program Plan (BBPP) was approved by WDO in February 2003. Included in the plan was a Cost Containment Strategy (Section 7.4.2 of the BBPP).

In July 2003, the Ministry of the Environment requested that WDO develop and submit a cost containment strategy for the Blue Box recycling system. The Board of Directors of WDO established the Cost Containment Committee (subsequently renamed the Cost Effectiveness Committee) comprised of Board members representing Stewardship Ontario (the Industry Funding Organization for Blue Box Waste) and the Association of Municipalities of Ontario (AMO) to address cost containment while taking into consideration the need to increase diversion.

WDO’s Cost Effectiveness Committee established a series of principles to guide their deliberations in responding to the Ministry’s July 2003 request. The Committee also developed a cost containment strategy framework consisting of nine activity areas. The principles and strategy developed by the Committee were utilized as the basis of the consultation process implemented in response to the Minister’s December 2003 request.

This report focuses primarily on cost containment activities that can be addressed within the structure of the approved BBPP. However, each of the key stakeholder groups directly affected by the WDA can have significant influence over the effectiveness and

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efficiency of Ontario's Blue Box programs through a variety of means outside of the BBPP itself. Examples of these opportunities would include:

The Province of Ontario can:

- Enforce existing regulations requiring waste generators (such as multi-family housing units) to recycle Blue Box wastes or designate a person under Section 157 of the *Environmental Protection Act* in each municipal recycling program as a "provincial officer for the purposes of the Act and the regulations" so that the municipality can enforce these provisions.
- Use existing powers to introduce new regulations to promote the use of recyclable materials for packaging and products; ban materials from disposal sites; require the adoption of user pay waste collection services; make recycling mandatory; and specify minimum levels of recycling services.
- Provide economic incentives in support of increased recycling including tax incentives, green procurement policies and through economic development programs.

Municipalities can:

- Adopt user pay waste management charges; limit quantities of wastes that will be collected and/or make participation in Blue Box recycling programs mandatory.
- Cooperate with other municipalities and private sector operators to integrate recycling program services to improve economies of scale and cost effectiveness.
- Provide economic incentives in support of increased recycling including green procurement policies and through economic development programs.

Stewards can:

- Specify the use of materials in their products which are easier to recycle at lower costs.
- Minimize the use of materials that will result in Blue Box Wastes and select materials that can be cost effectively managed in the Blue Box program.
- Support enhanced material markets through procurement and other market development initiatives to maximize revenues.
- Promote participation in municipal recycling programs through their marketing campaigns.

While the policies and practices outlined in this report can make a contribution to cost containments and the effectiveness and efficiency of Ontario's Blue Box programs these measures do not obviate the need for all stakeholders to take additional actions within their own powers if the province's waste diversion goals are to be met in the most cost effective manner.

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1.2 Policies and Practices to Encourage Efficiency and Effectiveness

An Effectiveness and Efficiency Fund has been approved by the Ministry of the Environment, Waste Diversion Ontario and Stewardship Ontario through their respective approvals of the Blue Box Program Plan. Ten per cent of the calculated annual payments due from Stewardship Ontario to municipalities will be directed to supporting improved program effectiveness and efficiency through contributions made to municipalities by an application process. For the calendar year 2004, this represents approximately \$3.1 million.

While policies and practices to ensure cost containment are focused on the efficiency of the Blue Box Program, the Program is also expected to increase its effectiveness as measured through increased recovery of Blue Box materials. The WDO Board has noted that cost containment measures for municipal recycling programs are not intended to be a disincentive to increased diversion.

1.3 Small Business Measures

There are a number of definitions of what constitutes a small business. The Canadian government deems a small business as being fewer than 100 employees and Revenue Canada often uses \$5 million in revenue as the basis. The Ontario government's capital tax threshold is set at \$5 million taxable capital. Under the Blue Box Program Plan (BBPP) the key factor is whether an organization sells or distributes 15 tonnes of more of designated Blue Box Waste.

There is no correlation between revenues and generation of designated Blue Box Waste. Companies with hundreds of millions in sales could be exempt from paying fees under the BBPP because they generate less than 15 tonnes of obligated materials. Alternatively, a company with sales of between \$2 and \$5 million could generate more than 15 tonnes of Blue Box Waste and therefore be considered a steward under the BBPP. For the purposes of the following recommendations, a small business steward is defined as a company that has annual sales greater than \$2 million but less than \$10 million (which in a retail context means cost of goods purchased) and generates 15 tonnes or more of Blue Box Waste per year.

2. Consultation Process

2.1 Discussion Paper Development

In response to the Minister's request regarding detailed program requirements for the Blue Box Program Plan, WDO's Municipal Industry Program Committee (MIPC) was given the responsibility of drafting background discussion papers on two subject areas as input to the public consultation process:

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- 1) Cost containment principles, policies and practices and effectiveness and efficiency policies and practices; and
- 2) The financial and operational impacts of the Blue Box Program Plan on the small business community, including incentives for small business to improve diversion of their Blue Box Wastes.

The two discussion papers were drafted by MIPC members and reviewed by the Committee as a whole. Drafts of the discussion paper on cost containment were reviewed by WDO's Cost Effectiveness Committee, while drafts of both papers were reviewed by the Municipal Affairs Committee.

Draft papers were submitted to the WDO Board for approval on February 26 and posted on WDO and Stewardship Ontario's websites on March 1, 2004. Comments on the papers were requested by April 30.

2.2 Workshops, Webcast and Written Submissions

Four public meetings were held in early March at: Kingston City Hall (March 8 - 36 participants); Toronto City Hall (March 9 - 48 participants); London Convention Centre (March 11- 24 participants) and Sudbury City Hall (March 12 - 4 participants). The consultation session that was held in the London Convention Centre was also web cast and there were 301 live connections into this web cast.

A stakeholder meeting was also held by Stewardship Ontario with interested representatives of the small business community (including the Canadian Federation of Independent Business, the Canadian Federation of Independent Grocers and the Retail Council of Canada) to review the background papers and to solicit comment. In collaboration with the Ministries of the Environment and Economic Development and Trade, newsletters and invitations to comment were also sent to Ontario Chambers of Commerce and the Canadian Manufacturers and Exporters Association.

WDO and Stewardship Ontario received twenty-four written submissions on the subjects of cost containment, effectiveness & efficiency and the impacts of the Blue Box Program Plan on small business, as well as the comments recorded at the four workshops sessions on these subjects. Twelve of the respondents were from the municipal sector, eleven were from business and industry and one respondent represented an environmental interest group. Some of the responses received (i.e. about half of the business responses) were comments submitted to the earlier targets and benchmarks paper, but included references to cost containment and effectiveness and efficiency.

A summary of the comments recorded in the public workshops and the written submissions received on cost containment, effectiveness and efficiency and the impacts of the Blue Box Program Plan on small business are summarized in Appendix A.

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2.3 Summary of Comments

In general, comments on the issue of cost containment principles, policies and practices were more divided than comments received on Discussion Paper # 1 regarding Blue Box targets and municipal benchmarks or comments on the issues of effectiveness and efficiency in Discussion Paper # 2. Comments from the municipal sector were focused and virtually unanimous on three key principles (and by extension to some of the policies and practices linked to these principles in Discussion Paper # 2). Comments from business, industry and the general public were more diverse. There were three written submissions received on the specific topic of the impacts of the BBPP on small business and there was comparatively little comment on this subject during the public meetings.

The seven summary points below are presented in the following sequence. The first three comments deal with two of the cost containment principles and one of the specific strategies developed by WDO's Cost Effectiveness Committee and contained in Discussion Paper # 2 regarding which municipal respondents in particular expressed concerns. The next two comments reflect areas of general agreement among the municipal, business and industry and public workshop participants regarding effectiveness and efficiency policies and practices. The final two summary comments relate to some of the common concerns raised through business and industry submissions and to submissions re the impacts of the BBPP on small business.

- 1) *Cost Containment Principle # 5: The gap between BBPP cost projections and real municipal cost numbers must be bridged over the life of the plan.*

Municipal respondents almost unanimously rejected this principle. Several referred directly to the Waste Diversion Act that specifies that payment be provided for 50% of the total net costs of municipal recycling programs. Respondents generally acknowledged that past program costs were based on estimates rather than verified numbers (because better information was not available at the time). There was little comment on this Principle from either the general public or business/industry, although business representatives who did comment supported the notion of "bridging the gap". There was unanimous agreement from those who did comment on the importance of verifying future costs (i.e. the first three cost containment principles in Discussion Paper # 2).

- 2) *Cost Containment Principle # 6: Cost increases above baseline in years 2 to 5 must be related to increases in tonnage and/or cost of living or must be supported by documentation.*

Virtually all municipal respondents felt that this principle was too restrictive – i.e. there are many other factors that drive cost increases – e.g. housing growth, changes in materials collected/processed, lack of private sector competition, the need for replacement of ageing equipment/capital, etc. There was little comment on this principle in industry submissions or during the public workshops.

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- 3) *Cost Containment Strategy # 9: Analysis of costs by groups of municipalities reflecting municipal diversity combined with incentives to move programs from the lower portion of the group into acceptable bands and identify opportunities over time to reduce costs and fit within bands (This includes: capping the combined indirect and direct administration cost categories at 1% for programs that contract out and 3% for those that manage their own program, developing a definition of cost bands and filtering criteria and outline filtering process and dispute resolution process for use in identifying, examining, and if necessary assessing the legitimacy of extraordinary Blue Box costs, using minimum of three years cost data, identify municipal programs with costs outside agreed cost bands by primary cost categories reflecting municipal diversity and applying filtering criteria and implement filtering process to assess legitimacy of outliers).*

While all respondents who commented generally supported the concept of cost bands, municipal respondents were virtually unanimously against the 1% and 3% cap on administration costs. It was suggested that these caps were not derived from a thorough review and analysis of cost data and that more effort should be placed on defining and verifying direct and indirect program costs in the future. The few industry respondents who commented on a cap for administration costs supported the principle. Most did not comment on the percentage although there was a suggestion that the cap should be based on a cost per tonne rather than an overall percentage basis.

- 4) There was unanimous agreement about the value of the Effectiveness and Efficiency Fund described in Discussion Paper # 2. Municipal respondents in particular offered several suggestions for priority projects for 2004: a focus on multi-unit buildings, a 'Blue Box Swat Team' and a comprehensive waste audit program were strongly supported by municipalities. Industry representatives submitting written comments and workshop participants were also positive. Industry comments focused on the need (and challenge) to rationalize MRF capacity. One respondent felt that the level of funding available was inadequate to address the priorities identified.
- 5) There was general agreement that market development is a priority cost containment and effectiveness and efficiency practice. Several of the written submissions and workshop comments noted the importance of enhanced recovery for many materials, improving material quality and developing markets for new materials being added by municipal programs. There was general support for efforts to ensure 'best practice' revenues wherever possible. A few respondents/participants supported the development of co-operative marketing initiatives although there were also questions about how such schemes would operate. A few of the submissions/participants also commented that "not everything can or should be recycled".

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- 6) As was noted in the summary to the “Targets and Benchmark” paper, some respondents (from the public workshop and from both the municipal and business sectors) felt that there is an *inherent contradiction* between cost containment/cost effectiveness and the new targets.

- 7) Three commented on Discussion Paper # 3 regarding small business measures. The Canadian Federation of Independent Business’ comments were quite extensive and contained several recommendations. The four main recommendations from these three submissions are:
 - a. modify the current de minimus threshold to reflect definitions used by the federal and provincial governments to define a small business (Note – this was not a unanimous position);
 - b. ensure that options are explored to minimize administrative time and expenses for businesses that are obligated to file as stewards;
 - c. not expand Blue Box program service to small business (one of the options raised in Discussions Paper # 2 for comment); and
 - d. WDO should develop a small business education/communication program to alert small business to the potential for cost reduction (i.e. by diverting waste) in cases in which such potential exists.

MIPC’s recommendations with respect to the comments # 1 to # 6 above are contained in Sections 5 and 6 of this report and MIPC’s response to the recommendations outlined in comment # 7 above is contained in Section 7 of this report.

3. What is Cost Containment?

3.1 Containment of Municipal Operating Costs

Containment of municipal operating costs is the reduction of the actual gross and net per tonne operating cost incurred by a municipality to collect, process and market Blue Box material, as a result of the implementation of cost containment policies and practices.

Figure 3.1 outlines the cost and revenue components of the municipal Blue Box system as outlined in the BBPP. Figure 3.2 outlines these same cost and revenue components with the added effect of the recommended policies and practices to contain costs.

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Figure 3.1 Current BBPP Cost Components

Figure 3.2 After Implementation of Cost Containment Policies and Practices

<p>Collection, Processing and Depot/transfer costs (including amortized capital) Promotion and education costs Direct and indirect admin costs Interest on capital costs</p> <p>less</p> <p>Revenue from the sale of recyclable materials (calculated on a three year rolling average), administrative fees, processing fees, grants from other agencies</p>	<p>Collection, Processing and Depot/transfer costs (including amortized capital) Promotion and education costs Direct and indirect admin costs Interest on capital costs</p> <p>less</p> <p>Revenue from the sale of recyclable materials (calculated on a three year rolling average), administrative fees, processing fees, grants from other agencies</p> <p>Reduced by effects of cost containment policies and practices</p>
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4. Measuring Progress towards Cost Containment, Efficiency and Effectiveness

4.1 Units of Measure

4.1.1 Efficiency

The BBPP sets out three Units of Measurement that historically have been used as the basis to measure the efficiency of a municipal recycling program. The Units of Measurement are as follows:

Gross Cost – Gross Cost consists of the Direct Service Delivery Costs, Amortized Capital Costs, Public Awareness and Public Education Costs and Indirect Administrative Costs, as set out in Section 7.1 of the BBPP, for each individual recycling program.

Gross Revenue – Gross Revenue for an individual recycling program consists of Revenue from the Sale of Blue Box Materials, Revenue from the Sale of Collection Containers (i.e. Blue Boxes and roll-out carts), Grants or Funding from sources other than through the BBPP, and administrative or processing fees that are intended to offset the Gross Cost.

Net Cost – the Net Cost of an individual recycling program is determined by deducting the Gross Revenue from the Gross Cost.

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The efficiency of an individual recycling program typically has been measured by the Gross Cost, Gross Revenue and Net Cost divided by the tonnes of Blue Box material marketed to generate:

- a Gross Cost Per Tonne,
- a Gross Revenue Per Tonne, and
- a Net Cost Per Tonne.

As well, the Gross and Net Costs have been divided by number of households to generate:

- a Gross Cost Per Household , and
- a Net Cost Per Household.

While these Units of Measure can be used to compare one recycling program to another similar recycling program, they do not provide a good indication of efficiency.

A more useful indication of efficiency incorporates the effectiveness of recovering and diverting material from the total Blue Box material available. Therefore, in the future, in addition to the unit cost indicators historically used (gross and net cost per tonne and per household or per capita), it is proposed that a new efficiency measure be developed that might combine two terms: the gross and net cost per household (or per capita) of an individual recycling program and the Percent Recovery of Blue Box Materials Available in its waste stream, i.e. \$ per household / % recovery rate. The percent recovery rate is a measure of effectiveness and is discussed in more detail in the next Section.

It should be noted that due to the diversity of characteristics of municipal programs, as discussed further in this Section, efficiency measures can be expected to vary among program types and these must be considered when attempting to compare any individual recycling program to another.

Year over year changes to the historic indicators of gross and net cost per tonne and per household can be identified using the data currently collected as part of the WDO Tonnage and Financial Datacalls. Additional information from waste audits will be required to define the new, more useful indicator of efficiency.

4.1.2 Effectiveness

The Blue Box Program Plan does not identify a specific measurement for the effectiveness of an individual municipal recycling program. The current WDO Tonnage and Financial Datacalls, however, do provide information to calculate an effectiveness measurement on the basis of Kilograms of Blue Box Material Recovered per Household (or per capita). This unit of measurement is derived by dividing the tonnes of Blue Box material marketed by each recycling program by the number of households (or the population) served by the recycling program and then multiplying by 1,000 to equal

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Kilograms per Household or (Tonnes ÷ Households) x 1,000 (or if population is used, kilograms per capita).

For comparison purposes, a further effectiveness measurement is required, since the Kilograms of Blue Box Material Recovered per Household (or per capita) will be different for each household and each municipality across the Province depending on the nature of the material mix generated by the household. For example, a household that has a subscription for a daily newspaper from a member of the Canadian Newspaper Association will typically generate more kilograms per household of Blue Box recyclables per year than will a household that has a subscription for a weekly newspaper from a member of the Ontario Community Newspaper Association. The number of people and age of the residents of the household can also have a significant effect on the quantity of Blue Box materials available for collection.

A further measurement of effectiveness, therefore, would be a Municipal Recycling Rate calculated on the same basis as the “Ontario Recycling Rate” set out in Figure 6.1 of the BBPP.

<p style="text-align: center;">Municipal Recycling Rate</p> <p style="text-align: center;">Kilograms of Recyclables in the Blue Box</p> <p style="text-align: center;">Divided by</p> <p style="text-align: center;">Kilograms of Recyclables in Blue Box + Kilograms of Recyclables in Garbage</p>
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This can be expressed as a percentage recycling rate by multiplying the fraction by 100%.

The basis of the measurement would be municipal waste audits. The same measurement is proposed to be used to measure progress towards the 60% diversion target for Blue Box Wastes (refer to recommendations regarding municipal benchmarks).

Expressing recovery and cost as per capita rather than per household factors out differences in household types and the varying number of people per household unit. However, in some cases the population served by a program may be difficult to determine precisely.

4.2 Types of Programs

The Blue Box Program Plan for the Province of Ontario is the sum of the individual municipal recycling programs that exist across the Province. There is significant diversity in the nature and type of municipalities across the Province, as well as in the individual

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recycling programs provided by those municipalities. Regulation 101/94 to the Environmental Protection Act provides a first distinction by permitting different levels of service in “Northern” and “Southern” recycling programs. Further distinctions are required.

For purposes of measuring effectiveness and efficiency a series of program types are proposed, as follows:

SOUTHERN		
Program Type	Description	Examples
Large Urban	The program serves a population that is greater than 100,000 that is primarily urban or suburban in nature	Toronto, London, Guelph, Barrie
Urban Regional	The program serves one or more urban areas with a population of greater than 100,000, within a large geographic area.	Peel, York, Ottawa, Durham, Hamilton, Niagara, Halton, Waterloo, Essex-Windsor,
Small Urban	The program serves a population that is less than 100,000 that is primarily urban in nature.	Newmarket, Brantford, Cornwall, Sarnia, Stratford, Peterborough (City), Brockville, Orillia, Kingston, St. Thomas, Owen Sound
Rural Regional	The program serves one or more urban areas with a population that is less than 100,000 within a large geographic area.	Chatham-Kent, BRA, BASWRA, Oxford, Wellington, Haldimand, Norfolk, Simcoe, Muskoka, Kawartha, Peterborough (County), Northumberland, and Quinte
Rural - Collection	The program provides curbside collection in a large geographic area, primarily rural in nature that has a population greater than 5,000.	Individual programs within the Counties of: Lambton; Elgin; Hastings; Lennox & Addington; Renfrew; Lanark, Leeds & Grenville; and, Stormont Dundas & Glengarry

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Rural - Depot	The program serves a population of less than 5,000 with a depot based system for the collection of recyclables.	Individual programs within the Counties of: Hastings; Lennox & Addington; Renfrew; Lanark, Leeds & Grenville; and, Stormont Dundas & Glengarry
NORTHERN		
Program Type	Description	Examples
Rural - Collection	The program provides curbside collection over a large geographic area, primarily rural in nature that has a population less than 15,000.	Individual programs within the Districts of: Algoma; Cochrane; Kenora; Manitoulin; Nipissing; Parry Sound; Rainy River; and Timiskaming.
Rural - Depot	The program provides depot collection within a large geographic area, primarily rural in nature that has a population less than 15,000.	Individual programs within the Districts of: Algoma; Cochrane; Kenora; Manitoulin; Nipissing; Parry Sound; Rainy River; and Timiskaming.

4.3 Baseline Municipal Costs

The baseline municipal costs for the BBPP are as reported by each program within the 2002 WDO Financial Datacall, and as verified by WDO. The Gross Cost, Gross Revenue and Net Cost in total dollars and dollars per tonne for each of the 190 individual recycling programs for 2002 are posted on the WDO website. Please refer to Appendices B, C and D, respectively, for information on the Municipal Blue Box Materials Eligible for Funding, the BBPP Cost Components and the 2002 Net Blue Box Program Verified Costs.

For purposes of future comparison it should be noted that the 2002 baseline municipal costs are reported exclusive of three program components: interest on debt to acquire buildings, equipment or vehicles as an element within the Direct Service Delivery Cost; direct administration costs as an element within the Direct Service Delivery Cost; and, Indirect Administration Costs. As these three program elements are added to the Gross Cost calculations through the annual WDO Financial Datacall, they should be reported separately to provide for direct comparison in the future to the baseline municipal costs.

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4.4 Factors Affecting Cost Containment

An analysis of cost drivers has not been completed on the baseline municipal costs. The 2003 Municipal Data is currently being collected, and will provide a basis for comparison with the original baseline data to assist in the analysis of cost drivers.

Without a detailed analysis of cost drivers, factors affecting cost containment cannot be identified with certainty, however there are historical factors that are known to generally affect the Gross Cost, Gross Revenue and Net Cost of municipal Blue Box recycling programs. Some of these factors can be controlled, to some extent, or influenced by municipal choices while other factors are beyond the control of municipalities.

Level of Service – frequency of collection or collection vs. depot

Mix of Materials – the percentages of lighter weight materials vs. denser materials in a recycling program, shifts in packaging types, changes in packaging (i.e. light-weighting)

Recovery Rates – the greater amount of recyclables collected per household reduces average collection costs and results in more materials on which to earn revenue

Method of Service – public or private delivery, three stream, single stream or co-collection; curbside sort vs. mechanical separation at a MRF, compaction vs. no compaction during collection

Revenue Sharing – municipal contracts range from receiving 100% of the revenue from the sale of material, to allowing the contractor to retain 100% of the revenue on the sale of material on the presumption that it will lower the gross cost

Municipal Attributes – the physical nature of the municipality, housing types and distribution, geographic size, proportion of urban vs. rural housing, kilometers of roads, traffic patterns, etc.

Distance to Market – most recyclable materials are marketed F.O.B. the MRF (meaning that the buyer is paying for transportation) resulting in lower revenue the greater the distance to market

4.5 Opportunities for Cost Containment

While an analysis of cost drivers has not been completed on the baseline municipal costs due to the limitations of one year of data, a review of the 2002 data provide some insights into potential opportunities for cost containment.

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4.5.1 Levels of Service

The baseline municipal costs indicate that a weekly collection service in rural collection programs in both southern and northern Ontario generally has a higher cost per tonne than similar programs with bi-weekly collection. The initial analysis of the effectiveness of the weekly collection programs vs. bi-weekly collection programs does not indicate a difference in recovery rates in kilograms of Blue Box material recovered per household between the two levels of service. More data and analysis are required to support this initial finding. Providing the results of this effectiveness and efficiency analysis to the municipalities may encourage them to consider the level of service provided during their next tendering cycle, resulting in reduced service delivery costs for the same effectiveness. The amount of cost containment that might be achieved cannot be quantified at this time.

4.5.2 Amalgamation of Programs

An analysis of the cost of recycling programs provided by lower-tier municipalities in a county or regional structure vs. the cost of recycling programs provided at the county or regional level generally indicates lower per tonne costs when the program is provided at the regional or county level, whether delivered by the regional or county government itself or through a local board of the lower-tier municipalities. While the 2002 baseline municipal costs indicate this trend, there are insufficient data to project the amount of cost containment that might be achieved through amalgamation of programs.

4.5.3 Recovery Rates

An analysis of the 2002 baseline municipal cost data does not indicate a clear relationship between cost and recovery rates. Programs with lower than average recovery rates were just as likely to have a lower than average net cost per tonne as they were to have a higher than average net cost per tonne. More data are required to determine the relationship between recovery rates and cost in order to determine if cost containment can be achieved through higher recovery rates.

4.5.4 Consolidation of Processing Capacity

Several of the submissions received from industry in response to Discussion Paper # 2 suggested that there should be a consolidation of recycling processing capacity in the Province. The 2002 baseline municipal data do not provide sufficient information to determine if cost containment can be achieved through the consolidation of processing capacity.

In the 2002 Datacall, only 69 of the 190 programs reported a Gross Processing Cost separate from their Gross Collection and/or Gross Depot/Transfer Costs. This indicates that processing costs generally form a part of an integrated municipal recycling contract that does not contain a separate price for processing distinct from the costs for collection.

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The 2002 baseline municipal data indicate that 20 MRFs in the Province are owned by municipalities or local boards. Seventeen of the 20 MRFs are part of a regional waste management system, and 11 of the seventeen are processing more than 10,000 tonnes of waste.

Further analysis, and perhaps changes to the way costs are collected within the Datacall, are required in order to determine if consolidation of municipal processing capacity or consolidation of municipal contracts with private MRFs will lead to lower program costs.

5. Principles, Policies and Practices to Ensure Cost Containment

5.1 Cost Containment Principles

WDO's Cost Effectiveness Committee developed the following cost containment principles on August 6, 2003:

1. Verification (of data reported by municipalities) must be completed to identify real numbers.
2. Costs must be for residential Blue Box materials only.
3. Identify/agree on cost components of Blue Box Program Plan (BBPP).
4. Cost bands must reflect:
 - i. municipal diversity;
 - ii. best practices;
 - iii. incentives to move municipal program costs into bands;
 - iv. opportunities over time to reduce costs and fit within bands.
5. Gap between BBPP cost projections and real municipal cost numbers must be bridged over life of the plan.
6. Cost increases above baseline in years 2 to 5 must be related to increases in tonnage and/or cost of living or must be supported by documentation.
7. Autonomy of municipal government decision-making remains intact.
8. No cross subsidization of materials' costs.
9. Stewards must support packaging reduction and stewards/WDO must support market development through procurement and other initiatives.

The Minister's request to WDO to consider new measures and enhancements to the Blue Box Program Plan also required WDO to undertake public consultation on the requested measures and enhancements. As the Minister requested "specific cost containment principles for municipalities and stewards to follow", the principles developed by the Cost Effectiveness Committee were included in the public consultation process and comments were requested on the principles, in discussions at the regional workshops and through written submission.

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The Cost Effectiveness Committee first developed these nine principles on August 6, 2003, and subsequently, a series of nine cost containment strategies at their September 17 and October 23, 2003 meetings. MIPC was tasked with further developing these strategies and an implementation workplan. The work completed by MIPC in this regard, combined with key learnings gained through implementation of the 2003 Datacall, preparatory work for launching of the Effectiveness & Efficiency Fund and comments received through the consultation process, has led MIPC to make recommendations on refinements to these principles.

MIPC has noted that Principle # 1 is outdated as it refers to completion of the verification process for the 2002 Financial Datacall. MIPC recommends revising this principle to refer to future Datacalls using language describing guiding principles from the BBPP (Section 7.3.1).

MIPC also noted that Principle # 3 may be interpreted that cost components have not been identified or agreed, when in fact the BBPP specifies the agreed cost components.

Members of MIPC agreed that Principles # 4 and # 6 can be utilized as analytical tools during the Datacall verification process.

MIPC is therefore recommending that Principles # 1, # 2, # 3, # 4 and # 6 be revised and combined in one Municipal Datacall principle:

The annual Municipal Datacall will:

- a. compile costs for residential Blue Box materials only;*
- b. compile costs for agreed cost components of municipal Blue Box programs as outlined in the Blue Box Program Plan;*
- c. incorporate verification to ensure accuracy, transparency and consistency of reporting; and*
- d. analyze year over year cost increases in relation to increases in tonnage marketed, increases in population or households, changes in the mix of Blue Box materials, increases in the cost of living for factors related to the operation of Blue Box programs or cost increases supported by documentation provided during the Datacall and accepted during the verification process.*

As the BBPP cost projections have been superseded by the verified 2002 cost data, MIPC recommends that Principle # 5 be updated to reflect bridging from the 2002 verified cost data by adding the three cost categories, previously excluded through negotiations between AMO and Stewardship Ontario, sequentially in future years following a schedule that reflects the time required to build the cost framework. The first cost category to be added would be interest on debt for municipalities to acquire buildings, equipment or vehicles as the capital costs are currently compiled in the database and interest can be calculated based on standard municipal financing arrangements. The next cost category to be added would be best practice administration

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costs which require additional definition. The following table outlines the proposed implementation schedule.

Costs Incurred In	Data Used to Fund in	Additional Cost Categories
2003	2005	1)
2004	2006	Interest on debt for capital acquisitions
2005	2007	Best practice administration costs

- 1) A factor of 1% to 3% for administration costs has been approved by the WDO Board for use in the Municipal Datacall. This factor will be eliminated in the 2005 Datacall to reflect the inclusion of best practice administration costs in 2007.

MIPC recommends the following revision to Principle # 5:

Bridging from the 2002 verified costs to the approved cost categories as defined in the BBPP will occur by 2007.

MIPC has refined Principle # 4 so that it can be effectively implemented over the life of the plan. In order to address the need to accelerate improvements to those programs with costs above established best practice performance, available data will be utilized to identify ‘reasonable costs’ to be applied as cost bands to reduce the 2004 net system cost for the purpose of setting the 2006 fees. ‘Reasonable costs’ will be reviewed on an annual basis as additional data analyses and research become available in order to define ‘reasonable costs’ as best practices for the purpose of setting the 2008 fees.

MIPC recommends the following revision to Principle # 4:

Cost bands will be:

1. *defined to reflect municipal diversity and ‘reasonable costs’ in 2006 and best practices by 2008;*
2. *utilized to analyze program costs to identify those that are higher than best practice costs; and*
3. *utilized to determine net program costs and funding.*

Detailed discussions at MIPC regarding cost containment have led to a recommendation to adopt the following Principles:

Municipal Blue Box recycling programs will, where possible, work to operate at best practices to minimize gross and net Blue Box program costs.

Stewards will, where possible, use materials that can be cost effectively managed in the Blue Box program while meeting their customers’ needs and will support enhanced material markets through procurement and other market development initiatives.

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MIPC recommends that Principles # 7 and # 8 remain unchanged:

Autonomy of municipal government decision-making remains intact.

No cross subsidization of materials' costs.

Given the new Principle regarding stewards' responsibility to promote market development, it is recommended that Principle # 9 be revised as follows:

Stewards will, where possible, seek to minimize the amount of materials that result in Blue Box Waste while meeting their customers' needs.

In summary, the following Principles are therefore recommended by MIPC:

1. The annual Municipal Datacall will:
 - a. compile costs for residential Blue Box materials only;
 - b. compile costs for agreed cost components of municipal Blue Box programs as outlined in the Blue Box Program Plan;
 - c. incorporate verification to ensure accuracy, transparency and consistency of reporting; and
 - d. analyze year over year cost increases in relation to increases in tonnage marketed, increases in population or households, changes in the mix of Blue Box materials, increases in the cost of living for factors related to the operation of Blue Box programs or cost increases supported by documentation provided during the Datacall and accepted during the verification process.
2. Bridging from the 2002 verified costs to the approved cost categories as defined in the BBPP will occur by 2007.
3. Cost bands will be:
 - a. defined to reflect municipal diversity and 'reasonable costs' in 2006 and best practices in 2008;
 - b. utilized to analyze program costs to identify those that are higher than best practice costs; and
 - c. utilized to determine net program costs and funding.
4. Municipal Blue Box recycling programs will, where possible, work to operate at best practices to minimize gross and net Blue Box program costs.
5. Stewards will, where possible, use materials that can be cost effectively managed in the Blue Box Program while meeting their customers' needs and will support enhanced material markets through procurement and other market development initiatives.

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6. Autonomy of municipal government decision-making remains intact.
7. No cross subsidization of materials' costs.
8. Stewards, where possible, will seek to minimize the amount of materials that result in Blue Box Waste while meeting their customers' needs.

5.2 Policies and Practices to Support Cost Containment Principles

After considering comments from stakeholders attending the consultation workshops and providing written submissions and building on the work undertaken by MIPC to support discussions at the Cost Effectiveness Committee, a series of policies and practices have been identified to support the cost containment principles. These policies and practices are presented in five categories:

- Policies and practices that require action on the part of the Ministry of the Environment;
- Policies and practices that require action on the part of municipalities;
- Policies and practices that require action on the part of Stewardship Ontario and the Association of Municipalities of Ontario, working co-operatively through Waste Diversion Ontario;
- Policies and practices that require action on the part of Stewardship Ontario; and
- Policies and practices that require action on the part of stewards of Blue Box Waste i.e. printed paper and packaging.

The italicized text in the following policies and practices relates to the principles identified in Section 5.1.

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of the Ministry of the Environment:

- *Support municipalities' efforts to operate Blue Box recycling programs at best practices to minimize net Blue Box program costs by various measures including but not limited to*
 - Enforcing existing regulations requiring waste generators (such as multi-family housing units) to recycle Blue Box wastes or alternately designating a person under Section 157 of the *Environmental Protection Act* in each municipal recycling program as a "provincial officer for the purposes of the Act and the regulations" so that the municipality can

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enforce these provisions with costs recovered from the province or through tools the province may wish to provide

- Establishing and actively supporting a provincial procurement policy to promote recycled content in products utilizing recycled printed papers and packaging in their manufacture
 - Using existing powers to introduce new regulations to: promote the use of recyclable materials for packaging and products; ban materials from disposal sites; require the adoption of user pay waste collection services; make recycling mandatory; and specify minimum levels of recycling services
- *Support stewards' efforts to minimize the amount of Blue Box materials required to meet their customers needs, use materials that can be cost effectively managed in the Blue Box Program and support enhanced material markets through procurement and other market development initiatives by various measures including but not limited to*
 - Providing economic incentives in support of increased recycling including tax incentives and green procurement policies and through economic development programs

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of Ontario municipalities:

- *Work, where possible, to operate municipal Blue Box recycling programs at best practices to minimize gross and net Blue Box program costs by various measures including but not limited to*
 - Adopting user pay waste management charges and limiting the quantities of wastes that will be collected and/or making participation in Blue Box recycling programs mandatory
 - Co-operating with other municipalities and private sector operators to integrate recycling program services to improve economies of scale and cost effectiveness
 - Providing economic incentives in support of increased recycling including green procurement policies and through economic development programs
 - Adopting best practices identified by WDO through analysis of Municipal Datacall data and other research

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of Stewardship Ontario and the Association of Municipalities of Ontario, working co-operatively through Waste Diversion Ontario:

- *Support municipalities' efforts to operate municipal Blue Box recycling programs at best practices to minimize gross and net Blue Box program costs through*

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- analysis of 2002 and 2003 and future Datacall data by various measures including but not limited to*
- Identifying collection and processing contract arrangements that reduce costs (e.g. preliminary analysis of 2002 data suggests that specific types of revenue sharing arrangements can lead to higher or lower revenue)
 - Identifying program characteristics, such as frequency of service (weekly or bi-weekly), type of collection (depot or curbside), range of materials collected and service sharing arrangements (co-operation among neighbouring municipalities to better utilize collection or processing capacity) that result in reduced costs while maintaining or increasing material recovery
 - Sharing identified best practices with municipalities through correspondence to councils, training workshops and site visits from a WDO Blue Box Assistance Team
 - Modifying 2004 Datacall to ensure that the data necessary for best practice analysis are being requested
 - Modifying the Municipal Funding Allocation Model to reward municipalities that have implemented the identified best practices and to provide incentives for municipalities to adopt the identified best practices
- *Verify Municipal Datacall data to ensure accuracy, transparency and consistency of reporting by various measures including but not limited to*
 - Providing expanded descriptions in the 2003 Datacall for eligible capital cost items, acceptable cost allocation methodologies, reporting of stockpiled materials and revenue sharing
 - Requesting budgeted and planned capital expenditures for next two years
 - Providing submission support visits to largest programs in 2004 and expanding this program in 2005
 - Utilizing submission support visits to compile additional information on direct and indirect administration costs
 - Utilizing year over year cost data to identify anomalies
 - Calculating projected annual cost increase by municipality for use as reference during verification of Datacall
 - Implementing the various audit procedures outlined in the approved BBPP including financial audits and program reviews
 - *Prepare for bridging from the 2002 verified costs to the approved cost categories as defined in the BBPP by 2007 by various measures including but not limited to*
 - Determining an appropriate rate of interest on debt for municipal capital investment by 2005 for application in 2006
 - Developing a detailed definition of best practice administration costs by 2006 for application in 2007

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- *Support the use of cost bands by various measures including but not limited to*
 - Identifying ‘reasonable costs’ and the range of the cost bands for defined municipal groups (those defined in Section 4.2 will be reviewed and possibly revised for this purpose) to reduce the 2004 net system cost for the purpose of setting 2006 fees
 - Developing standards for ‘reasonable costs’ and procedures for appeals of decisions regarding reasonable costs by 2005 for application in 2006
 - Determining best practice costs for the purpose of setting the 2008 fees

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of Stewardship Ontario:

- *Support enhanced material markets through procurement and other market development initiatives by various measures including but not limited to*
 - Establishing green procurement protocols through consultation with stewards and interested stakeholders
 - Developing higher value glass markets by issuing a Request for Expressions of Interest for glass market development followed by a Request for Proposals for glass processing capacity and by supporting feasibility studies and small projects
 - Assessing market development levies for other materials (than glass) to support material-specific targets
- *Support municipalities’ efforts to operate Blue Box recycling programs at best practices to minimize net Blue Box program costs by various measures including but not limited to the following*
 - Administering Efficiency and Effectiveness (E&E) Fund (refer to Section 6 for additional information about the E&E Fund)
 - Designing a voluntary co-operative marketing service, entering into agreements with markets for minimum pricing and soliciting participation from municipalities marketing materials below these prices
 - Assessing MRF residue composition to identify opportunities for increased capture at minimal cost
 - Implementing audits of aluminum used beverage can (UBC) recovery rates to identify opportunity for increased capture at minimal cost

The following policies and practices to support containment of municipal Blue Box system costs require action on the part of stewards of Blue Box Waste:

- *Where possible, promote actions to minimize the amount of materials that result in Blue Box Waste while meeting their customers’ needs, select materials that can be managed at the lowest cost and support enhanced material markets through procurement and other market development initiatives by various measures including but not limited to the following*

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- Minimizing the use of materials that will result in Blue Box Wastes
- Use, where possible, materials that can be cost effectively managed in the Blue Box program.
- *Support municipalities' efforts to operate Blue Box recycling programs at best practices to minimize net Blue Box program costs by various measures including but not limited to the following*
 - Supporting enhanced material markets through procurement and other market development initiatives to maximize revenues
 - Promoting householder participation in municipal recycling programs through marketing campaigns

6. Policies and Practices to Encourage Efficiency and Effectiveness

6.1 Policies to Encourage Efficiency and Effectiveness through the Effectiveness and Efficiency Fund

The Effectiveness and Efficiency (E&E) Fund was described in some detail in Discussion Paper #2 and comments were received on recycling effectiveness and efficiency issues through the consultation process. After considering comments from stakeholders attending the workshops and providing written submissions, three main policy recommendations have been developed regarding the implementation of a recycling Effectiveness and Efficiency Fund in 2004:

- Implement the E&E Fund effective July 1, 2004 following the policies and practices on cost containment and effectiveness and efficiency recommended by WDO to the Minister and incorporating any revisions requested by the Minister after the policies and practices on cost containment and effectiveness and efficiency are posted through the MOE's Environmental Bill of Rights process.
- Six priority project areas have been recommended for the E&E Fund for 2004 (i.e. projects for which greater than 50% funding to municipalities may be made available). For 2004, these six priorities are:
 1. *Multi-family recycling* – the single largest potential source of new Blue Box tonnes;
 2. *Material Recycling Facility (MRF) optimization and rationalization* – optimizing the 60+ MRFs in the province to achieve greater efficiencies and reduce costs;
 3. *Support for innovative financing/program compliance* – e.g. bag limit and user pay systems, etc;
 4. *Waste audits/benchmarking studies* – e.g. a comprehensive province-wide program of representative and seasonal audits to support benchmarking of best practices;

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5. *Communications and education initiatives* – to address specific contamination issues, targeted material recovery, etc; and
 6. *Cost containment* - e.g. WDO Blue Box Assistance Team to provide proactive, on-site peer support and advice on-site peer support and advice, development of model contracts, and providing assistance to municipal programs with costs above the cost bands.
- Conduct an evaluation of the E&E Fund through MIPC (with input from WDO's Municipal Affairs Committee) at the end of the first year to: consider findings from 2003 Datacall analyses re opportunities for system/program improved performance; evaluate progress on the first year priority areas identified; initiate a process to establish on-going priorities; and review whether the 10% funding allocation to the E&E Fund for the second year might be increased to accelerate the achievement of WDO's best practice goals.

A new priority area for the E&E Fund in 2005 and subsequent years will be municipal programs with costs higher than the cost bands.

6.2 Policies and Practices to Encourage Effectiveness and Efficiency through the Effectiveness and Efficiency Fund

Policies and practices to support effectiveness and efficiency of municipal Blue Box programs include:

- Allocating 10% of Blue Box funding to an Efficiency and Effectiveness Fund;
- Accepting open applications for effectiveness and efficiency improvements from Ontario municipalities with Blue Box programs for which 50% of eligible costs for approved projects will be covered;
- Identifying priority project areas through Stewardship Ontario (and approved annually by MIPC and the WDO Board) through consultation with municipalities (including WDO's Municipal Affairs Committee), waste management experts and affected industry sectors for which municipal applicants (and their potential partners) can submit applications;
- Requiring applicants to complete a two page Intent to Apply form prior to submitting a full application to ensure that applicants' proposals meet the Fund's goals and objectives;
- Requiring a baseline assessment of programs requesting funding in excess of an established threshold (e.g. over \$50K) using a modeling tool such as the EPIC-CSR Integrated Waste Management tool, FCM's Partners for Climate Protection tool and/or the GAP calculation to determine overall diversion;
- Requiring applicants to model, on a case by case basis, improvements from the changes made to their programs to assist with an environmental review of selected, funded projects;

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- Submitting applications above a \$15K threshold to a peer review panel established through MIPC and submitting projects under the threshold level to Stewardship Ontario technical staff for review or referring them to peer reviewers on a case by case basis prior to MIPC's review and Stewardship Ontario's approval;
- Evaluating applications against five main criteria:
 1. increase in tonnes recycled,
 2. diverting tonnes in a cost effective manner,
 3. replicability of results to other municipalities,
 4. proponents' project management demonstrated capabilities and partnerships, and
 5. ability to implement and realize results of project given contractual arrangements and time remaining on applicable contracts;
- Accepting appeals on rejected applications at MIPC for reconsideration;
- Committing to an application review process of 90 days;
- Refusing payment to projects that significantly diverge from the original objectives of the study (without written consent from Stewardship Ontario) or do not meet the study objectives;
- Requiring interim and final reports (i.e., report on technical results, diversion impacts, costs and cost savings, etc.) for all projects;
- Evaluating projects against the objectives set out in project proposals;
- Posting all final project reports on Stewardship Ontario's website; and
- Rolling over funds not fully allocated in one year into the next year, as long as all funds are expended by the end of June of the following calendar year (or the remaining monies must be distributed to municipalities in the same manner as the primary funds from the Blue Box Program Plan i.e., as per the Municipal Funding Allocation Model).

7. Impacts of the Blue Box Program Plan on Small Business and Incentives for Small Business to Improve Diversion of their Blue Box Waste

After considering the limited comments from stakeholders attending the workshops and providing written submissions, four main recommendations have been developed by MIPC regarding the implementation of the Blue Box Program Plan and its impacts on small business. The lead agent for each recommendation is also identified.

It is recommended that:

The Board of Stewardship Ontario determine on an annual basis, as part of its annual Blue Box Program Plan review process, the need to review the de minimus level for obligated stewards.

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The de minimus level was thoroughly consulted on during the development of the Blue Box Program Plan and stakeholders continue to express a strong interest in this issue. Two of the three business representatives who responded specifically to Discussion Paper # 3 addressed the de minimus issue: one thought the level should be raised in line with federal and/or provincial definitions of what constitutes a small business; the other respondent thought the level should be reduced “so that the burden is spread out over more businesses”.

Stewardship Ontario staff explore options, as part of a continuous improvement process, to minimize the administrative time and expenses for Ontario small businesses that are obligated to register as stewards.

Discussion Paper # 3 presented five possible options for modifying stewards reporting requirements in order to: reduce the burden on stewards for reporting; reduce administrative costs to reporting companies and Stewardship Ontario; and promote a level playing field for all stewards. While each of the respondents to the paper supported the concept of reducing the administrative burden of the Blue Box Program, no single option emerged as the preferred option.

Stewardship Ontario will examine ways to investigate the administrative costs for obligated companies to report as stewards by surveying stewards on a basis to be determined by Stewardship Ontario's Board of Directors.

Municipal Blue Box services not be expanded to service the small business sector.

The Discussion Paper presented three options as possible incentives for small business to improve Blue Box waste diversion. One of the options was to expand the BBPP to include Blue Box wastes from small business in municipal collection programs. None of the respondents to the paper endorsed this option, nor was there endorsement of this option from any of the public meeting comments.

In collaboration with the Ministry of the Environment, the Canadian Federation of Independent Business and the Retail Council of Canada, WDO consider as part of its overall waste diversion communication strategy the development of a small business education/communication program to alert small business to the potential for cost reduction by diverting Blue Box material (i.e. in cases where such potential exists). (It should be noted that funding for this initiative would be required from sources other than Stewardship Ontario as Blue Box materials generated by small business are not part of the Blue Box Program Plan.)

In addition to the option of expanding service to the small business sector, the Discussion Paper presented two additional options as incentives to improve Blue Box waste diversion from small business. One option was to provide financial incentives or rewards for waste diversion; the other was to provide information and/or technical assistance targeted to the small business sector. This recommendation is a refinement of that option.

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It should also be noted that incentives for small business to improve diversion of their Blue Box Waste may be within the scope of the Ministry's recently announced consultation on *Ontario's 60% Waste Diversion Goal*. The Ministry of the Environment may identify incentives or other mechanisms to encourage small business to improve diversion through this process.

Several other comments and recommendations regarding the impacts of the Blue Box Program on small business were offered by the few respondents who presented submissions on this paper. Their full comments are presented in detail in Appendix A.

8. Review of Policies and Practices

8.1 Annual Review

It is proposed that MIPC undertake an annual review of the Blue Box Program Plan that includes, at a minimum, an assessment of the following activity areas:

1. Analysis of the annual Municipal Datacall data to identify
 - i) Increased recovery from multi-unit buildings
 - ii) Increased number of municipalities implementing user pay systems and establishing limits to the quantity of waste set out for collection
 - iii) Initiatives among municipalities and between municipalities and private sector operators to integrate recycling program services to improve economies of scale and cost effectiveness
 - iv) Municipalities adjusting program design in order to adopt best practices identified by WDO through analysis of Municipal Datacall data
 - v) Gross cost per tonne, per household and per capita for collection and processing, net cost per tonne, per household and per capita and a new indicator for efficiency as described in Section 4, such as net cost per household/% diversion of Blue Box materials
 - vi) Best practices and the range of corresponding cost bands for municipal groups identified to reflect municipal diversity
 - vii) Best practices with respect to minimum level of service to determine if a recommendation to amend Regulation 101 should be forwarded to the Minister
 - viii) Opportunities to improve the ability of the Municipal Funding Allocation Model to act as a reward for programs operating at best practices and as an incentive for municipalities to adopt best practices
2. Municipalities modifying collection and/or processing tenders and contracts to reflect the Model Tender/Contract developed by WDO
3. Municipalities choosing to participate in a voluntary co-operative marketing service

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4. Ontario material market revenue and capacity, in the context of the global economy and markets
5. Quantity of each type of Blue Box material sold into the Ontario marketplace and therefore available for collection, adjusted for population growth, on a year over year comparison
6. Blue Box Program Plan cost estimates for the next two years based on the previous year's Datacall, taking into account reported costs from the previous year, estimated population and housing growth, estimated tonnage increases, projected cost of living increase related to Blue Box Program components, projected revenues by material type, program expansion plans and capital costs projections along with other factors identified by MIPC
7. Amount of Blue Box funding to be allocated to the Efficiency and Effectiveness Fund
8. Efficiency and Effectiveness Fund procedures, project evaluation criteria, funding priorities, application review process and schedule
9. Procedures for implementation of the Directed Investment Fund

8.2 Five Year Review

It is proposed that MIPC undertake a five year review of the Blue Box Program Plan that includes, at a minimum, an assessment of:

1. The net system cost of materials managed through the Blue Box Program Plan relative to other management options.
2. An economic and environmental analysis of the Blue Box system, taking into consideration the results of each annual review.

Based upon the assessment of the net economic and environmental costs and benefits, MIPC will provide recommendations regarding the continuation of the Blue Box Program Plan for consideration by the WDO Board.

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APPENDIX A

Summary of Workshop Comments and Written Submissions related to: Cost Containment, the Effectiveness and Efficiency Fund and Impacts of the Blue Box Program Plan on Small Business

The following Table summarizes the comments received in response to Waste Diversion Ontario, Stewardship Ontario and the Ministry of the Environment's consultation program on new measures and enhancements to the existing Blue Box system in three of the areas for which the Minister requested a response from WDO: Cost Containment, the Effectiveness and Efficiency Fund and Impacts of the Blue Box Program Plan on small business.

	Name of Commenter	Cost containment/E&E/Small Business Impacts
1	Don La Mont – Ontario Community Newspaper Association	<p>1. Cost Containment</p> <p>There is an inherent contradiction between cost containment/cost effectiveness and targets</p> <p>2. E&E and Small Business Impacts – n/c</p>
2	Kingston Public workshop (36 participants)	<p>1&2 - Cost Containment and E&E Fund</p> <p>Prices fluctuate resulting in municipalities dumping materials that have no market. There should be tax incentives for people using recyclable materials.</p> <p>Should produce a report comparing the cost of producing products with recycled content vs. virgin.</p> <p>Be careful in categorizing costs (urban vs. rural) – i.e. don't pigeon hole people based on Toronto perceptions.</p> <p>Concerning the cost of diverting materials that are harder to deal with, use the carrot/stick method to encourage companies to use more environmentally friendly materials. Give stewards incentives to move away from marginal materials.</p> <p>Agree with idea of social marketing, involve the consumer.</p> <p>Set up a central marketing office for commodities. Pay for a part-time marketer. Would result in lower costs if it were centralized.</p> <p>Will a recommendation be to reduce the number of MRFs? Have already consolidated the number of MRFs and lowered costs. Are the number of MRFs stable?</p> <p>Make certain the playing field is level. Won't foot the bill on landfill.</p> <p>Can't argue with cost containment but can't really reduce costs more than 20% but also need to improve markets to push revenues up</p> <p>.</p> <p>What percentage of funding has been allocated to R&D and how do people access it?</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>Is there less incentive to put R&D into plastics if the targets are common, not specific?</p> <p>3. Small Business Impacts</p> <p>Communicate with business through business associations; explain benefits re: “doing something good.” Small business can put pressure on suppliers.</p> <p>What constitutes a steward? What enforcement?</p> <p>Would school boards be obligated (sending children home with paper)?</p> <p>Suggests another criteria for stewards: do they introduce materials into the blue box for the purpose of making a profit, e.g. charity?</p> <p>Include commercial tonnage to get higher funding: if municipalities were to include commercial tonnage, it would make programs more efficient.</p>
3	Toronto Public Workshop (48 participants)	<p>1&2 - Cost Containment and E&E Fund</p> <p>Is it possible to increase waste diversion while containing costs? Especially when we need to get to 60%?</p> <p>We need a full economic study. We may not be able to do it all. Study the whole system. Approach the question systematically to get the best answers with the appropriate benchmarks.</p> <p>We should analyze a coordinated system and this might include energy from waste.</p> <p>This is a trans-boundary issue. Can we have a made in Ontario solution?</p> <p>Maybe we should focus on the heavy and high value materials. What was the impact of the public messaging on a few materials (e.g. Don't Trash Cans campaign)? Did capture rates increase and remain high?</p> <p>Municipal cost containment is not fast or cheap. It will require investments to change systems. Most municipalities have fixed costs and contracts. You need to recognize that a large system will not change overnight.</p> <p>Are the E&E priorities the right ones? E.g. Multi-family recycling is a persistent challenge. Better provincial enforcement is needed as well.</p> <p>We have the processing facilities; we need to regulate people to comply. We are already missing opportunities to influence new MRF construction</p> <p>3. Impacts on Small Business</p> <p>How does MOE define a small business?</p> <p>Are municipalities considered to be stewards for the printed papers they distribute?</p> <p>If people can take wine bottle to restaurants, will restaurants be stewards for these bottles?</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>What is the impact of small business (and businesses in general) on the overall waste stream?</p> <p>Do stewards pay levies on packages that go to schools? Are pizza boxes that go to schools household waste?</p> <p>We have a general concern about providing small business information to governments. How will they use the information?</p>
4	<p>London Public Workshop (24 participants) and webcast (301 live connections)</p>	<p>1. Cost Containment and the E&E Fund</p> <p>When will the E&E Fund begin?</p> <p>Will there be monies available to municipalities who promote “reduction and reuse”?</p> <p>With the link between cost containment and targets, will we be able to review the first comments submitted before we comment at the later papers’ deadline</p> <p>3. Impacts on Small Business</p> <p>Where do municipalities fall under the definition of “Steward”?</p> <p>What specific material category does Municipal obligations fall under?</p> <p>Is Brewers Retail exempt? Are municipalities not the same as Brewers?</p> <p>Will E&E funds be available to municipalities who help small businesses divert Blue Box materials?</p> <p>Capital purchases rules are being changed by Revenue Canada</p>
5	<p>Sudbury Public Workshop (4 participants)</p>	<p>1. Cost Containment and the E&E Fund</p> <p>There are virtually no markets in the north. The paper mill in Sturgeon Falls closed. All materials have to be sent to the south, which is very expensive.</p> <p>A negative driver will make a program successful. What is the negative driver that will make this program successful ? Bag tags or user pay were presented as examples of a negative driver that often results in increased diversion.</p> <p>Hitting people over the head does not work. Need a good positive message. Need to make recycling easier. Revenge will not make the system work.</p> <p>Not enough focus on education.</p> <p>Costs associated with results of recycling should be clear and the benefits shown -i.e. it reduces the cost of garbage disposal.</p> <p>3. Impacts on Small Business</p> <p>Have companies been measuring the weight of their tonnes of packaging? Geoff responded that some have, but many have not.</p> <p>Regulation 104 requires companies to do packaging audits. If companies had complied with this Regulation they would know the answer.</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>If garbage disposal exceeds \$62/tonne garbage from small business in Sudbury will be exported to Michigan (which means if their recyclables are added to the program their waste is not in the denominator).</p> <p>Apartment building owners have a disincentive to recycle. Usually an added cost on top of their garbage collection program.</p>
6	Jaan Koel – TetraPak Canada	<p>1. Cost Containment</p> <p>The math/numbers/strategy be presented by the ministry that backs up the 60% target to show how the ministry believes this is doable within the time frame specified and within what reasonable cost.</p> <p>Tetra Pak is concerned that the manner in which the current system is designed may not enable costs/levies to be contained to reasonable levels in the future</p> <p>2&3. E&E Fund and Impacts on Small Business – n/c</p>
7	John Giles – City of Kingston	<p>1. Cost Containment</p> <p>1) Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</p> <p>The gap between BBPP cost projections and real municipal cost numbers are a reflection of reality and should be recovered as soon as possible, not over the life of the plan. The Waste Diversion Act does not make an exception if preliminary estimates turn out to be too low, regardless of how they were determined. Bridging brings into question whether the program is in compliance with the Act, and should not be permitted.</p> <p>Cost increases above the baseline may be related to factors other than tonnage or cost of living and would be supported through the financial data call. Examples would be wage settlements above the cost of living; new contracts that increase, or alternatively decrease, unit costs. Market conditions will affect costs as will the addition of new materials.</p> <p>There should be no cap on indirect and direct administrative costs as funding should be tied to actual costs.</p> <p>The question implies that penalties may be in order for those whose "compliance" is not sufficient. There should be no penalties for non-compliance "with the principles of cost containment" or with a lack of movement towards greater efficiency at the individual municipal level. Municipalities have an incentive to control costs being the party responsible for funding the other 50% from the tax base.</p> <p>2) What policies and practices would ensure compliance by municipalities and stewards with the principles of cost containment?</p> <p>The Municipal Funding Allocation Model is structured such that it provides no incentive to contain costs as the costs of individual programs is not considered, just the overall Provincial cost and the weight of various materials marketed by each municipal program</p> <p>3) Are there cost containment elements, not identified in Section 2.3, that would support municipal recycling program efficiency or the distribution of stewards?</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p><i>funding in ways that support cost effective recycling?</i></p> <p>There are far too many elements already proposed to create the efficiency incentive. They need to be scoped to a few significant items that have the best return for time and effort spent.</p> <p>The Discussion Paper fails to identify that, similar to the private sector / industry who wish to minimize their costs, municipalities also have a significant "bottom line" incentive.</p> <p>The extent of the principles and elements suggest that municipal programs are inefficient when no analysis has been done to prove the point in the first place. Perhaps cost containment should take a back seat and diversion come to the forefront (i.e.: if it was all about cost then a number of items that we recycle would be landfilled, as is the case with small programs that cannot afford to include them e.g.: glass, polystyrene, boxboard and some plastics).</p> <p>2. E&E Fund</p> <p>4) How should increasing material recovery be balanced with improving cost effectiveness when selecting policies and practices for cost containment or when reviewing applications to the E&E Fund?</p> <p>The question implies that increasing recycling (greater capture and / or increasing the number of materials) can be done while "improving cost effectiveness". It is fair to say that many municipalities have held off expanding their programs because they are aware that it will lead to increased overall unit costs (lighter weight items added with high collection and processing costs and low revenues). The "low hanging fruit" that produce great return with limited effort have been picked; now we have to spend greater time and effort to "reach the higher branches". Higher costs are the likely outcome of increased recycling, not greater efficiency (meaning lower costs), due to the nature of the material and the market values.</p> <p>5) Are there priorities or activities for the E&E Fund that are missing or need to be revised to suit the specific needs of the "Blue Box" program in your community and to address issues that have been raised by industry?</p> <p>"Direct Incentives" e.g.: rewards – should <u>not</u> be considered an appropriate use for E&E Funds. This fund should be used to help less efficient programs improve. More efficient programs are automatically rewarded through the Municipal Funding Allocation Model.</p> <p>MRF optimization is a bit of a "red herring". It will only happen if a municipality chooses to join with others (autonomy of municipal government decision making will remain intact as per Principle 7, Section 2.2) when the parties are looking to rebuild their infrastructure, with capital funding ability. Many MRFs are privately owned and strategically placed for the purposes of that company, not necessarily for the purposes of producing an efficient provincial recycling system.</p> <p>6) Will the cost containment and E&E program elements outlined provide sufficient predictability of future BBPP costs to meet the financial planning needs of stewards</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p><i>and municipalities?</i></p> <p>No answer regarding stewards. Municipalities will budget according to their confidence in predictable funding. Hopefully the elements will provide this confidence.</p>
8	Senior Management – Essex Windsor Solid Waste Authority	<p><i>1. Cost Containment</i></p> <p><i>Question 1</i></p> <p><i>Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</i></p> <p>Agree with Principles 1, 2, 3, 4, 7 and 8. Disagree with Principles 5, 6, and 9 with reasons set out below:</p> <p><i>Principle 5</i></p> <p>The gap between the BBPP cost projection and real municipal cost numbers should not be bridged, as the BBPP cost projections were based on negotiated, not “real” program cost data. The cost projections for 2002 - 2006, set out in Table 7.3, were based on the “negotiated” costs for Year 1, or 2001, inflated by 10% as indicated in Section 7.3.4 of the BBPP. The 2001 “negotiated” cost was determined from a sample of 12 municipal recycling programs. The sample did not reflect the municipal diversity set out in Principle 4. i, nor did the costs reported in that 2001 sample reflect the cost definitions as set out in Section 7.1 of the BBPP. The rules for reporting amortized capital, for example, were only established as part of the 2002 WDO Financial Data Call.</p> <p>The actual 2002 cost information for those same 12 programs, even with capital included, came in at a rate of inflation increase above their 2001 cost, however, the 2002 WDO Financial Data Call indicated that real costs in many rural, northern and eastern recycling programs far exceeded the “average” gross cost of the 12 municipalities used to estimate future program costs.</p> <p>On the issue of the Revenue projection in the BBPP for 2002, even CSR’s price sheet for 2002 produced a revenue approximately \$5 million less than the BBPP estimate. The 3 year rolling average revenue that the Steward’s asked for, and municipalities agreed to, as set out in Section 7.1 of the BBPP, closely matched the CSR price sheet estimate. Using the 3 year rolling average produced a 2002 revenue of \$60 million, not the \$67 million estimated in the BBPP.</p> <p><i>Principle 6</i></p> <p>There are many factors that influence cost increases in municipal recycling programs over and above increases in tonnage and or cost of living. Many recycling collection contracts are based on a per household charge, so housing growth must also be considered. Changes in material collected can affect cost. The increased use and recycling of single service PETE containers, for example, has increased the volume of materials collected without necessarily increasing the tonnes collected. The increase in volume could require more truck capacity or more expensive compaction type trucks in order to handle the increased volume of material.</p> <p>There is a lack of private sector competition in the market place in many areas of the Province that results in contract prices higher than the market rate. Municipalities</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>should not be penalized or punished for this lack of competition.</p> <p>The initial capital investments in material recovery facilities, processing equipment, and collection equipment between 1986 (when many of the original recycling programs in the Province commenced) and 1993 (the end of industry and MOE funding for recycling programs) will need replacement during the term of the BBPP. This unsubsidized new capital investment could have a significant effect in raising the cost of the BBPP within the time-frame of the Plan over and above the factors identified.</p> <p>There is, finally, the dichotomy between Cost Containment in Discussion Paper # 2 and the objective of achieving a 60% diversion rate for printed paper and packaging materials set out in Discussion Paper # 1. While more for less is a principle we should all strive for, there are laws of diminishing returns at play when more high volume, low weight and low revenue materials are added to the system in order to achieve increased diversion.</p> <p><i>Principle 9</i></p> <p>The reduction of packaging is not a cost containment principle. In fact, the reduction of packaging could have a significant detrimental effect on the cost of municipal recycling programs as the unit price of the remaining materials will go up. Eliminating the boxboard cereal box and replacing it with a non-recyclable waxed, laminated, or plastic film bag, for example, reduces the quantity of recyclable material available to be collected, but does not necessarily lead to a reduction in the infrastructure required to collect and process the remainder of the materials. It also reduces the quantity of material that can be marketed to earn a revenue.</p> <p><u>Question 2</u></p> <p><i>What policies and practices would ensure compliance by municipalities and stewards with the principles of cost containment?</i></p> <p>1. Market Development</p> <p>The bullets set out as policies and practices for Market Development are not consistent with the principles of cost containment. The implementation of the policies and practices would add to steward's fees, over and above the 50% funding of actual blue box residential recycling programs. A cost/benefit analysis needs to be completed on these policies and practices before being implemented to determine if the additional investment in market development would result in a lower overall cost of the recycling program. While improved markets for mixed broken glass, tubs and lids, polystyrene, film plastic, and other low value materials might improve the revenue side of the Net Cost equation, the cost of collecting and processing these materials is incrementally higher than other materials resulting in an ever higher Net Cost, instead of a reduced Net Cost of the program.</p> <p>2. Best Practices for Revenue</p> <p>In general the bullets set out in this section are acceptable. There are, however, two exceptions in bullet 2 and bullet 6.</p> <p>Under Bullet 2 a policy should not be developed to account for "unrealized revenue". Either the municipal program earned revenue from the sale of recyclables or it did not. The presumption is that the municipality traded off the revenue for a lower gross cost.</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>Many of the municipal recycling programs in rural, northern and eastern Ontario are simply too small to have any influence in the market place, and must be ‘price takers’ when it comes to marketing their recyclables. Often the price they have to take is \$0 as they do not have sufficient quantities of any one material to maximize revenue potential in marketing their own materials or I having their contractor market the material on their behalf.</p> <p>The implementation of a targeted advertising campaign for aluminum beverage cans in Essex-Windsor could have a negative impact on revenue. Higher awareness of the value of aluminum cans results in increased scavenging from the curb. Aluminum cans then become a fund raising tool for both private individuals and non-profit organizations, to the detriment of the publicly funded (and mandatory) curbside recycling collection program.</p> <p>3. Diversion Targets The policies and programs for Diversion Targets are consistent with cost containment principles.</p> <p>4. Municipal Allocation Model The current Municipal Funding Allocation Model, which is based on average provincial system costs and with no direct connection to actual individual program costs, has no mechanism to reward or enhance effectiveness and efficiency of recycling programs. There are many examples in the outputs from the Model based on the 2002 Tonnage and Financial Data Calls where the obverse behaviour is rewarded (See the Barrie/Guelph comparison as the most obvious example.)</p> <p>5. Policy Framework Much of the work to develop principles to guide cost reporting and allocation has already been completed as part of the 2002 and 2003 Financial Data Calls. Process audits need to be developed and implemented for co-collection programs so that those reported program costs are consistent with Principles 2 and 8 in Section 2.2 of the discussion paper.</p> <p>A review and assessment of the results of the 2002 Financial Data Call for “Northern Ontario” recycling programs, as defined by Regulation 101/94, needs to be carried out. There are 13 municipalities with curbside collection programs where no curbside collection program is required under Section 8.1 of the Regulation. The Net Cost of the 13 collection programs is just over \$713,000. A review of the cost drivers for Depot based systems in Northern Ontario should also be carried out as the range of costs is from \$28/tonne to \$4,908/tonne. The highest cost programs also had the lowest recovery rates.</p> <p>6. Year over Year Increases With a change to the introductory paragraph to reflect the comment to Principle 6 in Section 2.2 that there are many factors other than the 2 listed that effect year over year costs, the policies and practices for Year over Year increases are acceptable.</p> <p>7. Effectiveness and Efficiency Fund The policies and practices for the Effectiveness and Efficiency Fund are acceptable.</p> <p>8. Best Practices for Cost Efficiency</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>The policies and practices for Best Practices for Cost Efficiency, except for the policy related to MRF rationalization, are generally acceptable. The 2002 Financial Data Call indicates that only 20 MRF's are owned by Municipalities, the rest of the MRF's are owned by the private sector that contracts with municipalities. Municipalities, therefore, have little control over the cost of processing, and particularly the capital investment in MRF's.</p> <p>9. Cost Bands to Identify Extraordinary Blue Box Costs While the principle of using cost bands to identify extraordinary blue box costs is reasonable and acceptable, the policy and practice of capping combined indirect and direct administration costs are inconsistent with the Blue Box Program Plan. Section 7.1 of the BBPP defines Indirect Administrative Costs as part of the total net cost. Section 7.3.2 states “<i>all direct costs and some indirect costs to the program will be included in the net cost calculation</i>”, and Section 7.3.4 indicates that the gross cost per tonne for 2002 was increased to reflect “<i>Full inclusion of indirect costs across all programs in the province (accounting for a projected 7% increase)</i>”. The calculation of the cap for the combination of between 1% and 3% was not scientifically derived from a review of the 2002 data call. In fact, the AMO side of MIPC proposed this cap only for Indirect Costs. Of the 13 programs that reported both Direct and Indirect Administration Costs (see attached Table) the average combined administration total was 8.4% of direct program costs. It is obvious from a review of the Table that more effort should be placed on defining and verifying direct and indirect program costs. Accounting for misinterpretation of the definitions of direct and indirect administration costs the results indicate that the combined total for both direct and indirect administration for both programs that are contracted out and municipally operated, are in the 5% range.</p> <p><u>Question 3</u> <i>Are there cost containment elements, not identified in Section 2.3, that would support municipal recycling program efficiency or the distribution of steward's funding in ways that support cost effective recycling?</i></p> <p>A direct connection between program costs and municipal funding under the BBPP might result in more effective recycling. The concern, however, is that municipalities have been funding the “inefficiency” themselves for the past 10 years, and may just view any stewardship funding as a revenue source without taking the steps to close the gap between their own program cost and a best practice cost for programs that reflect similar program elements and municipal diversity.</p> <p>2. E&E Fund</p> <p><u>Question 4</u> <i>How should increasing material recovery be balanced with improving cost effectiveness when selecting policies and practices for cost containment or when reviewing applications to the E & E fund?</i></p> <p>The two principles of increasing material recovery and improving cost effectiveness would appear to be the antithesis of each other. Costs can only be improved under that scenario through a material recovery plan that targets the next least costly tonne, being primarily weight based materials that provide a revenue/tonne close to the cost/tonne for collection and processing.</p>

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		<p><u>Question 5</u> <i>Are there priorities or activities for the E & E Fund that are missing or need to be revised to suit the specific needs of the “Blue Box” program in your community and to address issues that have been raised by industry?</i></p> <p>There are a number of priorities for the Essex-Windsor blue box program in the next 5 years. In no particular order the priorities are as follows:</p> <ul style="list-style-type: none"> • Increase participation rates for single family dwelling units beyond the historical 70% rate. • Increase recovery rates of the materials collected in our Blue Box/Red Box program, particularly boxboard and all narrow neck plastic bottles. • Increase participation and recovery rates from multi-unit residential buildings. • Make improvements to the processing lines to reduce residual rates and increase the capture of marketable materials • Make improvements to the container processing line to reduce the amount of contaminants in the broken mixed glass stream • Find markets for broken mixed coloured glass <p>The first three priorities require the spending of public education dollars which are not fundable under the E & E Fund. Based on our cost structure, these three priorities have the potential to reduce the overall net cost per tonne of the Essex-Windsor recycling program. The second two priorities require the investment of capital dollars, which are also not fundable under the E & E fund. While finding a market for broken, mixed coloured glass is a potentially fundable subject under the E & E fund, unless the market provides a revenue that exceeds at least the transportation cost to get it to market, then this only adds to the cost of the blue box program and does not address the issues of cost containment.</p> <p><u>Question 6</u> <i>Will the cost containment & E&E program elements outlined provide sufficient predictability of future BBPP costs to meet the financial planning needs of stewards and municipalities?</i></p> <p>While the cost containment and E&E program elements may provide more stability on the gross cost side of the equation, there are too many unpredictable and uncontrollable elements on the revenue side of the equation to provide long term predictable future Net costs for the BBPP. Revenue swings of 20% - 50% for commodities collected in the BBPP are not uncommon over the course of the year, and from year to year. The complexity of materials collected, the variety of materials collected, and the tools used to collect this mix of materials will become more expensive in the future, likely outstripping factors such as population growth and cost-of-living increases. The majority of the municipal infrastructure originally established with industry and MOE funding will require replacement during the term of the BBPP, which can only add to the incremental cost of the program.</p> <p><i>3. Impacts Small Business- n/c</i></p>
9	Anthony van Heyningen – Refreshments	<p><i>1. Cost Containment</i> The approach /targets should be set within a context of cost-effectiveness.</p>

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	Canada	<p>Refreshments Canada supports optimizing the collection frequency for recyclables, compostables and garbage provided that the costs associated with such changes results in solid waste diversion dollars being applied as cost effectively as possible.</p> <p>Refreshments Canada supports the use of landfill bans provided that there are cost-effective mechanisms in place to both enforce the bans at the municipal level and to collect/process/use the resulting materials collected.</p> <p>Refreshments Canada supports increasing the number of mandatory materials provided the costs associated with increased diversion of 'Blue Box wastes' and potentially higher residue levels result in solid waste diversion dollars being applied as cost-effectively as possible.</p> <p>In the setting of targets and benchmarks, it is vitally important that there be: -A recognition that consumers pay – through transparent or hidden costs, or through taxes – for whatever system is developed, and that municipalities, stewards and the province have an obligation to consumers to establish a cost-effective system</p> <p>2&3. E&E Fund and Impacts on Small Business – n/c</p>
10	Shelley Ford – Kohler Director of Financial Services, OCNA	<p>1. Cost Containment</p> <p>On behalf of 270 community newspapers throughout the province, Ontario Community Newspapers Association is pleased to submit this response to Discussion Paper #2, concerning Cost Containment. Commendably newsprint has the highest recovery rate of any material in the Blue Box. Because newsprint has reached this level of performance, the pay-in model makes users of this material open to exponentially higher fees as the cost of the Blue Box system increases overall. As an industry reliant on one material, total program costs and the relative cost of individual materials are of critical importance to community newspapers. While newspapers were always troubled about escalating costs of municipal recycling, the cost increases seen in the second program cycle dramatically heighten our concerns, especially considering the disproportion between the increase in costs compared to the relatively small increase in tonnes recovered. These new, higher figures change our understanding of the Blue Box Program Plan, and if unchecked such cost increases could harm industry and undermine confidence in the entire program.</p> <p>Issues related to the consultation: We have organized this document to respond to the questions raised on page 11 of the consultation paper. But before addressing these questions we offer additional comments about other critical important matters. Perhaps the biggest dilemma with the cost containment plan is the questions not raised and the things that are not said. In summary, we believe successfully resolving the issue of cost containment and meeting the goal of increased efficiency will require a change in thinking, clearer goals, greater commitment at all levels, stronger more consistent incentives and a less ambiguous plan with real sanctions for non complying municipalities – much like the Waste Diversion Act specifies for non complying companies.</p> <p>Efficiency is top priority: First, stewards need assurance that they are only funding costs that are properly assigned from residential Blue Box programs. Beyond cost containment, we believe the goal should be to ensure the Blue Box system works at</p>

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		<p>optimal efficiency. In light of the Minister's objective of increasing diversion to 60%, we believe the first priority must be to realize these efficiencies. New diversion targets will significantly increase program costs. Higher diversion rates imposed upon a system that is not efficient will spiral costs out of control and subvert the Blue Box Program Plan.</p> <p>Systems thinking: Second, our collective mindset must shift more toward managing the recycling system in Ontario as a whole. We must still focus on individual municipalities to ensure they are efficient but the focus of municipalities and the government of Ontario should be on the entire system and how it works collectively to efficiently increase waste diversion.</p> <p>The Waste Diversion Act was passed to provide funding to individual municipalities for Blue Box recycling. The focus is on generating money not ensuring efficiency. Municipalities rightly think about their individual needs.</p> <p>But the Blue Box Program Plan requires all parties to look at the Blue Box system collectively. Industry does not fund individual municipalities and therefore they focus on the cost of the entire system. Blue Box fees are not a tax; they are supposed to represent a fee for service provided to stewards by municipalities. The notion of Extended Producer Responsibility means industry expects and even has a responsibility to ensure these services are delivered efficiently and are not wasteful themselves.</p> <p>Experience in other sectors shows . . . greater efficiencies can be attained when programs like Blue Box recycling are not restricted by municipal boundaries. That means individual municipalities must look beyond their boundaries and consider the gains to be made by participating in larger recycling systems that take advantage of economies of scale. Greater efficiencies are to be found for example by rationalizing the network of processing facilities across the province.</p> <p>Revenue maximization is as important as containing costs: Third, material fees are about net costs, therefore ensuring revenues are maximized is equally as important as managing costs. This means stringent standards must be set for Blue Box materials and resale contracts. Clearly, Ontario needs better control over what materials are recycled as well as reasonable standards for recycled materials. Deterioration in the quality of materials can dramatically lower sale prices and reduce the amount of materials that can actually be reused – with materials ending up in expensive landfills defeating the purpose of the program.</p> <p>Commitment: Fourth, to create real change all parties must commit to the goal of an efficient recycling system in Ontario. It is understandable that parties to the negotiation about cost containment see things differently. The parties have different interests. In some ways Discussion Paper #2 Cost Containment Principles, Policies and Practices is an ambiguous document that reflects the flavour of the discussion between industry and municipalities. Both parties can read different meanings into clauses like cost bands to identify extraordinary costs and therefore concern arises about what will actually take place, without real commitment once the words are finalized when the consultations ends.</p> <p>Integrity and compliance: Fifth, the province of Ontario must take a leadership role, set</p>

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		<p>the tone and the framework for cost containment and prescribe and enforce sanctions. The consultation paper essentially is a shopping list of potential options or ways to approach cost containment. It is a good list. Still, the consultation paper does not suggest based on real evidence or best practices where the most progress might actually be made, but ultimately these decisions must be made and priorities must be set. Since voluntary commitment to cost containment is uncertain, it is important to build real teeth and sanctions into the cost containment plan when parties can simply decide not to comply voluntarily – and this is the real crux of the matter. Without enforcement mechanisms the plan is toothless.</p> <p>Incentives: Six, in addition to sanctions, greater incentives beyond the Efficiency and Effectiveness Fund are needed to bring parties together to forge an efficient recycling system. The consultation report notes that the Efficiency and Effectiveness Fund might be used to spawn MRF rationalization. However the amounts dedicated to the fund, which totals 10% of annual payments to municipalities seems insufficient to induce such changes given the growing list of priority areas for this fund, including increasing diversion levels.</p> <p>Ontario also needs a fee setting model that does not penalize an industry like newspaper publishing that is diverting a high percentage of materials to the Blue Box; while materials with low recycling rates can be rewarded if they bypass the Blue Box and go to the landfill.</p> <p>1. Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</p> <p>Comments about the principles listed: The first three principles in section 2.2 adequately describe the need to identify and measure approved program costs. The idea of cost bands, as outlined in principle 4, may initially be useful to measure or rank the various programs, but there has to be a more defined system to measure and assess the effectiveness and efficiency of the programs that does not get bogged down in rationalizing the differences that may exist due to municipal diversity. We need to know what we are paying for now and the value that is received for the money that is being spent for all the different programs to be able to see where differences exist and to set targets to become more efficient.</p> <p>Principle 5 talks about bridging the gap between BBPP cost projections and real municipal cost numbers, and we feel this is an important principle for the success of the program. Key principles statements that have been omitted that describe objectives specific to program cost containment and attaining systems efficiency need to be developed in conjunction with this objective (see list of additional principles below). Negotiated amounts may need to be used for several more iterations to calculate fees until we stabilize the process of refining what is reported and the policy framework for reporting Blue Box Program costs. We agree with principle 6 about justifying cost increases.</p> <p>Generally, these principals focus too much on accepting what the current program costs are, and forcing these to be accepted and to only have to explain and be accountable for future costs and cost increases.</p> <p>The principle of autonomous government decision-making, as expressed in principle 7,</p>

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		<p>is in conflict with the idea of creating an efficient recycling system for the entire province. There will always be constraints on the level of efficiency and effectiveness that will be attained when each program operates in a vacuum. We agree materials should not be cross subsidized, as per principle 8.</p> <p>The last principle stated in the document, number 9, assumes that reducing packaging will reduce system costs. Evidence should be provided to stewards to document this assertion and show how the pay-in model distributes savings to users of these materials - and to show how such reductions can be achieved. With all the changes happening in the system including increased diversion, it is important to track the impact of reduced packaging to show stewards their cost savings.</p> <p>New Principles: We recommend that the following principles be added to section 2.2.</p> <ul style="list-style-type: none"> ▪ Develop standard costs for materials collection and processing to . . . analyze and compare individual programs and changes to these costs during the lifetime of the plan. ▪ Commitment from all municipalities to doing whatever is necessary to reduce programs costs as the service provider to stewards of the Blue Box program. A clear principle for commitment from municipalities to work together to create a Blue Box Program throughout the province this is efficient and cost effective is comparable to the statement in the principles that Stewards have to support packaging reduction as an approach to reducing their fees and the volume of materials. ▪ An agreement in principle that is binding to all parties and has measures that will help enforce the commitments of municipalities and stewards alike. ▪ Fees are assessed using net costs; therefore the importance of maximizing revenues is equally important as containing costs in an efficient system. ▪ A commitment to continuous systems improvement by <i>all stakeholders</i> ▪ Rationalization and optimization of key facilities such as MRF's. This has been identified as a priority area and it is key to getting the system right. Ensuring these facilities are designed and functioning optimally is key to cost containment and revenue maximization and needs be addressed early in the process. <p>The policies and practices outlined in section 2.3 are a starting point and the list contains many good ideas and approaches to cost containment. They are however focused on the idea of preserving municipal government autonomy and thus support maintaining the status quo approach to recycling in Ontario. To make the system truly effective and efficient all the pieces need to work together and not be constrained with the concept of maintaining the current approach.</p> <p>2. What policies and practices would ensure compliance with the principles?</p> <p>The question of how to secure compliance with cost containment plans and policies is a very important but the report itself does not speak to this matter - particularly sanctions for noncompliance; therefore, a section on compliance should be added to the final report.</p> <p>Methods for securing compliance from stewards is already a part of the BBPP in the</p>

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		<p>form of assessing interest for late payers and penalties for those that delay reporting. There is also a provision to use enforcement officers to chase after those that fail to report and pay. Similar sanctions should apply to municipalities not conforming to cost containment provisions.</p> <p>The policies and practices that would be most effective to promote compliance are those that financially impact the stakeholders. Although not a program compliance issue, reporting procedures for both municipalities and stewards should ensure the integrity and uniformity of the information communicated. The quality of the information impacts fees assessed and paid and the amount of administrative time spent processing the information. Having such procedures in place will reduce administration costs of municipalities, stewards and Stewardship Ontario.</p> <p>Rewarding municipalities with higher allocations for more efficient programs is a strong incentive. Re-calibrating the municipal allocation model to be even more sensitive to the effectiveness and efficiency of a diversion programs in relation to each other and to follow best practices.</p> <p>3. Elements not identified in 2.3 that would support program efficiency or the distribution of funds in ways that support cost effective recycling.</p> <p>We believe there has to be more support for achieving economies of scale (bigger picture thinking), open systems for information sharing between programs, standardizing what materials are collected and more focus on those items that have a positive return and strong end markets.</p> <p>It is important to identify and enforce standards for material quality. Lax material standards can reduce revenues and increase net system costs. For example:</p> <p>a. Poor Quality Materials: Thus far end users have been lax in their definition of #8 ONP, which by ISRI specification only allows 0.5% out throws. Few municipal programs produce true #8. While end users may be paying prices higher than the quality of the material might warrant today, in some cases deterioration in the quality of these materials could reduce the sale price for materials dramatically (we must be careful not to spark these end user to give lower prices). These end-users pay more to process impure materials because their residues increase and their maintenance costs escalate as quality deteriorates. To prevent this, quality standards could be set for materials produced at the end of the recycling process for resale, e.g. uphold certain out throw limits</p> <p>b. Non-Viable Materials: Standards could be set for materials collected. These standards could be two-fold. First, some municipalities now collect materials that they are not mandated to collect and this increases costs, e.g., milk cartons, plastic film, mixed plastics, polystyrene.</p> <p>Second, there comes a point when it may not make sense to increase the diversion rate of particular materials because it is simply not economically feasible to collect them, e.g., where there are diminishing returns from going after those last few materials while trying to increase diversion rates overall. Adding such materials to the recycling stream significantly increases the net</p>

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		<p>cost of recycling generally but with little benefit.</p> <p>c. Fibre Sorting and Material Trading: There is a large quantity of fibres in the Blue Box that are difficult and expensive to sort into individual material categories, e.g., junk mail, kraft paper, paper laminants, and telephone directories. In order to add value and to market these materials, newspapers are mixed into the bale to increase their sale prices – but this penalizes stewards responsible for newsprint.</p> <p>d. Lower Collection but Higher Processing Costs: Standards should be set to find the appropriate balance among collection and processing costs and resale prices. For example, commingled systems could reduce collection costs, but also reduce the quality of materials collected and could yield lower sale prices. Commingled collection systems require higher processing costs to produce high quality materials for resale; therefore, if a lower grade of ONP is marketed at a lower value, it should be offset by equivalently lower processing costs assigned to ONP.</p> <p>4. How should balancing increasing materials recovery with improving cost effectiveness when selecting polices and practices for cost containment or when reviewing application to the E&E fund.</p> <p>In looking to create a balance, we must make sure the systems in place are effective and efficient. Higher diversion rates imposed upon systems that are not effective will spiral costs out of control. With the passing of the Act that requires the Ontario consumer market place to contribute 50 % of the funding of municipal Blue Box diversion programs, these programs will find themselves under a higher degree of scrutiny. For the program to be successful it has to have the support of all stakeholders, if costs are perceived to be uncontrolled the program will lose its credibility.</p> <p>Programs need to become efficient at existing diversion levels before moving to increased diversion levels. There are many experimental programs in progress in Ontario now; we haven't determined what the best practices are and what investments yield the best results. Diversion targets that would result in increasing the average net cost per tonne of any program by the addition of low volume materials or materials that we do not have technology to efficiently collect and recycle should not be targeted for the sake of increasing the diversion rate.</p> <p>2. E&E Fund</p> <p>5. Are there priorities or activities for the E&E Fund that are missing or need to be revised to suit the specific needs of the BBP in your community and to address issues that have been raised by the industry.</p> <p>We need to be careful not to create an over-reliance on the E & E fund to solve overall program problems. The amount of funding available, 10 % of the fees collected, will not be adequate to fund the intense list of initiatives already put forward.</p> <p>Priority should be given to optimizing the efficiency and effectiveness of MRF's in conjunction with the projects being undertaken in regard to collection processes i.e.</p>

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		<p>commingling and single stream. Funding should be put towards system that are efficient and provide output with the least amount of contamination and of a quality that will garner the best price in the end markets.</p> <p>Secondly ensuring that there exists in the province a BBP program in each community that is accessible and handles basic high volume materials that have strong after markets such as aluminum and ONP. Equally important are benchmarking studies to identify program performance, opportunities for improvement and key indicators of successful programs.</p> <p>6. Will the cost containment & E&E program elements outlined provide sufficient predictability of future BBPP costs to meet the financial planning needs of stewards and municipalities.</p> <p>In our view, the measures prescribed in the report will not automatically ensure the levies assessed to industry are predictable. Clearly, stewards and municipalities need to be provided with timely information that enables them to plan and forecast their operating budgets and make decisions about capital investments. But we are not sure of the underlying commitment to cost containment and how other initiatives like increasing diversion levels will increase costs from now through 2008.</p> <p>Based on the best available information, Stewardship Ontario should continue to supply stewards with forecasts for future levies. Benchmarks should be set to measure progress toward increased efficiency and this data should be shared with stewards.</p> <p>There is still tension around what program costs are allowable but the information has to continue to be shared and refined to reach mutually agreeable levels. Until this point is reached, municipalities and industry should continue to negotiate total program costs. Under these circumstances industry should not be asked to simply accept the bill sent to them. Given the Minister's recent comments regarding the idea of "Extended Producer Responsibility", that would see stewards responsible for managing the materials they put into the system over the entire life cycle of a product or material, stewards indeed should become increasing focused, even more so than now, on the cost of municipal recycling programs.</p> <p>A strong, clear reporting system and policy framework will ensure that program costs are being calculated uniformly across the province. Such information is the basis for determining fees, which determine the pay-in from individual stewards. Having a framework to determine and collect information is an important step in the process. Once the information is available it becomes the responsibility of the administrators of the program to ensure that the information is used properly in a timely manner to get the data required by stewards and municipalities to calculate the fees. The information provided as result of the implementation of these elements has to be handled in a timely manner in determining future fees to meet the planning needs of stewards and municipalities.</p> <p>3. Impacts on Small Business</p> <p>We have organized this document to respond to sections of the consultation paper. But before addressing these areas we offer additional comments about other critically important matters. We recommend that any change in practices regarding de minimis be guided by the following principles:</p>

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		<p>a. De minimis levels were established to ensure that small business was not burdened with unreasonable requirements they could not meet.</p> <p>b. De minimis provisions ensure that small businesses are not harmed because they have limited ability to absorb new costs.</p> <p>c. De minimis lessens the administrative burden on Stewardship Ontario by reducing the total membership base to administer while still capturing the vast majority of Blue Box waste.</p> <p>d. De minimis should not unreasonably handicap the competitive position of one business relative to the other (level playing field). The compliance levels demanded by the current pay-in model ensures paying companies do not bear too much of the burden. It also means that de minimis is not give carte blanche to exclude too many companies.</p> <p>A. Reporting Requirements</p> <p>As stated in the discussion paper, the impact of having to report about their operations will have different financial consequences on small businesses depending on the complexity of the business and the accessibility of their data. Future requirements should be established to ease both the cost and administrative burden of stewards and Stewardship Ontario.</p> <p>The requirement to file new detailed data should be related to the number of tonnes of blue box material reported by a company. Companies reporting higher tonnage of materials, where it is highly probable reported numbers can change significantly, should be required to provide detailed reports more often than companies reporting fewer tonnes.</p> <p>Fees would be assessed based on information that would be valid for a specific time period. A graduated reporting scale should be considered. To be eligible for this graduated reporting scale stewards would be required to respond to a small set of questions that would preclude that there has not been significant change to the business as an acquisition, merger, shut down of a business unit or new product line that would significantly effect their fees.</p> <p>Stewards should also have the option to report updated information, within a specific time, if they know that their assessed fees no longer accurately reflect their business operation.</p> <p>B. Incentive for Small Business to Improve Blue Box Diversion.</p> <p>We agree many small businesses would likely welcome information and technical assistance to reduce waste and to recycle, as outlined in option 1. With regard to option 2 concerning incentives, we agree financial incentives might help small businesses recycle but care must be taken not to entangle busy entrepreneurs with limited resources with cumbersome administrative requirements often associated with grant applications.</p>

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		<p>Also, we agree extending the Ministry's recycling regulations for large companies to small business would burden small business excessively, increase administrative and enforcement costs, likely with little to show for the effort. Stewardship Ontario's resources are already extended simply dealing with major operators.</p> <p>With respect to option 3, which concerns expanding the Blue Box Program Plan to include small business, your estimates indicate that about 5% of all recovered material might be acquired through this source. Again, the increased cost of securing these incremental tonnes may not be justified by the diminishing returns. Also, Stewardship Ontario perhaps has other more important priorities, namely cost containment, opening markets for glass, increasing diversion levels and registering major contributors, etc.</p> <p>As indicated in the consultation report, any extension of the BBPP has to consider the role private contractors now play. Unlike residential waste collection, which is provided or arranged by municipalities for large areas, services provided to small business must vary more on an individual basis. The municipality may provide services, but the small business may have to contract services on their own or service maybe provided as part of a lease or rental agreement with a landlord or property manager. The expense and effort of tracking the cost of collections and processing materials for small businesses to document their agreements with private operators would be onerous. The service provided to small businesses through the BBPP would have to be less costly than what private operators charge.</p>
11	John Mullinder - PPEC	<p>2.2 Principles</p> <p>We have a problem with principle #4 (cost bands) which we outline later in this paper (9.2).</p> <p>While we support principle #8 (no cross-subsidization of materials costs) we would point out (as MIPC's own and now the WDO Report to the Minister do) that because the Waste Diversion Act ties fees in large measure to the cost of managing the amount of each material type recovered, there is a potential for a growing inequity in the fee rates paid by stewards of materials with the lowest recycling rates who could not be making a fair contribution to total system costs.</p> <p>Under the current Act, those materials with the highest recycling rates ... will attract the highest costs. This inequity will be exacerbated by the addition of predominantly paper materials (magazines, telephone directories, OCC, and residential paper) to the mandatory schedule of Blue Box materials to be collected.</p> <p>2.3 Policies and Practices</p> <p>1. Market Development</p> <p>We have a continuing annoyance and frustration at the misuse of this term by both MOE, MIPC and others. In most cases, as we outlined in our response to Discussion Paper #1, the markets for Blue Box materials are fully developed and mature. They swing to regional and international commodity markets. They do not need to be developed. The capacity is there and in papers case, we import almost a million tonnes because we just can't get enough in Ontario.</p>

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		<p>If you want to talk about market development, you should be specific (plastics #3-7 or alternative glass markets). If you want to talk about other materials you should talk about capture rates, because that's the problem, not markets. The end-market industries are sick and tired of being branded as the bad guys!</p> <p>There is no definition in this document of what constitutes a material with low value, insufficient market capacity and quality problems. As we have indicated above, these can be loaded terms. A material might have low value because it has a high recycled content level. Another might have quality problems not because of the material but because of the way a municipality collects it. More precise definitions are required in order to develop specific and effective strategies.</p> <p>(1) Green Procurement: As noted above, the markets are already there for most Blue Box materials. The problem is getting the householder to move them from the house to the Box. Green procurement will not make them do that.</p> <p>A green procurement program for corrugated or newsprint, for example, will have no effect on the capture rate (which is the problem, not markets). A green procurement program for plastics #3-7, however, could be effective, because plastics generally are very low in recycled content relative to other materials.</p> <p>(2) Additional levies for materials with low revenues: Low revenues do not necessarily mean there is no market for a material. It might be high in recycled content (like boxboard) and thus just reflecting its value in the commercial marketplace. Why are the revenues low? It could tie back to the way the material is collected rather than to the material itself. Or it may be that the municipality plays the spot market instead of entering a long-term contract.</p> <p>(3) Investigate co-operative marketing: What exactly does this mean? And who will be running it? There are potential legal implications here.</p> <p>(4) Assess impact of increasing recovery of other papers on markets: As pointed out in our previous comments on Blue Box Targets, all other papers can be readily absorbed by the existing paper recycling infrastructure in Ontario.</p> <p>(5) Investigate expanding polycoat materials to include other cartons, cups and bags: All these materials are already being collected in fibre streams in Ontario. Paper bags should be recycled with OCC.</p> <p>3. Diversion Targets</p> <p>As noted previously at 2.2, the current Act actually discourages selection of materials that are widely accepted in Blue Box programs because it forces fees to be tied so closely to the cost of the service. MIPC and WDO have now belatedly acknowledged this point¹ Playing with the weighting factors in the formula will not resolve this fundamental flaw. The Act needs to be changed.</p> <p>The paper industry in particular will now be further penalized because the proposed</p>

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		<p>new mandatory materials (overwhelmingly paper) will incur higher levies simply because more will be recovered, while other materials will incur a relatively lighter cost and continue on to landfill.</p> <p>5. Policy Framework</p> <p>Recommending changes to Reg. 101: The WDO Board has already recommended adding five paper and one plastic material to the mandatory Blue Box list. Most Ontario municipalities already collect these materials and markets exist for all.</p> <p>Its hard to see how this figures as a cost-containment measure, however, since greater recovery will only drive program costs up (we estimate to \$200 million net by 2008) and penalize those materials being recovered even more (because of the way the Act determines how the fees are set).</p> <p>There is an argument to be made that a particular type of municipal recycling service should cost x number of dollars (based on benchmarking and demographics etc.) and that the municipality should receive half that net cost from industry and no more. In other words, if a municipality wants a Cadillac system it pays the extra. If it can deliver the service for less than it gets from industry, then good on it. Bank the money for a rainy day.</p> <p>The key therefore becomes determining what an efficient system should cost and what materials municipalities should collect rather than have them proscribed by regulation. Glass, for example, should not be collected curbside in the north (and perhaps elsewhere).</p> <p>9. Cost Bands</p> <p>(9.1) Capping indirect and direct admin cost at 1% and 3%. The admin cost should relate only to the level of service and not to a level of service greater than that required by law (Reg. 101). The 1% and 3% approach has flaws. Municipalities could restate admin costs as operating costs, especially in areas that are grey already (staff that do on-site work, audits, reviews etc.). A fixed cost per tonne for basic service would be a more appropriate and fairer measurement.</p> <p>(9.2) Cost Bands We disagree with the cost band approach because it skews real averages. Cost bands undertaken on the complete data set mean that whatever band is established would include the high cost data, raising the average higher than it should be. From a purely statistical point of view, this is not appropriate. Identifying Amunicipal diversity characteristics is relatively easy. But how do you convert multi-lingual promotional material to a reasonable cost that can or should be supported, through a cost-band approach? And how do you stop municipalities from making questionable decisions on MRF configuration and siting, for example? Perhaps WDO should withhold funds for new facilities that do not pass some sort of environmental assessment process (i.e. consideration of alternatives first)?</p> <p><i>These are our thoughts at this time. Some of them will be refined and incorporated</i></p>

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		<i>into later submissions</i>
12 & 13	Wilfred Cote – International Paper and Laura Rowell, Meadwestvaco Corp. (2 sets of the same comments)	<p>1. Cost Containment</p> <p>In the quest to reach a 60 percent diversion rate, control costs, and promote effective municipal programs, Stewardship Ontario misses the mark with Discussion Paper #1. Stewardship Ontario discounts a substrate–paperboard packaging–that is both renewable and recyclable. Rather than taking advantage of paper’s high recovery rate and infrastructure, Stewardship Ontario punishes brandowners who use this substrate with fees that, when viewed on a per unit basis, are double or triple those imposed on plastic film.</p> <p>2&3- E&E Fund and Impacts on Small Business</p>
14	Cathy Cirko - EPIC	<p>1. Cost Containment</p> <p>1. Response: The principle to reward stewards with lower fees based on choosing recyclable packaging is environmentally unsound and should not exist.</p> <p>The intent of this principle is to push decision makers to make packaging and printed material choices based on paying a reduced fee for using recycled materials instead of packaging required to meet the needs of the product, consumer health and safety, consumer preference, cost and improved environmental performance.</p> <p>We do not support this principle. Furthermore, the funding formula for the setting of steward fees is flawed because it is based on this principle.</p> <p>Why? Because it compromises the function of packaging. Furthermore, it is environmentally unsound because it gives credit only to those which use recycled materials in packaging. For those unrecyclable packages, it does not take into account and give credit for industry’s continual efforts to reduce the amount of energy, raw materials, emissions and waste during the manufacture of the package and during the subsequent stages of distribution, retail and use of the product by the consumer.</p> <p>Take the case of plastic laminates. These involve the packaging of food products where the laminate is designed to afford barriers to the passage of gases, moisture and fats and oils which if not contained would markedly reduce the shelf life of the product and create more waste (& consumer safety issues). The more sophisticated plastic laminates (for example six or seven layers) are composed of incompatible polymers. This factor along with health hazards associated with the handling and storage of many laminates such as poultry wrap virtually does not make them capable of being recycled.</p> <p>Under the current formula for setting of steward fees, industries in this type of packaging are penalized by having to pay higher fees.</p> <p>The principle pits puts one material against another, unfairly. It further favours industry sectors over others in the case where higher recycling rates exist for packages which are mandated to be collected by virtue of regulation e.g. those industries whose products are amenable to using PET bottles. At some point, the</p>

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		<p>higher steward fees may lead to packaging switches which may comprise environmental and product performance.</p> <p>Just as there are benefits from recycling of materials, there are also benefits from materials which are not as highly recycled. These benefits are evident when one considers the environmental contributions over their entire life cycle. These benefits are not accounted for by SO and in the BB Program Plan.</p> <p>Because of these reasons, Stewardship Ontario must discard the current formula for setting steward fees and move back to a payment fee based on a 'basket of goods' approach.</p> <p>Stewards with unrecyclable packaging or packaging recycled at lower rates should not be penalized with higher fees. Let eco-efficiency be the approach and paramount objective for packaging design as well as for diversion of products at their end-of-life (explained further below).</p> <p>2. Response: The concept of eco efficiency must be the basis for cost containment, market development, E&E, and for setting diversion targets.</p> <p>EPIC strongly believes that municipalities have to be free to practice eco-efficient diversion of waste. Eco-efficient waste management is making decisions based on assessing the full range of recovery options (composting, recycling, and energy recovery) for all materials against factors such as cost, social acceptability, environmental gain and quantities capable of being diverted.</p> <p>To be truly effective at containing recycling costs, it is imperative that the Blue Box program plan not compromise or prevent this holistic approach to waste diversion.</p> <p>A holistic approach to waste management has to be continued by municipalities and be the context for setting recycling directions. Unfortunately, this discussion paper does not say this. It has a single minded focus on recycling only without any context. This approach will significantly increase municipal costs and not be eco-efficient.</p> <p>This paper should contain the requirement to encourage an eco-efficient approach to waste management and to have recycling directions justified on this basis. It is imperative to always balance costs with environmental benefit for eco-efficient decision-making.</p> <p>EPIC and CSR have developed the IWM computer model as a tool to drive eco-efficiency of the whole waste management system. We recommend that it be used to help contain costs as well as to evaluate all E&E programs (i.e. large and small), market development and, further, SO should insist that all municipalities actively use the model as a condition of recycling funding.</p> <p>There are many plastic streams that for reasons of contamination or small volume, if recycled would result in high costs to SO members with potentially little environmental gain compared to other diversion options. These streams might be better handled through other options, such as advanced thermal technologies</p>

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		<p>(which also can help to reduce GHG, and contribute valuable energy back into the electricity grid). Let municipalities be the judge using scientifically based tools such as the EPIC/CSR IWM computer model.</p> <p>We would like to point out that in Europe, after many years of effort, countries are achieving a recycling rate for plastics of 15 to 20% on average. In addition, work undertaken by our counterparts have determined that 15% recycling combined with energy recovery offers the greatest eco efficient solution over higher rates of recycling. They have determined that there is a cut-off point above which increasing plastics recycling can be tremendously costly and does not provide further environmental gain over other options. We should determine if this is the case in Canada.</p> <p>3. Response: The concept of ‘caps’ on Blue Box costs must be included.</p> <p>Except for administration costs, ‘caps’ on costs are not reflected in the paper. This is a significant issue for industry.</p> <p>The policies in the paper on ‘cost bands’ must be expanded to include the notion of ‘caps’ based on the benchmarking of costs of efficient programs (Ontario and elsewhere).</p> <p>Industry is concerned about the open ended funding scheme with no caps on municipal costs. There is a lack of predictability of costs per material from one year to the next. This has severe implications on industry that are required to pay half the costs.</p> <p>It is of paramount concern that the process and timing to establish and implement caps be included and warrant priority action.</p> <p>4. Response: More effort should be put on MRF rationalization.</p> <p>We agree the MRF infrastructure is over-built in Ontario and MRF rationalization is an absolute requirement. Rationalization will allow centralization that will enable automated systems to be used more efficiently, effectively and economically. This is particularly important for use in sorting plastics containers and other rigid packaging applications. EPIC has recently completed a review of the evolution of automated sorting for plastics and other containers which indicates that automated sorting is economically feasible where MRFs handle higher volumes.</p> <p>MRF rationalization is a major factor for cost containment and warrants greater focus and effort than currently suggested in the paper.</p> <p>5. Response: Benchmarking of costs should be based on key learnings across all materials and operations around the world and include key stakeholders through-out the process.</p> <p>The benchmarking of costs is an essential part of cost containment. The sole use of data from the Province of Ontario has the potential to reflect the status quo of efficiency of collection and processing in the Province. Such an approach has the</p>

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		<p>potential to perpetuate local inefficiencies, escalating costs and ever increasing levies for industry.</p> <p>The determination of the benchmark costs should be based on a broader survey of systems operating in other parts of the world.</p> <p>Consideration should be given to broadening the mandate of the BB Efficient Team and the Peer Review Panel to include key stakeholders.</p> <p>6. Response: Work on cost efficiencies must be open to input and review of all stakeholders. Costs must be allocated and tracked in a dedicated recycling fund.</p> <p>Work on cost efficiencies is a topic of grave concern to all stakeholders including those in the product supply chain.</p> <p>Review and assessment of work in this area is important and must be open to wider review and input.</p> <p>SO funding, as well as E&E funding, to municipalities should be specifically allocated and tracked in a dedicated recycling fund by both industry and municipalities. The funds should not be used for other than diversion initiatives.</p> <p>Programs developed to handle non-mechanical recyclable streams should be able to qualify for E&E funding. The identification of these streams and the managing of them using other options will directly impact the concept of cost containment.</p> <p>7. Response: Plans to increase revenues must include long-term contracts & best practices developed by material suppliers (a specific area for consideration is plastic bottles).</p> <p>The concept of recyclers and municipalities working together through long-term contracts needs to be pursued. Such long-term contracts can bring stability and cost containment to the marketplace for both the recycler and the municipality. As well, long term contracts can help to support the development and long-term viability of North American markets.</p> <p>This is a critical issue for the plastic industry as it relates to plastic bottles. The recovery of bottles is around 38% in Ontario but could be significantly higher as the demand far outstrips supply of bottles in NA.</p> <p>The recovery of plastic bottles should be a consideration for increased diversion. To help, EPIC has developed many materials, programs and communications aids to accomplish this. However, as it relates to plastic bottles, best practices to increase the recovery through Blue Box curbside programs are not being followed.</p> <p>Plans to increase revenues must include long-term contracts & best practices in recycling with a specific area for consideration being plastic bottles.</p> <p>8. Response: Market development initiatives must involve key stakeholders.</p>

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		<p>EPIC understands the need for market development and has been a leader for years in researching many market areas and in expanding markets for plastics.</p> <p>The concept of market development levies is of concern for any such monies collected must be closely managed in a transparent manner to ensure the dollars are spent wisely and only on programs of value.</p> <p>EPIC understands the opportunities and the barriers in plastic markets and would hope the SO or the WDO would not work in isolation but will involve key stakeholders including EPIC to work together on markets.</p> <p>9. Response: Any green procurement strategy developed must take into consideration environmental benefit, cost and product performance throughout the life cycle, and be developed with the involvement of stakeholders.</p> <p>EPIC supports the principle of green procurement but cautions that careful thought must be used when devising a green procurement strategy, for such a strategy:</p> <ul style="list-style-type: none"> • Must abide by guidelines, namely; <ul style="list-style-type: none"> • There must be consensus based decision-making across all stakeholders • These must include a products overall environmental performance, cost, and value in an application as criteria • Must ensure that environmental performance of products is based on sound science using accredited organizations in life cycle impacts • Must be for municipalities as well as industry • Must avoid packaging material deselection • Must <u>not</u> set mandatory targets <p>These last two points are very important. Industry is committed to and engaged in a continuing push to achieve an ever decreasing total environmental impact from the use of packaging. This includes gaining a greater understanding of the full life-cycle environmental effects of the alternatives, and how this impacts the key decisions of material selection, source reduction, design for reuse and recycling, appropriate levels of recycled content, functionality, consumer acceptance and cost.</p> <p>Correctly balancing this complex equation is simply good business, and necessary in a very competitive business environment.</p> <p>1. Response: SO should establish a separate brand owner committee on plastics.</p> <p>Plastics packaging is growing in the marketplace and focused consideration on the end-of-life management issues is required.</p> <p>It is recommended that SO establish a separate brand owner committee to focus on end-of-life management issues and options for plastics packaging. This would allow the plastic's industry and the plastics packaging users to work in partnership</p>

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		<p>to develop a common strategy and share information to facilitate the increased recycling and diversion of plastics from landfill through other options.</p> <p>2&3 – E&E Fund and Impacts on Small Business- n/c</p>
15	ECO Perth and Rideau Environmental Action League	<p><i>1. Cost Containment</i></p> <p>Manufacturers are funding 50% of the cost, but can also contribute through reduction, making products more recyclable, and supporting markets for recycled material.</p> <p><i>2&3- E&E Fund and Impacts on Small Business –n/c</i></p>
16	John Paulowich - Canadian Steel Can Recycling	<p><i>1. Cost Containment</i></p> <p>Include products made from materials which have established end markets.</p> <p>At the moment, the cost to achieve a 60% waste diversion rate via the Blue Box is unknown as is the cost of diverting organics. At this time, without an economic impact study, one can only estimate that the net costs would exceed \$200 million.</p> <p><i>2&3 – E&E Fund and Impacts on Small Business – n/c</i></p>

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17	Richard Butts on behalf of the Association of Municipalities of Ontario	<p><u>Question 1:</u> <i>Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</i></p> <p>Municipal representatives are concerned with Principles 5, 6 and 9 in Section 2.2 as outlined below:</p> <p><i>Principle 5</i> The gap between the BBPP cost projection and real municipal cost numbers should not be bridged. BBPP cost projections were in error. The cost projections for 2002 - 2006, set out in Table 7.3, were based on the “negotiated” costs for 2001. The “negotiated” cost was determined from a sample of 12 municipal recycling programs. The sample did not reflect the municipal diversity set out in Principle 4. i of the discussion paper and the cost data collected in the WDO 2002 Financial Data Call. Using the 3-year rolling average requested by stewards produced a 2002 revenue of \$60 million, not the \$67 million estimated in the BBPP. All evidence indicates that the 3-year rolling average for 2003 will be even lower.</p> <p><i>Principle 6</i> Many factors other than increases in tonnage and or cost of living influence cost, examples include: i. Housing growth ii. Changes in material collected (e.g. container thickness, size, material etc.) iii. Lack of private sector competition in the market iv. Replacement of capital during the life of the BBPP that was originally subsidized by OMRI</p> <p><i>Principle 9</i> Reduction of packaging is not a cost containment principle. The reduction of packaging could increase the unit cost of the remaining materials collected The reduction of packaging would reduce the quantity of material that can be marketed to earn revenue. Support from stewards could come through procurement and other initiatives</p> <p><u>Question 2</u> <i>What policies and practices would ensure compliance by municipalities and stewards with the principles of cost containment?</i></p> <p>1. Market Development The policies and practices for Market Development are not consistent with the principles of cost containment. The implementation of the policies and practices would add to stewards’ fees, over and above the 50% funding of actual blue box residential recycling programs. A cost/benefit analysis needs to be completed on these policies and practices before being implemented.</p> <p>2. Best Practices for Revenue Majority of policies and practices are acceptable. Should not be a policy to account for “unrealized revenue”. Either the municipal program earned revenue for the sale of recyclables or it did not.</p>

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		<p>The implementation of a targeted advertising campaign for aluminium beverage cans may have a negative impact by increasing scavenging from the curb.</p> <p>3. Diversion Targets The policies and programs for Diversion Targets are consistent with cost containment principles.</p> <p>4. Municipal Allocation Model Current Municipal Funding Allocation Model is based on average provincial system costs No direct connection between funding and actual individual program costs to reward or enhance effectiveness and efficiency</p> <p>5. Policy Framework Principles to guide cost reporting and allocation have already been completed as part of the 2002 and 2003 Financial Data Calls</p> <p>6. Year over Year Increases The introductory paragraph should reflect that there are other factors than cost-of living increases and increased tonnage that result in year over year increases The policies and practices for Year over Year increases are acceptable.</p> <p>7. Effectiveness and Efficiency Fund The policies and practices for the Effectiveness and Efficiency Fund are acceptable.</p> <p>8. Best Practices for Cost Efficiency Majority of MRF's are owned by the private sector Municipalities have little control over the cost of processing, and particularly the capital investment in MRF's.</p> <p>9. Cost Bands to Identify Extraordinary Blue Box Costs Principle of using cost bands to identify extraordinary blue box costs is reasonable and acceptable The policy and practice of capping combined indirect and direct administration costs are inconsistent with the Blue Box Program Plan The cap of between 1% and 3% was not derived from a thorough review and analysis of the 2002 data call More effort should be placed on defining and verifying direct and indirect program costs</p>
18	Connie Graham – Township of McNabb/Braeside	<p><i>1. Cost Containment</i></p> <p>Principle #6 There are many factors other than increased tonnage and the cost of living that effect cost from year to year.</p> <ul style="list-style-type: none"> - Increased housing growth equals more stops which increases the costs per year. - Lack of competition in tendering, in a rural area there are usually only one or two firms that will consider to bid on a collection contract. In remoter areas within a township only one firm will bid. Not all recycling items will be considered in a contract because the firm is unable to market these items due to the small volume of collection and the cost of transportation to market. Allowances should be made for

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		<p>these items because the municipality cannot increase the tonnage for these items.</p> <p>- Administration costs of running programs is 6% to 10%. The cost of utilities such as hydro, telephone, etc. in operating an office has certainly increased over the past years and certainly more than 1% to 3% of a program.</p> <p><i>2&3 - E&E Fund and Impacts on Small Business – n/c</i></p>
19	<p>Rick Clow Quinte Waste Solutions – on behalf of MAC</p>	<p>1. Cost Containment</p> <p>- see comments from R. Butts/AMO</p> <p>2. E&E Fund</p> <p>As discussed on 07/04/04 here are the municipal comments, from MAC's last meeting, to SO's E&E paper presented at that time, as I recorded them.</p> <ul style="list-style-type: none"> * what will it actually fund: could examples or criteria be given? * if use "Durham method" for waste audits it should be 'ground-truthed' first * would like to see more than just the required 36 waste audits * it is noted that both more tonnes and less cost each received 30% weight; but more of one means less of the other: thus would moving collection from bi-weekly to weekly, as a study, receive funding? * are there priorities: eg., MRF opt, then market development then multi-fam? * would E&E fund provincial enforcement officers re multi-fam?? * assume the "swat" team would only be upon request * what about year 2? * possible AMO staffer to improve efficiency of municipal response <p>3. Impacts on Small Business- n/c</p>
20	<p>Shirley McLean – Halton Region</p>	<p>1. Cost Containment</p> <p>Market Development</p> <p>The policies and practices for Market Development will assist in achieving diversion targets, but are not consistent with cost containment. A cost/benefit analysis needs to be completed on these policies and practices before being implemented.</p> <p>Best Practices for Revenues</p> <p>There should not be a policy to account for unrealized revenue; the municipality either earned revenue from the material or it did not. Model collection and processing tenders/RFPs incorporating revenue protocols would be helpful in the future so that municipalities enter into a contract that incorporates best practices. The Region of Halton is currently in a contract until 2008 and cannot change the current revenue clauses that are in the contract until that time.</p> <p>Diversion Targets</p> <p>Of the proposed enhancements and measures to achieve a 60 percent Blue Box diversion rate the “least cost tonne” or differential targets by material group approaches would be preferable over all materials reaching 60 percent. Different materials have varying markets and revenue potential. These approaches would allow for optimization of the system based on net costs to achieve the overall Blue Box diversion rate. Also, setting higher diversion rates for municipalities based on size, distance to markets, and population density would allow for further optimization on the provincial level. Detailed studies of existing data, waste audits, and market conditions will need to be conducted to determine the optimum targets to maintain efficiency.</p>

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		<p>Packaging reduction is an essential component of the BBPP to achieve diversion targets, but is not necessarily a cost containment principle. It will reduce the quantity of material that can be marketed and could increase the unit cost of the remaining materials collected. Packaging materials that are designed to be more readily recyclable and market development are both necessary measures to assist in achieving the Blue Box diversion rate.</p> <p>Landfill bans and mandatory recycling to achieve diversion targets would require by-law amendments and enforcement to ensure compliance. A preferable approach would be to implement a promotional campaign to change attitudes and behaviour and only implement bans as a last resort.</p> <p>Municipal Allocation Model The general consensus at the March 9th Workshop was to implement the existing model on an interim basis with its current limitations, yet apply a funding cap so that municipal programs do not receive less than 20 percent and no more than 60 percent of their share of the Blue Box net costs. The Region of Halton supports this approach as an interim solution to expedite the funding payments to municipalities in Ontario.</p> <p>For a long-term solution, the proposed Effectiveness/Efficiency Model is preferable as it seems to reward effective and efficient programs among municipalities with similar characteristics. The effectiveness criteria of recovery per household is an easily measured criteria for comparison among municipalities, but does not account for the various weights of different material types, for example newspapers and plastics. It may not provide an incentive for municipalities to market lighter weight materials that are costly on a per tonne basis to collect and process.</p> <p>The Equal Percent Funding Model has the benefit that all municipalities would receive the same percent of their actual net costs, but unfortunately there are large variations in program efficiencies and costs per tonne among municipalities. The funding model should provide incentives for municipalities to decrease their net costs per tonne.</p> <p>Of the model options presented at the March 9th Workshop, the Effectiveness/Efficiency Model seems to have the most potential to be a viable alternative to the current funding allocation model, but will require further testing to ensure that it works as intended.</p> <p>Year Over Year Increases The gap between the BBPP cost projection and real municipal cost numbers should not be bridged since the cost projections for 2002-2006 were based on a sample of 12 municipal programs in 2001. BBPP cost projections need to be revised taking into consideration the full 2002 data set.</p> <p>Cost increases above the baseline can be due to other factors than those listed in the policy such as the lack of a competitive market for the collection and processing of recyclable material during the tendering/RFP process, capital equipment costs to invest in new technology, and adding new recyclable materials to an existing collection and processing contract.</p> <p>Best Practices for Cost Efficiency</p>

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		<p>These policies and practices are acceptable, but should be implemented in the context that the majority of the MRFs in Ontario are owned by the private sector. Municipalities have little control over the cost of processing, the use of technology and capital investment. These policies and practices may take time to implement as contracts expire and MRFs are replaced. Model collection and processing tenders/RFPs would be helpful in the future so that municipalities enter into a contract that incorporates best practices for cost efficiency.</p> <p>Many municipalities are looking at strategies to increase diversion that include policies and practices such as organics collection and processing, providing more recycling containers to residents, and user pay programs. Strategies are unique to each municipality and need to be designed with comprehensive studies and public consultation to determine the appropriate system for each municipality. Public acceptance and funding need to be obtained to implement successful diversion programs.</p> <p>Cost Bands to Identify Extraordinary Blue Box Costs Administration costs should not be capped at 1% for programs that contract out and 3% for those that manage their own program. If a cap is imposed it should be based on the average administration costs in the 2002 Financial Data Call and then reviewed annually. The Region of Halton's administration costs in 2002 were 7% of total costs.</p> <p>Benchmarks are helpful tools to measure continuous improvement. Benchmarks should be developed for groups of municipalities based on similar characteristics such as size, location and population density. Targets should be achievable based on available data and market conditions and need to be balanced with costs. Any proposed initiatives need to be studied in more detail and analyzed for impacts to municipalities, stewards, consumers and system costs.</p> <p>2&3 - E&E Fund and Impacts on Small Business</p>
21	Peter Watson – Durham Works	<p>1. Cost Containment</p> <p>Amend Principle 2.2.5</p> <p>The original cost projections were developed from 2001 technical data provided by 12 municipalities and not the full set of municipalities in Ontario. Accordingly, this information was to be used as a base guide only until the full municipal data set was available.</p> <p>The gap between the original cost projections and the actual municipal cost submission should not be bridged. Because the real municipal cost information is available, it should now be used to correctly reflect costs.</p> <p>The Plan needs to correctly use real annual municipal costs.</p> <p>Amend Principle 2.2.6</p> <p>Cost increases in year 2 to year 5 should not exclusively be related to increases in</p>

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		<p>tonnages only. There are other important factors to be considered in the marketplace, such as: residential development growth, changes in the types of recyclables being collected, reduced competition in bidding collection and processing contracts, variable rates in market revenues, replacement of capital equipment, etc.</p> <p>For example, in 2003 and again in 2004, we have added more recyclable materials to our Blue Box program, specifically light weight plastics. The collection and processing costs for these particular materials were not included in any previous cost submissions, nor is the anticipated revenue to be earned.</p> <p>The Plan needs to correctly accommodate marketplace factors other than just tonnage.</p> <p>Amend Principle 2.3.9</p> <p>The capping of municipal indirect and direct administration costs at 1% for contracted services and 3% for municipal services is clearly understating the costs of administering recycling programs in Ontario. This needs further evaluation to develop appropriate formulas to properly recognize actual municipal operating costs.</p> <p>It is only reasonable to incorporate the real costs of municipal infrastructure which includes staff administration, inspections, invoicing, complaint resolution, monitoring of both municipal and private sector recycling operations. The capping limits should recognize these costs and it is anticipated the limits should be considerably greater than currently proposed.</p> <p>It also seems reasonable that these administration costs will be different depending on the size, location and complexity of the municipal recycling program. Perhaps several administration cost formulas will be required to better serve this principle. For example: programs greater than 50,000 tonnes per year, between 20,000 and 50,000 tonnes per year, and less than 20,000 tonnes per year.</p> <p>The Plan needs to correctly accommodate the municipal direct and indirect costs of actually operating recycling programs in Ontario.</p> <p>2&3 – E&E and Small Business Impacts – n/c</p>
22	Beth Goodger – City of Hamilton	<ul style="list-style-type: none"> • Cost Containment <p>Staff at the City of Hamilton have reviewed the Waste Diversion Ontario Discussion Paper #2 (Cost Containment Principles, Policies and Practices/Effectiveness and Efficiency Policies and Practices) and offer the following comments for consideration. Please note that due to time constraints, these comments have not been reviewed or approved by our municipal Council. We appreciate this opportunity to provide input and look forward to continued discussions.</p> <p><u>Introduction</u></p> <p>As a general comment, it is clear that additional work is still required to link waste diversion targets (Discussion Paper #1) and cost containment issues noted in Discussion Paper #2. Additional research is necessary to fully understand the costs and diversion impacts of the ideas set forth to date. This can be achieved through the second datacall and waste composition studies. We are in agreement with the statement</p>

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		<p>in the paper that there is a need to balance costs and diversion targets.</p> <p>Recycling program costs must also be put into context with total municipal waste management costs. This is not the only material managed in municipal systems. Local economics are also affected by the availability of a municipal landfill capacity. Those that have landfills have lower and more stable costs while those without have higher costs, improving the local economics of waste diversion.</p> <p><u>2.2 Cost Containment Principles</u></p> <ul style="list-style-type: none"> • Principles #1, 2, 4, 7, & 8 - Agree with these. • Principle #3 - The principle of the cost components is significant as it relates to the bands, but it should total program costs including planning and implementation. • Principle #5 - There should be no bridging between BBP cost projections and real municipal costs. It has been recognized that the initial cost projections were incorrect. Now that actual numbers are available on municipal program costs, these costs should be used. <p>Principle #6 - These are not the only costs that should be considered. There are many factors other than increased tonnage and the cost of living that affect municipal costs from year to year. Other factors would include housing growth leading to more stops, market swings impacting on revenues, competitive environment during tenders, etc.</p> <ul style="list-style-type: none"> • Principle #9 - Although we support this principle it should be noted that it may not help to contain costs and could in fact increase them. <p><u>2.3 Policies & Practices</u></p> <p>Concerning the policies and practices, it is recommended by the Cost Effectiveness Committee that the 9 policies/practices are to be activities for WDO to undertake. We support the nature of the practices, however need to be sure of the expectations of municipalities in the development and implementation of the practices relevant to the assignment of municipal financial and human resources. Roles and responsibilities will need to be defined and further consultation should be done to determine how the policies and practices can be implemented.</p> <p>Specific to the 9 practices:</p> <ol style="list-style-type: none"> 1. Market Development - we support the efforts to improve glass and aluminum markets and to develop markets for polycoat containers. Markets should also be assessed for their stability and to identify areas where further development is required. 2. Revenues - we support the practice of developing co-operative markets to reduce costs and increase revenues for participants. 3. Diversion- stewards should pay proportionately for their materials in the blue box. Municipalities should be compensated based on the proportion of their blue box program representing the material. The aggregate of the blue box program should of course be reconcilable with the stewards' contribution allocated to the municipalities.

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		<p>4. Model - we support the current model, although understand that it has some shortcomings. The practice of involving municipalities in possible improvements is essential to pay out model.</p> <p>5. Framework - we generally support a policy framework and expect there to be challenges in determining what it should be for, eg. capital costs.</p> <p>6. Year over Year Increases - If blue box cost estimates are to be made for the next 2 years, we would support this provided that it is done as part of the datacall. Municipalities do not have the resources to respond to another datacall.</p> <p>7. Effectiveness and Efficiency Fund - we support the E&E Fund for the purpose of research and development and educational programs. Funding of the least efficient programs should be done with the knowledge of program history and the recognition that sometimes there are not quick fixes.</p> <p>8. Best Practices for Cost Efficiency - it appears that this is aimed at reducing the spread in varying costs and recovery of programs. Many of the other practices will actually flow into this one. We support the multi-year tracking of paper and plastics collection and processing provided that it is done in the context of the portion of these materials that continue to be in the waste stream, eg. If the portion of the waste material is reduced, the tracking of the material should acknowledge and reflect this.</p> <p>9. Banding - Grouping municipal programs is a good way to compare costs and performance against similar programs. We do not agree that administrative costs should be capped over the long term although appreciate why this is being done for the second data call. Further research in this area should be done to ensure that true costs are being reflected. Hamilton's costs were 3.64% in 2002 for a contracted program.</p> <p>10.</p> <p>2&3 – E&E Fund and Small Business Impacts</p> <p>The establishment of a fund to assist in the effectiveness and efficiency of the blue box program is an excellent initiative. It will provide municipalities that don't have outreach programs to do some things they might not otherwise be able to do. It will provide others with opportunities to focus on specific marketing and promotional programs, eg. multi-residential, schools or multi-lingual programs.</p> <p>The report states that programs over \$50,000 will be required to submit a certain level of information and that programs under \$15,000 will be analysed in a particular way. The requirements for projects between \$15,000 and \$50,000 should be specifically detailed to avoid surprised.</p> <p>The paper is not clear on what costs will be eligible for E&E funding, eg. consultant fees, capital expenditures (carts), etc.</p>
23	Francis Veilleux – Bluewater Recycling Association	<p>1. Cost Containment</p> <p><i>Question 1</i></p> <p><i>Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</i></p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>Agree with Principles 1, 2, 3, 4, 7 and 9. Disagree with Principles 5, 6, and 9 with reasons set out below:</p> <p>Principle 5</p> <ul style="list-style-type: none"> • The gap between the BBPP cost projection and real municipal cost numbers should not be bridged. • BBPP cost projections were in error. • The cost projections for 2002 - 2006, set out in Table 7.3, were based on the “negotiated” costs for 2001. • The “negotiated” cost was determined from a sample of 12 municipal recycling programs. • The sample did not reflect the municipal diversity set out in Principle 4. i of the discussion paper and the cost data collected in the WDO 2002 Financial Data Call. • Using the 3 year rolling average requested by stewards produced a 2002 revenue of \$60 million, not the \$67 million estimated in the BBPP. All evidence indicates that the 3 year rolling average for 2003 will be even lower. <p>Principle 6</p> <ul style="list-style-type: none"> • Many factors other than increases in tonnage and or cost of living influence cost, examples include: <ul style="list-style-type: none"> i. Housing growth ii. Changes in material collected iii. Lack of private sector competition in the market iv. Replacement of capital during the life of the BBPP that was originally subsidized by OMRI <p>Principle 9</p> <ul style="list-style-type: none"> • Reduction of packaging is not a cost containment principle. • The reduction of packaging could increase the unit cost of the remaining materials collected • The reduction of packaging would reduce the quantity of material that can be marketed to earn revenue. <p>Question 2 <i>What policies and practices would ensure compliance by municipalities and stewards with the principles of cost containment?</i></p> <ol style="list-style-type: none"> 1. Market Development <ul style="list-style-type: none"> • The policies and practices for Market Development are not consistent with the principles of cost containment. • The implementation of the policies and practices would add to steward’s fees, over and above the 50% funding of actual blue box residential recycling programs. • A cost/benefit analysis needs to be completed on these policies and practices before being implemented. 2. Best Practices for Revenue

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		<ul style="list-style-type: none"> • Majority of policies and practices are acceptable. • Should not be a policy to account for “unrealized revenue”. Either the municipal program earned revenue for the sale of recyclables or it did not. • The implementation of a targeted advertising campaign for aluminum beverage cans may have a negative impact by increasing scavenging from the curb. <p>3. Diversion Targets</p> <ul style="list-style-type: none"> • The policies and programs for Diversion Targets are consistent with cost containment principles. <p>4. Municipal Allocation Model</p> <ul style="list-style-type: none"> • Current Municipal Funding Allocation Model is based on average provincial system costs • No direct connection between funding and actual individual program costs to reward or enhance effectiveness and efficiency <p>5. Policy Framework</p> <ul style="list-style-type: none"> • Principles to guide cost reporting and allocation have already been completed as part of the 2002 and 2003 Financial Data Calls <p>6. Year over Year Increases</p> <ul style="list-style-type: none"> • The introductory paragraph should reflect that there are other factors than cost-of living increases and increased tonnage that result in year over year increases • The policies and practices for Year over Year increases are acceptable. <p>7. Effectiveness and Efficiency Fund</p> <ul style="list-style-type: none"> • The policies and practices for the Effectiveness and Efficiency Fund are acceptable. <p>8. Best Practices for Cost Efficiency</p> <ul style="list-style-type: none"> • Majority of MRF’s are owned by the private sector • Municipalities have little control over the cost of processing, and particularly the capital investment in MRF’s. <p>9. Cost Bands to Identify Extraordinary Blue Box Costs</p> <ul style="list-style-type: none"> • Principle of using cost bands to identify extraordinary blue box costs is reasonable and acceptable • The policy and practice of capping combined indirect and direct administration costs are inconsistent with the Blue Box Program Plan. Section 7.3.2 of the BBPP states: “<i>In future years, all direct costs and some indirect costs to the program will be included in the net cost calculation.</i>” • The cap of between 1% and 3% was not derived from a thorough review and analysis of the 2002 data call • More effort should be placed on defining and verifying direct and indirect program costs
24	Kala Harris -	1. <i>Cost Containment</i>

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	Ottawa	<p>In general the cost containment principles are appropriate in keeping with the identified practices and policies outlined in 2.3. However, cost containment efforts by stewards should include not only the reduction in packaging but the reduction of low market resins used in packaging. In addition, industry marketing efforts should not be at odds with reduction and recycling efforts. For example, colourful paper labels glued to plastic yoghurt containers or by offers of 'buy more get it cheaper' as is often seen with paint sales. Industry stewards need to keep in mind the end market requirements with respect to recovery, processing, and marketing when deciding on products and packaging.</p> <p>Market development should primarily focus on those materials that are basic blue box wastes listed in Reg 101 and that are most costly (no markets, high cost for transportation etc) for municipalities to handle such as glass. The next priority could then focus on supplementary blue box waste and/or priorities that could be established through waste characterization studies. It may be less of a priority to investigating the inclusion of composite cans instead of aiming for containers that are already supported in the market at a reasonable market value.</p> <p>Projects for E&E funding should be focussed on those that would have the lowest cost to benefit ratio and are applicable to other municipalities. For example, recycling efforts have been historically challenging with multi-unit residential however at the same time they represent "new tonnes" for Ontario.</p> <p>The cost containment and E&E elements outlined provide a base however needs of the municipalities are governed by many factors including commodity markets, Council decisions, and collection and processing contract negotiations. With respect to the education and communication plan, it was suggested that these materials be generic enough that they could apply to all municipalities and/or developed under the Ontario curriculum.</p> <p>The Blue Box Assistance Team may be useful when it is asked for assistance by Solid Waste Staff of a municipality, but should not represent itself on behalf of industry to a city council, against the interests of city's solid waste staff. A consultative and cooperative approach should always be required, lest it be conceived as a "regulatory" body.</p> <p>2&3 – E&E Fund and Impacts on Small Business</p>
25	Jay Stanford – City of London	<p>1. Cost Containment</p> <p>We have addressed our comments in response to the suggested questions for public and stakeholder comment in the discussion paper.</p> <p>1. Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</p> <p>Yes, overall these are appropriate. We would add the following comments:</p> <p>The position paper refers to the 'natural tension that exists between increasing recovery, increasing revenues and reducing costs'. In practice this tension depends upon the material. In fact for some materials the opposite is true - by increasing recovery and revenues, net costs will be reduced. Cost containment practices must</p>

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		<p>recognize this important fact and recognize that municipalities must have the authority to determine the most cost effective basket of goods that will be targeted for their blue box program.</p> <p>The paper identifies “additional market development levies required to support materials with low revenues”. We would suggest that the emphasis should be to discourage stewards from choosing packaging materials with low revenues (insufficient market capacity and quality problem) rather than supporting continued use of low revenue materials.</p> <p>2. <i>What policies and practices would ensure compliance by municipalities and stewards with the principles of cost containment?</i></p> <p>We do not support penalties on municipalities and stewards, at least within the early years of the BBPP. It will require several years to make municipal program and steward packaging changes. Some municipalities and stewards have been better positioned to reach targets sooner, and those that are not should not be penalized.</p> <p>Noting that municipalities have long worked under principles of cost containment it is important that they maintain the autonomy to set specific material targets, while working towards the overall provincial targets.</p> <p>3. <i>Are there cost containment elements, not identified in Section 2.3, that would support municipal recycling program efficiency or the distribution of stewards’ funding in ways that support cost effective recycling?</i></p> <p>We would emphasize #3. Diversion Targets: that material specific targets be designed to promote recovery of the next least costly unit of waste.</p> <p>In general this paper identifies a comprehensive and ambitious menu of features designed to contain BBPP costs. This huge wish list ranges from green procurement protocols, to analysis of systems designed to allow commingled collection and single stream processing. What is missing from the discussion is who pays and who is responsible for the development and implementation of these cost containment strategies.</p> <p>4. <i>How should increasing material recovery be balanced with improving cost effectiveness when selecting policies and practices for cost containment or when reviewing applications to the E&E fund?</i></p> <p>This is two questions. When selecting policies and practices for cost containment, recovery and cost effectiveness need be considered/balanced with respect to other environmental impacts.</p> <p>More allowance could be granted with respect to the E&E fund since in some respects this is for exploratory research, thus proving cost effectiveness should not determine eligibility for an E&E funding.</p> <p>2.E&E Fund</p>

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		<p>5. <i>Are there priorities or activities for the E&E fund that are missing or need to be revised to suit the specific needs of the “Blue Box” program in your community and to address issues that have been raised by industry?</i></p> <p>The list is comprehensive.</p> <p>Municipalities could benefit by having full access to the ‘research findings’ and materials developed through E&E funding, similar to the Interim WDO funding. For example, a library of communication/education materials developed and made available to all to customize would have significant cost savings. It would also help develop province wide recycling brand images.</p> <p>6. <i>Will the cost containment and E&E program elements outlined provide sufficient predictability of future BBPP costs to meet the financial planning needs of stewards and municipalities?</i></p> <p>Not completely, because global factors that impact commodity markets and product packaging would not be predicted by the model.</p> <p>3. Impacts on Small Business- n/c</p>
26	Tom Charette – Legislative Affairs – Canadian Federation of Independent Business	<p>3. Impacts on Small Business</p> <p>The WDO Discussion Paper defines Small Business as “a company that has sales greater than \$2 million and generates 15 tonnes or more of Blue Box Waste per year.”</p> <p>This seems to be a misstatement. This definition would include the largest of firms.</p> <p>This definition needs to be revised.</p> <p>The \$2 million Ontario sales threshold differs from other definitions currently used by either the Provincial or Federal Government to define small business. The provincial capital tax threshold is set at \$5 million taxable capital, while the corporate minimum tax is assessed for businesses at \$10 million in annual gross revenues, or total assets in excess of \$5 million.</p> <p>The Government of Canada deems that a producing firm is small if it has fewer than 100 employees, or fewer than 50 employees if it is a service business, those businesses with less than 500 employees are deemed medium-sized. Revenue Canada often uses \$5 million in revenues as its basis for defining the small business sector.</p> <p>Discussion Paper Options for Modifying Steward Reporting Requirements</p> <p>The discussion paper offers five options for modifying Stewards’ reporting requirements.</p> <p style="text-align: center;">Option 1 – A Simplified Declaration Form for Small Business Option 2 – A Simplified Unit Based Declaration Form Option 3 – Use Small Business Data Report for More than One Year</p>

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		<p style="text-align: center;">Option 4 – Graduated Flat Fees within Categories Option 5 – Adjust De Minimis Thresholds</p> <p>We believe that, while one or more of these options may ultimately prove to have merit, it is premature to consider them at this point. What should happen first is for the WDO to actually accommodate the Minister’s specific request, i.e., “<i>Undertake analysis of the financial and operational impacts of the Blue Box Program Plan on the small business community.</i>”</p> <p>The impact of the BBPP on small business consists of two elements: (1) the time and money required to collect and report waste data; and, (2) the cost of the levies themselves. The discussion paper itself acknowledges that there is no reliable quantitative information about either of these impact categories. Until such information is available, it is impossible to consider just what should be done give relief to small businesses. Nothing is known about the scale of relief that is required – let alone the appropriate modalities for delivering such relief.</p> <p>One strong indication that such a study is required is the volume of complaints that the Ministry of the Environment (MOE), WDO and SO are beginning to receive from some very large businesses regarding the administrative costs of gathering the data. If these firms – all of which have large Finance/Accounting and Information Systems Departments - are finding the data-gathering task to be excessively onerous, it is not much of a stretch to believe that many small firms are finding it impossible.</p> <p>As well, Stewardship Ontario can consider its own situation in evaluating the need to carry out the Minister’s request for an analysis of the financial and operational impacts of the BBPP on the small business community.</p> <p>It goes without saying that a lot of time, money and outside expertise was required for Stewardship Ontario (SO) to acquire the information system it now has for receiving the data reported by businesses. Developing this system was costly and time-consuming.</p> <p>Viewed from one perspective, the SO information system is much more comprehensive than that required by any single small business. The Stewardship Ontario system has to deal with all of the categories of Blue Box waste. Any single small business is unlikely to have to report on every one of these categories.</p> <p>From another perspective, however, the information-gathering task of a small business can be several orders of magnitude greater than that of Stewardship Ontario. The starting point for the SO information system is the weight of each particular category of waste. This weight is the end point for the information system required by the small business. Getting to that end point can require a massive information system that gathers the required data – data that the business had no reason to gather before the advent of the SO reporting requirements.</p> <p>Consider a member who contacted us recently. The company has nearly 1,000 different products. Clearly, what this company needs is a computerized information system that tracks unit sales of each product, cross references the types and weights of Blue Box residential stream waste for each product, and reports the weight of each category of waste.</p>

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		<p>What is the cost to this company of doing this manually for the years 2002, 2003 and 2004 (in hopes of having the computerized system ready for 2005)? What is the cost of designing and implementing the computerized system? What is the ongoing cost of maintaining the product files and the waste category/weight files? What will the cost of the levies be? None of these costs are known.</p> <p>It is quite conceivable that these costs greatly exceed the cost of the levies that are generated. It is difficult to believe that the Government of Ontario would want to be a party to a system in which the ratio of cost of raising funds for the Blue Box Program is high relative to the actual funds raised – let alone a system in which the cost of raising the funds exceed the funds raised.</p> <p>It is also important for the cost of the levies themselves to be known. The combined costs – the administrative costs and the cost of the levy – could well put many firms out of business. It is reckless to launch such a system without knowing these costs. As the backbone of the provincial economy, the impact on small businesses could prove be a financial nightmare for all concerned.</p> <p>This leads us to the following two recommendations:</p> <p><i>Recommendation One</i></p> <p>The WDO should engage a disinterested and qualified third party to conduct an analysis of the financial and operational impacts of the BBPP in the small business community per the Minister’s request. This study should be supervised by a joint committee made up of representatives of SO, WDO and organizations representing the interests of small businesses.</p> <p><i>Recommendation Two</i></p> <p>Change the current de minimis exemption, immediately, to reflect definitions used by the provincial and federal governments to define a small business*. Any further adjustment to the de minimis exemption beyond this stated recommendation should await the results of the above study.</p> <p>The Government of Canada deems that a producing firm is small if it has fewer than 100 employees, or fewer than 50 employees if it is a service business, those businesses with less than 500 employees are deemed medium-sized. Revenue Canada often uses \$5 million in revenues as its basis for defining the small business sector.</p> <p>The provincial capital tax threshold is set at \$5 million taxable capital, while the corporate minimum tax is assessed for businesses at \$10 million in annual gross revenues, or total assets in excess of \$5 million.</p> <p><i>Incentives for Small Business to Improve Blue Box Waste Diversion</i></p> <p>The Minister of the Environment has requested that WDO undertake further analysis on incentives for the small business community to improve diversion of their Blue Box Wastes in order to reduce their costs. CFIB is encouraged by this formulation.</p>

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		<p>As indicated above, small business owners are perennially short of time and money. This means they have a limited capacity for complying with government-imposed workload (Appendix A). There is no question that governments have already exceeded SME compliance capabilities by a wide margin.</p> <p>The WDO Discussion paper clearly indicates the current state of knowledge concerning the possibilities for cost reduction through waste diversion: “While this Discussion Paper identifies some possible options for promoting increased recovery of Blue Box Wastes from the small business sector, whether these options would reduce costs for any particular company is a function of many factors including:</p> <ul style="list-style-type: none"> • Materials available for recovery; • The quantities of materials generated; • Financial arrangements in place for managing company wastes; and • Diversion rates achieved. <p>Insufficient baseline data related to the current costs of small business are available to estimate the potential cost savings that may be achieved for the Ontario small business sector from these initiatives.”</p> <p>In other words, at the present time, WDO does not know of any ways for small businesses to reduce their costs through Blue Box waste diversion.</p> <p>The Discussion Paper then goes on to outline three options for causing small businesses to reduce and recycle Blue Box Wastes. We will provide comments on each of these in turn:</p> <p>Option 1: Provide Information, Promotional Material and Technical Assistance for Small Businesses</p> <p>We endorse this approach subject to the following three recommendations.</p> <p>Recommendation One</p> <p>WDO should undertake the Minister’s requested analysis of the potential for small business to reduce their costs by diverting their Blue Box Waste. This analysis should document the types and quantities of materials available for recovery by type of business and include careful estimates of the total cost to small businesses of separating these wastes – by type of business.</p> <p>Recommendation Two</p> <p>WDO should undertake to establish the commercial value of the various Blue Box materials and maintain an up-to-date database of these values (prices) on an ongoing basis.</p> <p>Recommendation Three</p> <p>WDO should develop a small business education/communication program to alert</p>

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		<p>small businesses to the potential for cost reduction in cases in which such potential exists. This could be as simple as posting the names, location and contact information of buyers of (segregated) Blue Box waste and the prices they are willing to pay for each kind of waste.</p> <p>Option 2: Provide Financial Incentives/Rewards for Waste Diversion</p> <p>This option actually contains three separate options. We will look at each option in turn.</p> <p>Option 2A: Provide a rewards/recognition program to honour companies that do a good job of Waste Diversion.</p> <p>Recommendation Four</p> <p>If a reward/recognition system model is available that has a demonstrated ability to move large numbers of small businesses to action, then it should be implemented.</p> <p>Option 2B: Provide financial incentives to firms that do a good job of waste diversion.</p> <p>Recommendation Five</p> <p>If necessary, financial incentives should be provided to small businesses to cover the costs of segregating and disposing of waste materials – net of any earnings made by a business from the sale of such materials.</p> <p>Option 2C: Force small companies to do waste and packaging audits.</p> <p>As mentioned above, small businesses are perennially short of both time and money. The time and money cost of complying with existing government requirements already far exceed the capacity of small businesses to comply. Add to this the fact that small businesses already pay for the Blue Box through their property taxes – which in most municipalities forces small firms to shoulder a crushing burden of the property tax load – and don't even come close to receiving the same level of municipal services that residents receive.</p> <p>Finally, we find it difficult to understand how <i>forcing</i> small businesses into action can be called an "incentive." We would hope that rather than <i>forcing</i> hard-working Ontarians to support the Blue Box system, that the government would be far more interested in finding ways in which to work with its citizens – individuals and <i>all</i> businesses – on a plan to make the system work.</p> <p>Recommendation Six</p> <p>Rather than forcing small businesses into action, we would recommend that the Ontario Government, WDO and SO work with the small business community to achieve the provinces waste diversion targets. Including all Ontarians in a plan to protect the environment is far more sensible approach, than using fear and threats to compel participation.</p>

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		<p>Option 3: Expand the BBPP to Include Blue Box Wastes from Small Business</p> <p>Small business owners are extremely sensitive to the issues of waste disposal and diversion. In most municipalities, small business pay property taxes that are several times higher than that of similarly valued residential properties. To make matters worse, small business properties typically do not receive the same menu of municipal services that are provided to residential properties. This is particularly the case with waste disposal. In municipalities in which business do receive waste disposal service there is usually a user fee for the service.</p> <p>The residential Blue Box Program Plan has now increased this sensitivity. Many small businesses are now expected to pay a levy to subsidize residential waste collection/diversion. It would be adding insult to injury to force small businesses into costly Blue Box Programs of their own.</p> <p>Recommendation Seven</p> <p>No not expand the Blue Box Program Plan to small business. WDO acknowledges that not much is known about the impact. Small businesses are already overloaded with the time and money costs imposed by governments. Pursue the Minister’s more refined approach for finding ways to reduce small business operating costs with diversion opportunities</p>
27	<p>Daniel Vukovich – General Counsel - Pizza Pizza Ltd.</p>	<p>3. Impacts on Small Business</p> <p><u>Comments for Submission re: Discussion Paper #3</u> Impacts of the Blue Box Program on Small Businesses & Incentives for Small Business to Improve the Diversion of their Blue Box Wastes</p> <p>We are writing to you in response to Stewardship Ontario’s request for comments regarding the third discussion paper, which was prepared by Waste Diversion Ontario (WDO) in cooperation with Stewardship Ontario. We would like to take this opportunity to share with you some of the many financial and operations impacts the Blue Box Program Plan will negatively impose on our businesses.</p> <p>According to the current Blue Box Program Plan reporting requirements, a small business steward is defined as a company that has sales greater than \$2 million and generates 15 tonnes or more of Blue Box waster per annum. In essence, these <i>de minimus</i> thresholds determine if a small business has to register and file a report with Stewardship Ontario. The BBPP further acknowledges that the <i>de minimus</i> thresholds are addressed in the Draft Operating Agreement between the Ministry of Environment (MOE) and WDO. Under the Guiding Principles section of the Agreement it reads, “Exemptions from fees should be based on clearly stated criteria relating to the volume or size of operation so that small businesses can be excluded.”</p> <p>As a result, such legislation has created an un-level playing field where certain types of businesses are subject to a minimum threshold and other not. One of the guiding principles behind the Waste Diversion Act was to maintain a level playing field across</p>

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	Name of Commenter	Cost containment/E&E/Small Business Impacts
		<p>all industries. This standard is completely disregarded by treating franchised businesses differently than their independent competitors. Section 9.4.4 of the BBPP states, “With respect to any business operated partly or wholly in Ontario as a franchise, the franchisor shall be deemed to be the obligated party for all of its franchisees. Therefore, the franchisor will be obligated to report packaging and printed paper generated in Ontario by all of its franchisees...” Each of our franchisees are independently owned and operated, and they struggle to make ends meet just like any small business in Ontario. By not treating them as an independent business, which they are, the Stewardship Ontario Board has put them at tremendous competitive that is an independent franchisee be treated separately and subject to the same rules as other independent operations.</p> <p>Section 2.2 of the discussion paper examines various options for modifying the reporting requirements. Option #5 recommends the adjustment of the <i>de minimus</i> thresholds and as the aforementioned clearly illustrates, in order to create a level playing field, this must be amended. We recognize that treating franchisees as independent businesses will likely have a material impact on the number of businesses that are exempt from paying levies under the <i>de minimus</i> provision as they are currently. Therefore, our recommendation would be to decrease the minimum thresholds for compliance and reporting to a lower amount so that the burden is spread out over businesses, the net effect is revenue neutral and all businesses are competing equally.</p> <p>Lastly, the BBPP was designed and implemented to improve Blue Box and Waste Diversion, and our business recognizes these goals. We remain committed to packaging and handling practices that are environmentally friendly and sensitive, as demonstrated by our ever-increasing use of recycled material in our packaging and advertising materials. Accordingly, the discussion paper suggests a direct form of incentive as illustrated in Option #2, which is to provide a financial incentive or reward to businesses for their success in facilitating waste diversion.</p> <p>Section 3.0 of the discussion paper identifies some possible options for promoting increased recovery of Blue Box Wastes from the small business sector by exploring various forms of incentives. We are concerned with the lack of credit afforded to companies who use recycled content in their packaging. Pizza Pizza uses corrugated paper packaging that contains 66 percent recycled content. By using a high quality of recycled matter, we are creating a market for recycled materials, and helping the province reach its new waste diversion target of 60 percent by the year 2008. Raising the market value of recycled materials in turn lowers the overall cost of the material to the system, virtually closing the loop on the process. This type of incentive is one that should be included for all materials captured under the program plan. The current plan does not support and will not further the government’s stated waste diversion objectives. If more industries used recycled material in their packaging it would help generate greater revenues for municipalities and thereby provide a greater incentive for municipalities to recover more materials of higher value. If businesses who used recycled content received a financial incentive, it would encourage more diversion throughout the system and eventually help the province reach its 60 percent diversion target.</p> <p>Lastly, in order to be consistent with the founding principles of Stewardship Ontario and Waste Diversion Ontario in providing a level playing field for all businesses, we</p>

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		<p>strongly believe all businesses must be given equal treatment. It is simply unfair and categorically inappropriate to regard franchised operations different than any other business in Ontario. Secondly, if Stewardship Ontario truly hopes to achieve the government's stated goal of 60 percent waste diversion, realistic and appropriate incentives, which rewards those already strong contributors of the 60 percent target and who have made conscientious business decisions to use recycled content in their packaging, must be examined.</p>
28	<p>G.P. Rye – City Engineer - City of Peterborough</p>	<p>1. Cost Containment</p> <p><u>Question 1</u> <i>Are the cost containment principles, policies and practices outlined in Section 2.2 and 2.3 appropriate?</i></p> <p>I agree with Principles 1, 2, 3, 4, 7 and 9 and disagree with Principles 5, 6, and 9 with reasons set out below.</p> <p><u>Principle 5</u> The spirit of the cost sharing and “stewardship” is based on an assumption that 50% of municipal net residential recycling costs will be funded. When the initial figures were put together, full definitions were not available on what was to be funded and the full costs for the Province were estimated. For example, in the case of Peterborough, we included revenue from IC & I sources in the first data call. With more defined and clear language around IC & I principles, that revenue was not included in the second data call. Now that actual costs are in, the true assessment of costs is available. Municipalities have been waiting a long time for the actual payments of these grants. To now suggest that we will not be paid the full 50% of our costs until the end of the five year agreement is putting an extra burden on municipalities that is not in accordance with the overall principles of the agreement.</p> <p>The full “stewardship” scheme is not perfect. As defined it does not cover 50% of our recycling costs. The private sector is not recycling materials from our small businesses or in our downtowns. The municipalities will be paying for 100% of this recycling. To not pay the 50% of the residential stream as defined is shirking responsibility. We are willing to go along with the definitions as set out, but want to be compensated appropriately within that definition. Recycling costs rise and fill. As municipalities, our ability to pay is just as constrained as the private sector. It's time they paid their share.</p> <p><u>Principle 6</u> As a municipality, our services and costs are scrutinized very carefully. Limiting cost increases to increases in tonnage or cost of living is not realistic. Other factors that should be considered are:</p> <ul style="list-style-type: none"> • Material density and mix—collecting more plastics and less glass may reduce tonnage, but increases volumes and cost. • Housing growth—depending on the rate of growth and current route saturation, costs may increase not in proportion to tonnage. If all the routes are maximized and there is a request for 200-300 new stops, they may not be able to be service as cost effectively because it is a partial route. • Capital replacement—event with the best managed program, capital needs to

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		<p style="text-align: center;">be replaced. Capital replacement schedules may affect costs in ways that are not tied to tonnage increases.</p> <p><u>Principle 9</u> Reduction of packaging is not a cost containment principle within the scope of blue box funding, and packaging reduction in one sector is often met with an increase in another. Although this may be a wise measure for the private sector it is not within the scope of this project. I also have a concern that packaging materials may be switched to non-recyclable materials to avoid cost sharing for the blue box program. Ten years ago all egg cartons were recyclable because they were fibre-based; Now, may are not recyclable, as there is no market for the PET ones (bottle recyclers don't want them) and they polystyrene ones are very expensive to recycle. Does the egg industry pay for all egg cartons or just the ones that can be recycled?</p> <p><u>Question 2</u> <i>What policies and practices would ensure compliance by municipalities and stewards with the principles of cost containment?</i></p> <ol style="list-style-type: none"> 1. Market Development The policies and practices for Market Development are not consistent with the principles of cost containment as they would add costs bringing total costs higher than 50% of blue box costs. 2. Best Practices for Revenue Municipalities need the revenue from the sale of recyclables so we earn what we can. Program net costs should be based on actual revenues. If we have scavengers stealing aluminum, we do our best to find them, but it's tricky and not predictable. The implementation of a targeted advertising campaign for aluminum beverage cans may increase their recycling rate, but it may have a negative impact on municipal revenue by increasing scavenging from the curb. <p>2. E&E and Small Business Impacts – n/c</p>

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APPENDIX B

Municipal Blue Box Materials Eligible for Funding

Eligible Sources

For the purposes of the Blue Box Program Plan tonnage and financial datacall, residential tonnes that are eligible for reporting tonnes and costs include the following:

Collection:

- Public or municipal contract-based collection of single and multi-family dwellings (including rental, cooperative or condominium residential) of permanent or seasonal residences;
- Public or municipal contract-based collection of senior citizen residences and long-term care facilities;
- Public or municipal contract-based collection of public and secondary schools where they are collected as part of a residential collection route;
- The residential component of publicly operated (municipally-owned or contracted) drop-off depots, irrespective of location at dedicated depots or landfill sites; and
- Permanently placed (i.e., anchored in the ground) public space recycling containers where they are collected as part of a residential collection route.

Processing:

- Public or municipal contract-based collected materials from single and multi-family dwellings (including rental, cooperative or condominium residential) of permanent or seasonal residences;
- Public or municipal contract-based collected materials from senior citizen residences and long-term care facilities;
- Privately collected materials from senior citizen residences; long term care facilities where the materials are processed at a municipally-owned or municipally-contracted MRF;
- Public or municipal contract-based collected materials from public and secondary schools;
- Privately collected materials from public and secondary schools where the materials are processed at a municipally-owned or municipally-contracted MRF;
- The residential component of publicly operated (municipally owned or contracted) drop-off depots, irrespective of location at dedicated depots or landfill sites; and
- Permanently placed (i.e., anchored in the ground (e.g., OMG Media Bins or equivalent)) or permanent fixtures within a location (e.g., bins in public parks) public space recycling containers where the materials were collected as part of a residential collection route.

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Where tonnes and costs are reported under any one of the above categories, revenues associated with the sale of these materials must be included on the financial datacall forms.

Non-eligible Sources

Collection and Processing:

- Municipally (Public) or Privately collected and/or processed materials from industrial, commercial or institutional sources, including hospitals, , universities, colleges;
- Municipally (Public) or Privately collected and/or processed materials from Agencies, Boards, Commissions or Departments;
- Materials collected or processed from drop-off collection depots/programs that are operated privately or by non-governmental organizations, and not under contract to the municipality, (eg. Shriner's, Abitibi); and
- Materials collected through temporarily placed collection containers at any events within the municipality (including fairs, parades, exhibitions, concerts, plays, etc., with a period running a minimum of less than one day to a period of up to seasonal events), irrespective of the method of collection (i.e., public or private). The processing costs associated with these materials are not allowable.

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APPENDIX C

Blue Box Program Cost Components (as outlined in BBPP Section 7.1)

Direct Service Delivery Costs

- This includes the collection and processing costs of residential Blue Box wastes, whether the service is contracted to the private sector, delivered by the public sector, or a combination thereof. If the service is contracted to the private sector, the direct service delivery cost is the collection and processing fees charged by the contractor to the municipality. If the service is delivered by the municipality, direct service delivery costs include:
 - Payroll costs of recycling collection truck drivers and sorters at a material recovery facility;
 - Services such as utilities, insurance, equipment repair and maintenance;
 - Supplies such as fuel, baling wire, Blue Boxes;
 - Rent or lease costs for buildings, equipment or vehicles;
 - Taxes and payments-in-lieu of taxes;
 - Interest on debt to acquire buildings, equipment or vehicles; and
 - The non-refundable portion of the GST and PST where applicable.

Amortized Capital Costs

- This includes the amortized capital cost of municipally owned collection vehicles, material recovery facilities, fixed and mobile equipment within the material collection facility, and collection containers other than Blue Boxes, where the capital costs do not form part of the contract service price from a private sector contractor. Grants for capital improvements will be subtracted from the amortized capital costs determined for the program. The AMO–Stewardship Ontario Task Group also agreed that land costs would not be included in the calculation.

Public Awareness and Public Education Costs

- Regulation 101/94 to the *Environmental Protection Act* requires that municipal Blue Box wastes management systems include public awareness and education programs. Examples of costs in this category include: graphic design, production costs, printing, postage, linage rates, air time, etc.

Indirect Administrative Costs

- These are costs incurred by municipalities in support of the direct service delivery. Examples of indirect administrative costs include:

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- Financial, including accounts payable and receivable, purchasing, payroll, and audit;
- Human Resources, including health and safety, labour and employee relations, training and development;
- Information Technology, including electronic data bases to record and track Blue Box tonnage information; and
- Legal, only for legal costs directly related to direct service delivery issues such as review of tender documents or contract disputes.
- Specifically excluded from indirect costs are costs associated with elected officials and corporate governance.

Also excluded from the gross cost calculation is the 50% contribution a municipality is required to make as part of any study or program carried out under the Effectiveness and Efficiency Fund (Section 6.6).

The gross revenue from Blue Box programs includes the following components:

Revenue from the Sale of Blue Box Wastes

- This is the revenue from the sale of Blue Box wastes as they appear on the municipal general ledger. It excludes revenue retained by private sector contractors under revenue sharing agreements with municipalities on the basis that this risk sharing arrangement reduces direct service delivery costs. The revenue from the sale of Blue Box wastes varies significantly from year to year. As such, AMO and Stewardship Ontario have agreed that a three year rolling average revenue should be used in order to attempt to balance the overall revenue a municipality will receive in any given year and to allow more control in budgeting both by municipalities and by Blue Box Stewards. The years used to calculate the three-year rolling average for the first year of funding are 2001, 2000, and 1999.

Processing Fees

- This includes the processing fees charged at municipal MRFs for processing residential Blue Box wastes from other municipalities. The costs presented and the revenues received must reflect the management of residential Blue Box wastes. No IC&I costs or revenues have been included.

Revenue from the Sale of Curbside Containers

- These revenues are included where the cost of the purchase of containers is included in the gross cost calculation.

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Revenue from Grants or Other Funding

- This includes the funds that are intended to offset direct service delivery or public awareness and education costs.

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APPENDIX D

2002 Blue Box Program Verified Costs

Cost Components	Verified Costs
Blue Box Program Collection Cost	\$107,540,191
Blue Box Program Processing Cost	\$41,826,575
Blue Box Program Depot/Transfer Cost	\$6,182,320
Blue Box Program Public Education Cost	\$2,990,027
Blue Box Program Administration Cost	¹⁾
Interest on Debt for Municipal Capital Acquisitions for Blue Box Program	²⁾
Gross Blue Box Program Cost	\$158,539,113
Revenue ³⁾	\$59,754,371
2002 Blue Box Program Verified Net Cost	\$98,784,742

1) AMO and Stewardship Ontario have agreed to utilize a factor of 1% for administration costs for programs that contract out service and a factor of 3% for administration costs for programs that provide services directly. This factor has not been applied to the 2002 net Blue Box Program verified costs but will be added to the 2003 net Blue Box program verified costs.

2) Interest on debt for municipal capital acquisitions for Blue Box Program was not calculated for 2002.

3) The amount \$59,754,371 is verified reported revenue for 2002. The BBPP stipulates that the net Blue Box system cost for any given year is to be calculated using a three year rolling average for revenue. For 2002, the revenue received by municipal programs in 2000, 2001 and 2002 would be averaged to determine the revenue to be deducted from 2002 gross costs.

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APPENDIX E

2003 Financial Datacall Verification Process

Verification of the 2003 Financial Datacall is carried out by:

1. Checking each individual submission form to confirm that data have been entered into the cells correctly to ensure that uploading of the data to the database can be completed without loss of data.
2. Uploading data from all 2003 Financial Datacall submissions into the integrated Blue Box tonnage and financial database containing the 2002 Financial and Tonnage data by municipal program.
3. Calculating the variance between the 2002 revenue per tonne and the 2003 revenue per tonne for each program.
4. Calculating the variance between the 2002 cost per tonne and the 2003 cost per tonne for each cost category for each program.
5. Where the variance between the 2002 cost per tonne and the 2003 cost per tonne for any given cost category (collection, processing, depot/transfer, promotion/education) for each program is greater than an assumed cost of living of 3%:
 - a. checking the comment boxes on the program's Financial Datacall submission form for an explanation of the cost increase; and
 - b. if the information provided in the comment box does not explain the year over year cost increase in relation to increases in tonnage marketed, increases in population or households, changes in the mix of Blue Box materials, increases in the cost of living for factors related to the operation of Blue Box programs, contacting the program directly to request supporting documentation;
 - c. if the documentation provided by the program does not explain the cost increase to the satisfaction of the Financial Datacall Team , (a working group of MIPC comprised of AMO and SO staff), forwarding the issue with all related documentation to MIPC for further investigation.
6. Identifying program groups reflecting municipal diversity characteristics.
7. Organizing cost data by program groups and calculating average cost, mean cost and one standard deviation from the mean cost by cost category for each group.

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8. For each cost above one standard deviation above the mean for that group:
 - a. checking the comment boxes on the program's Financial Datacall submission form for an explanation of the cost anomaly; and
 - b. if the information provided in the comment box does not explain the cost anomaly to the satisfaction of the Financial Datacall Team, contacting the program directly to request further details and supporting documentation;
 - c. if the information provided by the program does not explain the cost anomaly to the satisfaction of the Financial Datacall Team, forwarding the issue with all related documentation to MIPC for further investigation.