

INTRODUCTION

The Authority was continued from the former Waste Diversion Ontario on November 30, 2016 with the proclamation of the [Resource Recovery and Circular Economy Act, 2016 \(RRCEA\)](#) and the [Waste Diversion Transition Act, 2016 \(WDTA\)](#), both enacted by the [Waste-Free Ontario Act, 2016 \(WFOA\)](#).

The RRCEA sets out the new individual producer responsibility framework while the WDTA sets out requirements for the ongoing operation of existing waste diversion programs and outlines the process for their eventual wind up along with their associated industry funding organization¹ (IFO).

The Authority is a not-for profit, non-Crown organization with responsibilities related to the government's efforts to advance a circular economy and achieve a waste-free Ontario as outlined in the [Strategy for a Waste-Free Ontario: Building the Circular Economy](#). These responsibilities include developing and operating an electronic registry to effectively monitor producer performance, as well as oversight of programs under the WDTA and compliance of obligated parties under both the WDTA and the RRCEA.

Similar to an administrative authority and established by the Government of Ontario, the Authority does not receive government funding. Under the RRCEA's individual producer responsibility framework, the Authority will recover its costs through registration fees paid by responsible parties (e.g., brand holders) and other regulated parties (e.g., service providers). Under the WDTA, the Authority recovers its oversight costs from the IFOs and industry stewardship organizations² (ISOs) that, in turn, recover the costs as fees received from stewards.

Section 41 of the RRCEA gives the Authority the ability to set and collect fees, costs or other charges to recover costs related to the exercise of its mandate. Before the Authority can establish or amend fees and charges, it is required under the RRCEA to consult with stakeholders. The Authority must also post any fee or charge proposal on its website for public comment for at least 45 days. Following public consultation, the fee or charge must be posted on the Authority's website, along with a description of how the Authority considered public comments in determining the final fee or charge. The fee or charge comes into effect 30 days after its publication or on a later date specified by the Authority.

¹ The Authority oversees three IFOs: Stewardship Ontario, Ontario Tire Stewardship and Ontario Electronic Stewardship.

² The Authority oversees three ISOs: Product Care Association, Automotive Materials Stewardship and SodaStream.

Cost Recovery Under the RRCEA

Registration fees collected by the Authority are to be used exclusively to offset operating costs related to its duties and responsibilities under the RRCEA, including:

- Administration costs including a prudent operating reserve
- Establishing, maintaining and operating a registry
- Management of information in the registry
- Compliance and enforcement activities including inspections and investigations
- Stakeholder engagement and communications

Sections 61 to 65 of the RRCEA set out the regulated parties:

- Brand holders of a designated product or package
- Businesses with a commercial connection to a designated product or package
- Service providers to brand holders or businesses with a commercial connection to a designated product or package

Costs associated with individual producer responsibilities for collecting and managing designated products and packaging, including public education, will be borne directly by the producers. As such, it is important to note that the General Fee Setting Policy will only apply to fees set by the Authority to recover its costs. Under the RRCEA, costs associated with collecting and managing designated products and packaging are the responsibility of producers.

Cost Recovery Under the WDTA

The General Fee Setting Policy under development is not applicable to waste diversion programs operating under the WDTA.

The Authority's costs to oversee current waste diversion programs under the WDTA – Blue Box (BB), Municipal Hazardous or Special Waste (MHSW), Used Tires (UT), and Waste Electronics and Electrical Equipment (WEEE) – are recovered from IFOs as set out in WDTA Section 33 (5) (vi) and from ISOs as set out in WDTA Section 41.

The Authority has previously consulted with IFOs and ISOs on the methodology to recover these costs. The methodology developed through this consultation process is as follows:

- Direct costs are tracked separately and allocated to the respective IFO or ISO; and
- Costs that cannot be attributed directly to an IFO or ISO are divided in half with 50% pro-rated across the programs based on direct costs and 50% divided equally among the designated materials.

The Authority will continue to charge IFOs and ISOs for its costs allocated to the WDTA. The methodology which applies 50% of the WDTA allocation using direct costs will continue without change as programs and IFOs are wound up. The methodology to allocate the 50%

of unattributable costs divided equally across the designated materials will be adjusted, as programs and IFOs are wound up, to reflect the declining number of designated materials³ to ensure both fairness in apportioning those costs and full cost recovery.

Authority Costs

During transition the Authority will allocate costs related to its ongoing responsibilities for existing waste diversion programs under the WDTA from costs associated with the Authority's responsibilities under the RRCEA. Registry and other capitalized expenses will be amortized to apportion costs to future registrants through registration fees under the RRCEA and to distribute the costs for IFOs and ISOs over a number of years. Further details on RRCEA and WDTA segregated budgets are available in Authority Business Plans.

GENERAL FEE SETTING POLICY OBJECTIVES, PRINCIPLES and RULES

The **objectives** of the General Fee Setting Policy are:

- Transparent fee setting process
- Fees, costs and other charges are reasonable and reflect costs incurred by the Authority
- Long-term financial sustainability of the Authority
- Fee predictability for regulated parties

The fee setting **principles** are those included in the [OECD's Guidelines for User Charging \(1997\)](#) with the exception of principle 9 which has been adapted to apply to the effect of registration fees on a competitive marketplace:

1. Clear legal authority
2. Consultation with users
3. Determine full costs
4. Effective and efficient collection system (e.g. clear instructions for payment and defined payment deadline)
5. Improve and monitor organizational performance (e.g. in setting fees, costs and other charges)
6. Treatment of receipts (e.g. fees are booked as revenues to offset costs)
7. Appropriate pricing strategies
8. Recognize equity considerations
9. Consider the effects of fees in the competitive marketplace

³ Currently the 50% of unattributable costs are divided equally across four designated materials. Following wind up of the Used Tires program and Ontario Tire Stewardship, the 50% of unattributable costs will be divided equally across three designated materials.

Five overarching **rules** will apply when calculating fees for all materials. These rules have been developed based on the Authority’s review of the draft Tires Regulation. Additional rules may be identified as regulations are developed for other materials and based on generator responsibility. The rules are:

1. No proration – fees charged are for calendar year
2. All parties required to register will pay fees to the Authority
3. Under producer responsibility, annual costs are split 75:25 between producers and other obligated parties on the basis that producers drive more compliance effort than other parties (see Table 1 below)
4. Fees are applied to each category – (e.g., a producer who is also a collector will pay two fees)
5. Fees apply to each material (e.g. a producer of tires and WEEE will pay two fees)

The following table shows the difference in compliance effort as between producers and obligated parties:

Table 1: RPRA Compliance Elements

Producers	Other Obligated Parties
Reporting	Reporting
Collection	
Management	
Promotion and education	
Performance	

Fee Review Timeline

The Authority seeks to find the right balance between the frequency of fee adjustments to ensure financial sustainability of the Authority while providing reasonable predictability for regulated parties. The Authority is proposing an annual fee review as materials transition from the WDTA to the RRCEA. It is anticipated that the fee review timeline would be extended once the transition is complete.

Fee Policy Review Timeline

The Authority believes the process of developing a fee setting policy is an iterative one. The General Fee Setting Policy was developed within the context of the wind up of existing waste diversion programs and their associated IFOs and the designation of products and packaging under the RRCEA. The General Fee Setting Policy is being developed based on the best available information but will be reviewed at minimum every two years to ensure that it reflects the information available at that time.