



PAPER AND PAPERBOARD PACKAGING ENVIRONMENTAL COUNCIL

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Paper Industry Strongly Supports Major Thrust of Proposed Blue Box Funding Formula Changes: A Step in the Right Direction

Paper materials represent 75% of what's in the Blue Box; provide 64% of its revenue to Ontario municipalities; have already surpassed the 60% diversion target; and by the end of 2006 will have been paying an unfair portion of industry costs for three years.

PPEC Submission on Proposed 2007 Blue Box Fee Changes (March 1, 2006)

(The council is still analyzing in detail some of the implications of the proposed changes and will make a later submission if required)

Recommendations:

1. We strongly support the major thrust of the proposed changes to the levy formula.

These changes will:

- (a) Reduce the penalty that stewards using materials with higher recovery rates will have been paying for three years by the end of 2006.
- (b) Provide greater balance in cost-sharing by reducing the disproportionate contribution that the low-cost tonnes (predominantly paper) are making to overall Blue Box waste diversion.
- (c) Improve the financial signals to encourage greater diversion (3Rs)
- (d) Strengthen the "nexus" test through the partial disaggregation of material fees.
- (e) The proposed changes more closely mirror the "three key elements" that Stewardship Ontario outlined in the Blue Box Plan (Section 9.10): fairness, effectiveness and sustainability.

2. We strongly support the proposed weightings for the 2007 formula (20% recovery, 40% net cost, 40% equalization, and a target for the equalization factor of 60% diversion).

While we would like a higher equalization factor, we recognize political/legal realities and would settle for the proposed 20/40/40/60 approach until such time as the Waste Diversion Act is reviewed and amended.

3. We strongly recommend that these changes be made effective January 1, 2007.

Paper industry stewards (and stewards of other materials with high recovery rates) have been unfairly penalized for three years now. Attempts by commercial interests to fight or stall these necessary and fair amendments must be strongly resisted.

4. We strongly agree with the general approach of aggregating “like” materials in terms of how they are handled, for example, collection, processing and marketing together, similar recovery, data availability etc.

5. We strongly recommend that Stewardship Ontario update as a matter of urgency the current protocol for determining collection and processing costs (particularly because of the number and size of single stream systems now in place or planned).

Paper materials (whether printed or packaging) are now mixed up even more than before and fibre revenues are changing accordingly. The current protocol does not reflect these changes. For example, we don't understand how telephone books can have a fee of only \$11.90 a tonne compared to the paper packaging fee of \$76.73 a tonne. Nor do we understand why glass is charged only \$34.10 a tonne when it costs \$60 plus to process it through a single stream operation and a further \$45 a tonne to have it taken away.

6. We support the proposed partial aggregations recommended for printed paper, paper packaging and plastic packaging as an interim measure until the above protocol is updated.

7. We wish to reiterate our earlier view that discussion of changes to the levy formula cannot be isolated from other interrelated issues (such as what materials should or should not be in the Blue Box, and determining where recycling ends and composting (of paper materials) and/or energy-from-waste begins). A full cost analysis, including the cost of managing Blue Box materials by other means, should be completed and widely disseminated for discussion.

The paper industry through PPEC previously made the following recommendations, and is pleased to see the Stewardship Ontario Board support them:

1. improving the accuracy of material-specific net cost calculations
2. retaining the 3-year rolling average on material revenues
3. further consideration of a recycled content credit program
4. leaving the allocation of Stewardship Ontario common costs as is (until a better method is determined)
5. continuing to calculate generation rates using waste audits cross-checked against steward reports
6. deciding not to give further consideration to “life cycle” type credits (emissions, toxicity, biodegradability) in a formula that's supposed to be about recycling costs.

Recycled Content:

On the recycled content credit issue, PPEC did make a suggestion for a green procurement type of program that would be steward-driven. We think the response from Stewardship Ontario is frankly passing the buck to the material supply sectors, which will now have to go to their various stewards and lobby for their support of a green procurement program. To us it makes better sense for the green procurement side to be driven by stewards (who make the decision over material specifications in the first place). And there has to be a big enough incentive in the form of a fee rebate or credit to make the exercise worthwhile. We consider the plastics industry's claims about difficulty of verification to be greatly overstated. If the paper industry can help verify claims worldwide, why can't the plastics industry?

We also acknowledged that what happens to materials after the green procurement decision (post-use diversion) could be factored into a recycled content credit and suggested that this could come out of a bigger "market development" fund supported by all stewards. Stewardship Ontario seems to be supporting this idea, which gets around the issue of food packaging going back into food packaging (something that affects all materials, not just plastic). We recognize that these are not simple issues and are willing to work with Stewardship Ontario to come up with practical and workable solutions.

cc. Minister Laurel Broten, Minister of Environment