

Canadian Stewardship Services Alliance: October 15 Annual Steward Meeting Q&A

Question	Answer
Canadian Stewardship Services Alliance	
1.	<p>I notice all board members are from large, multi-national companies. Are there any plans to include board members from smaller, local companies?</p> <p>Of the nine board members, four represent multi-national companies, the rest represent large, domestic companies whose assets and investments are primarily located in this country. We actively seek input from all sectors and sizes of businesses through the industry advisory committees that operate in the different provinces and through our customer user group. CSSA recently announced the appointment of two new board members which has expanded regional representation: Trevor Carlson, Sustainability Director, Federated Co-Operatives Limited based in Saskatchewan, and Paul Hazra, VP, Corporate Services, Overwaitea Food Group based in British Columbia.</p>
2.	<p>On the CSSA website, it was stated before that CSSA was going to have an open nomination for board member in the AGM this year. Just want to know if there's any update on that.</p> <p>CSSA is committed to expanding the board of directors and hopes to increase the board membership to 12 members by the end of the year. CSSA is working with the major trade associations to identify suitable candidates for the board who would contribute to the balance of regional and sectoral representation along with the right skill set. We will keep stewards updated on any additions to the CSSA Board of Directors.</p>
3.	<p>Does CSSA have its own financial report or is it included in each province's financials?</p> <p>CSSA's costs are allocated to each provincial program and then are included as program management costs within each individual program's financial statements.</p>
4.	<p>Is it possible to have some clarity on the \$3.6M savings by CSSA?</p> <p>The \$3.6M and the projected \$6.3M are avoided costs, i.e., the administrative costs that would have been expended if duplicate resources existed for each provincial program. Significant costs are avoided with the opportunity to leverage existing knowledge, IT infrastructure, human resources and business processes available through CSSA. By taking advantage of these resources, stewards avoid the costs associated with establishing duplicate structures in each province.</p>



5.	Have you published CSSAs annual report/financial statements? If so, can you provide links to these reports, otherwise can you make audited Financial statements available to stewards?	CSSA will publish a single annual report which will include schedules of operations and financial summaries for each of its family of stewardship programs. Audited financial statements for each of the programs will be published on the CSSA website, as well as each individual program's website.
6.	You have noted that there is an approximately 3.6M annual cost savings this year and projected to increase to 6.3M by 2017, where can we find these cost savings? It appears each program has increased YoY, specifically in the administrative costs, can you please provide further details as to how these cost avoidances/savings were achieved and where it has impacted the bottom line?	The \$3.6M and the projected \$6.3M are avoided costs, i.e., the administrative costs that would have been expended if duplicate resources existed for each provincial program. Significant costs are avoided with the opportunity to leverage existing knowledge, IT infrastructure, human resources and business processes available through CSSA. By taking advantage of these resources, stewards avoid the costs associated with establishing duplicate structures in each province.
7.	Will EEQ (Quebec) ever consider joining the CSSA? It would really help us stewards on standardization of reporting.	CSSA is always open to dialogue and discussion with EEQ.
8.	Will EEQ (Quebec) be expected to join CSSA in the future?	We are always open to discussion with EEQ.
9.	What are the roadblocks to eventually incorporating EEQ into the CSSA?	Please see answers above.
10.	If the costs are to be paid by the Brand Owner, why are some brand owners passing the costs on to the private label manufacturers?	The way in which stewardship fees are handled by a steward is a business decision that does not involve CSSA. Stewardship fees are a cost of doing business and how those costs are either absorbed or passed back to suppliers is a commercial decision and not something that CSSA can comment on.
11.	Do you already have a rule set for stewards who are charging their supplier to pay for their obligation with a set fees?	Please see answer above.
12.	Is there any jurisdiction about the stewards who passes their obligation to their supplier?	Please see answer above.



13.	Also for CSSA more generally, under what circumstances should retailers be charging food manufacturers for EPR obligations? Is this common practice?	Please see answer above.
14.	Please confirm what methodology is used to calculate the fees. Is it not based on the total tonnes recycled? If this is the case then how can you say Stewards are not being charged for free-loaders.	In British Columbia and Saskatchewan, stewards are responsible for the financial obligation of managing their members' tonnes only, not the cost to manage non-compliant businesses. MMBC and MMSW have made arrangements with municipalities and/ or waste service providers to manage a set amount of material which represents their respective members' tonnes. This is not the case in Ontario and Manitoba where the stewards fund a portion of the total net costs (50% and 80% respectively) incurred by municipalities in providing recycling services to their residents, including the costs of managing free-riding material.
15.	A number of provinces are planning on reassessing the fee setting process. Is this work being done in communication with each other, including Quebec, to harmonize where possible and to manage the costs of conducting the reassessment itself?	<p>Yes. CSSA will explore alternative approaches to the current fee methodology with the provincial programs to both identify opportunities to harmonize and to minimize the expense associated with this undertaking. In addition, we have reached out to EEQ regarding its current review.</p> <p>However, local anomalies may make it difficult to achieve price/fee setting harmonization across the country given the different commercial arrangements in various supply chains and variations in cost visibility from one program to another. There may also be regulatory hurdles to achieving a "one-size fits all" fee methodology. Stewards will hear more about this in the coming year.</p>
16.	The Manitoba rates swings related to the 3 factor formula methodology shows clearly the limitations and risks related to the tariff calculation method. It becomes obvious that it is time to review and change the tariff calculation method... What are your thoughts and plans on this?	Please see answer above.
17.	Will provincial/federal taxes be added to any of the steward fees	Provincial taxes are not applicable to steward fees in any province. Federal GST does however apply to the MMBC, MMSW and MMSM fees. Neither federal nor provincial tax (HST) applies in Ontario to Blue Box Fees.



18.	I have asked this question directly to Stewardship representatives in the past without a satisfactory answer - Why is it that GST/HST is applied to our stewardship fees for all provinces with the exception of Ontario? It was my understanding that Ontario was proactive in having this additional tax removed for valid reason. Can the other provinces under the CSSA banner get on board with this notion, and if so, when?	GST/ HST applicability on steward fees is related to the nature of the waste diversion or recycling legislation in each province. In Ontario, CRA (Canada Revenue Agency) has taken a position that due to the way the Waste Diversion Act was written (the obligation to divert waste rests with the IFO or Stewardship Ontario rather than the individual stewards), Stewardship Ontario does not provide a taxable service to stewards and therefore HST does not apply to fees. In BC and Saskatchewan, because the obligation of the regulations in those provinces lies with the steward, it is deemed that MMBC and MMSW are providing a taxable service to stewards and therefore federal GST is applied. In Manitoba, the applicability of taxes on stewardship fees is currently under appeal. Regardless of each provinces' legislation and the related tax implications, stewards are typically eligible to apply for Input Tax Credits (ITCs) when GST/HST is charged. This does result in a cash flow consideration, HST/GST charges should not be an additional cost to businesses.
19.	Is there any way to run costs the same way in which WEEE does? That way we know ahead of time what to charge and not have to go back 2 years later.	We understand that stewards are looking for predictability in their fees. This is a key concept for consideration as the work continues to review opportunities to improve the fee setting methodology.
20.	With WEEE in effect would it not be easier to just tack on a fee for the packaging of each item. Bring everything under one umbrella?	Packaging and printed paper spans most, if not all, stewardship programs including WEEE and MHSW. The determination as to which stewardship program is responsible for managing the reporting of designated materials is outlined in regulation and not by industry.
21.	Regarding the billing process why does it take 1 1/2 to 2 years to be invoiced. This is not in line with accounting practices and how are we to bill back?	Stewards are asked to report by May 31 st each year (Y2) the quantities of material sold into the residential marketplace during the previous calendar year (Y1). The data for Y1 is reviewed/validated for accuracy and subsequently used to set fees for the following calendar year (Y3). Stewards pay fees in Y3 that is related to their actual reported sales in Y1. This practice is completely consistent with Generally Accepted Accounting Principles (GAAP).



22.	What long-term plans are in place to help harmonize and reduce the current 105 categories within the National Material list against which producers report? And to what extent are the reports you receive back from material processors linked to the 105 material categories contained in the national material list?	<p>The national material list gives stewards the opportunity to report against a common material list in every province across the country. It has always been CSSA's intention to rationalize the list and reduce it so that it aligns with both the way that materials are organized in the cost stream and the way they are organized in the commodity markets. CSSA will look at how opportunities to reduce the reporting list might tie into the redesign of the fee setting methodology.</p> <p>Meanwhile, the lining up of costs through supply chain, which includes both the collection side and the post-collection side, and then attributing the commodity revenue back to the proper material is all part of the current fee setting methodology.</p>
23.	What data year are we using for 2015 obligation year?	2013 sales data is reported in 2014 and used to set 2015 fees and to calculate 2015 invoices.
24.	Is there a process in place to charge fees to those who purchase via internet and are shipped across the border with packaging?	Neither CSSA nor the steward agencies define the obligated steward - that is defined by the government and set in regulation. In general, non-resident (i.e. businesses located outside the province) are not obligated and the provincial governments do not have the authority to enforce its regulations on businesses located outside their borders. However, the BC government's recent amendment to its Recycling Regulation to exempt small businesses and charities, does in fact obligate non-resident franchisors to assume responsibility for their franchisees by virtue of the franchise agreement.
25.	When a new steward comes on board and hasn't reported in previous years. Where do the tonnes from previous years get applied? Are they applied to the current year?	The Program Rules for Stewardship Ontario and MMSM, and the Membership Agreement with MMBC and MMSW, all require that late-joining stewards that have been operating in a jurisdiction since a program began must report on their tonnage and pay the corresponding fees back to the beginning of the program. Those fees are applied in the year in which they are received.
26.	What is the status of the newsprint industry being required to pay for their share of program costs in dollars rather than in-kind costs for programs in BC, SK, MB and ON respectively?	In the interests of a creating a level-playing field for all producers, CSSA is encouraging both the BC and Saskatchewan governments to enforce their recycling regulations against all free-riders, including the newspaper publishers. In Manitoba, the provincial government pays the newspaper publishers' fees. In Ontario, the newspapers' in-kind contribution is mandated but the in-kind practice is one of the issues in the current arbitration between SO and the municipalities. .



27.	Question regarding the producer obligation: what is the difference between 100% industry managed in BC and 50% cost transfer in ON?	The government of British Columbia's Recycling Regulation defines the obligation for printed paper and packaging as 100% producer responsibility. This means that rather than sharing the cost of the recycling system with the municipalities that have traditionally run these programs, MMBC has taken on full financial and management control of the recycling system and MMBC members pay for 100% of the cost to manage their members' material. In Ontario, the Waste Diversion Act legislates that stewards pay municipalities up to 50% of the net costs of the recycling programs that they manage - therefore the Ontario program is viewed as a transfer payment system.
28.	Will the obligation % eventually be equalized across all provinces? That is, no further cost transfers, but rather, all provinces collecting the same % obligation rate?	CSSA is not in a position to harmonize the steward obligation across provinces. Each provincial government decides what form of Extended Producer Responsibility will be implemented in its province. Regardless of the level of responsibility assigned to stewards, CSSA does however advocate for a program whereby the financial contributions from stewards are commensurate with stewards' ability to drive system efficiencies by mandating certain standards and commercial terms.
29.	We should have paid way less last year as we have less materials and sales but ended up paying more.	It is true that for some material categories, the overall steward reported tonnes declined while costs increased or stayed flat. In these cases, the effect is that there are less reported tonnes across which to spread the costs, which in turn can increase the fee rate (cents per kg).
30.	We are trying to reduce our output by allowing people to obtain their policies and information electronically. But it seems if we do this and reduce our output the price of what we are putting out only goes up so it this area we aren't saving money on the stewardship side of things.	Please see answer above.
31.	If we provide paper literature to our distributors such as Rona and Home Depot. This material is not meant to reach the home consumer. Would this count towards our obligated tonnes.	No, materials that are intended for your retail partners and is not then distributed to consumers should <u>not</u> be included in your reported material. This type of material is classed as Industrial, Commercial or Institutional waste and not covered by the regulation.



32.	For CSSA more generally, in the Manitoba conversation, the plastic bag association was referenced as an organization that is supporting efforts -- in P&E-- but are there other industry or materials associations that are supporting recruitment, P&E, and brand support? Is this an opportunity for CSSA to develop participation through this part of the value chain?	CSSA is open to working with other organizations that are encouraging the diversion of recyclable materials from the waste stream. There has been significant work done with stewards, processors and end-users of certain materials, including paper laminates and plastic packaging, in order to improve the recycling rate of those materials and then work with municipalities to communicate that to residents. CSSA, in coordination with our provincial partners, will continue that work.
33.	We are a medium sized but resource stretched company. Are there "Reporting Consultants" available through CSSA or outside of it that you know of?	CSSA does not provide a list of reporting consultants. However we encourage you to ask colleagues in other businesses if they can recommend organizations that provide these support services. Your Steward Services team is also happy to provide additional guidance on the reporting methodologies that are documented in the guidebooks. Please call them at 1-888-980-9549.
34.	Will we reach a point of being able to see steward data by sector that stewards can use to benchmark their performance compared to other stewards in their sector? I can use my year over year data to see that we are performing better or worse, but it would be nice to see how my organization performs to others in my sector.	There are no plans at the current time to provide stewards with aggregated comparative information about their sector. A primary consideration is maintaining the confidentiality of steward data. A secondary consideration is the cost associated with this effort however CSSA will commit to evaluating this request.
35.	Does the CSSA plan to survey Canadian households to find out how much recyclable material actually ends up in provincial blue box programs? Standard rates will help ensure producers with comparable materials are reporting the appropriate amounts.	Our packaging and printed paper programs conduct curbside studies to identify which materials go into the recycling stream versus the organics or garbage streams. While this information is reviewed against the total tonnage reported by stewards it is not useful in identifying individual steward reporting accuracy. For those insights, our national steward services team reviews steward reports to ensure their accuracy.



36.	Can you please explain the timeline in place to capture/divert plastic laminates from landfill?	As you are likely aware, plastic laminates are a difficult-to-recycle material due to the way in which the various materials are combined making them difficult to separate for efficient recycling. However, CSSA and its stewardship organizations are committing resources and working with other organizations to explore opportunities and technologies to turn plastic laminates into recyclable materials and therefore divert it from landfill. It would be premature to provide an estimated timeframe on this work at this point in time.
37.	Will there be a transcript or playback available for today's webinar?	Yes, the slides and playback of the meeting are available on the CSSA website here: CSSA Steward Meetings
38.	Will we receive a copy of this webcast?	Please visit the CSSA website at CSSA Steward Meetings to view the webinar, see the slides and the pre-read document.
39.	Can you share the slides please?	Please see the link provided in the two answers above to see the slides from the meeting.

Multi-Material British Columbia

40.	The ever increasing cost especially in BC has impacted most businesses bottom line. What are the steps that CCSA is taking to ensure that costs are within reasonable range particularly in BC?	Costs in British Columbia have not in fact increased year over year - both the budget and fee schedule for 2015 are in line with 2014. One of the advantages of being in control of procurement in BC, is that MMBC's tonnage costs have been locked down for a period of time. It is true that as we acquire more tonnes of material, the overall cost to process this material will increase due to the incremental volume, but depending on the material, some of these cost increases will be offset by additional commodity revenue.
41.	What are First Nations collectors?	Some first nations' governments deliver recycling services to their communities. The relationship between MMBC and a first nations government would be the same as the relationship between MMBC and a municipal government in the delivery of recycling services



42.	What is the second Stewardship Agency that is in BC? We have not heard about this?	StewardChoice is part of the for-profit corporation Reclay StewardEdge based in Germany that has very recently developed a Stewardship Program Plan for British Columbia and submitted the plan to the BC government for approval well past the November 2012 deadline. While the BC Recycling Regulation does not preclude the existence of multiple steward agencies, should the StewardChoice Program Plan be approved, MMBC will request that the government establish a framework that will provide a level playing field for all stewardship agencies. Such a framework would be designed to ensure that all stewardship agencies are held to the same standard in operating a program plan.
43.	Now that the 2nd Agency - Steward Choice is in place, how does that impact MMBC stewards? How will fees differ?	We believe that creating one provincial waste shed to manage all PPP—such as MMBC has done—is invariably going to be less expensive for stewards. This approach allows stewards to benefit through greater economies of scale, which cannot be realized to the same extent when two organizations are delivering services in parallel. We believe the StewardChoice plan, which is based on offering services in selective geographies and in limited recycling streams (multi-family), cannot meet the requirements of the BC recycling regulation which mandates that stewards provide recycling services to all parts of the province. These selective practices—known as “cherry-picking” will not provide sustainable solutions for either stewards or for BC residents who are looking for a stable, uniform recycling services throughout the province. As part of StewardChoice's consultations they have clearly stated that as a for-profit organization they will negotiate fees with individual stewards in private as opposed to issuing one fee schedule that is applicable to all obligated stewards. This is a very different business model from MMBC where we are committed to ensuring our fees and commercial terms are applied fairly and consistently to all of our customers.
44.	Does MMBC foresee the need for any tonnage/budget adjustments should the StewardChoice Program Plan be approved?	We believe MMBC’s stewards are committed to the program they have invested in. We do not believe StewardChoice’s program as submitted can be approved as it is not consistent with the standard that the Government has imposed on MMBC. We believe the MoE in BC will uphold consistent standards. As such, MMBC is not anticipating any changes to its program.



45.	It seems that MMBC and BC Ministry of Environment are dragging their feet on getting more stewards to come into compliance. Why, after this long, do they still have less than 1,000 companies in compliance?	The BC MoE has compliance authority and has activated compliance activities including serving non-compliant companies with warning letters and they are prepared to apply penalties. MMBC has seen a slight increase in the number of companies joining the program as a result of MOE efforts to date and we look forward to welcoming more businesses into the program as the MOE continues its compliance activities.
46.	What measures are being taken to ensure all stewards are registered in the plan? Where packaging does not meet Canadian standards but is imported and that packaging is not being reported, what steps are being taken in this regard?	Please see answer above.
47.	Does the Ministry of Environment charge MMBC for its enforcement measures?	No, those costs are not charged back to MMBC.
48.	Is the MOE going to start audits and if so what kind of audits? Desk audits, on site audits. Performed by the MOE or by third party auditors? etc.	It is MMBC's responsibility to ensure the accuracy of stewards' reports. Steward report verification is undertaken primarily by CSSA's Steward Services team and begins with a desk review with an eye toward identifying patterns and/or anomalies in the steward reports. If anomalies are identified, Steward Services will follow up with individual stewards by phone and/or email and will request substantiation for the report data that has been submitted. In the event a formal review is required it is undertaken by a third party auditor. Since it is MMBC's responsibility to ensure the accuracy of the steward reports the Ministry of Environment does not get involved in this process.
49.	Why are Stewards in BC responsible for 100% of the costs for recycling rather than having some costs paid by residents (via taxes), municipalities or government?	The decision to make BC's packaging and printed paper program a full EPR program was made by the Government of British Columbia through the Environmental Management Act in 2004 and an amendment to the Recycling Regulation in 2011. The amendment in 2011 transitioned responsibility for the cost of managing packaging and printed paper from local governments and their taxpayers to the producers of those materials. It is up to each provincial government to decide what type of EPR program to implement.
50.	Will BC based businesses that are not currently compliant be required to report and pay for 2013 and 2014?	Yes, the Membership Agreement with MMBC requires that late-joining B.C.-based businesses must report their quantities and pay fees from the beginning of the program.



51.	With respect to program start-up costs, new stewards who join MMBC after the initial program initiation in 2013, will these new stewards contribute to the program start-up costs even though they are joining late and if they are charged a portion of those costs, how will those funds be allocated - will it result in lower fees?	All late-joining stewards must report their material quantities and pay corresponding fees from the beginning of the program and therefore will pay their fair share of the Year 1 start-up costs regardless of when they join the program. Additional funds as a result of the above will be applied against program costs.
52.	Is participation in MMBC limited to companies based in BC (physical residence)?	In general, businesses that supply packaging and printed paper to BC consumers and have residency in British Columbia are obligated under the Recycling Regulation. Companies that supply these materials to BC consumers that are located outside the province are able to sign on with MMBC as voluntary stewards and take responsibility for the management of their materials, relieving their BC based customers or distributors of that obligation. However, the BC government's recent amendment to its Recycling Regulation to exempt small businesses and charities, in fact obligates non-resident franchisors to assume responsibility for their franchisees by virtue of the franchise agreement.
53.	My understanding as a steward in BC, is that we report what we produce in packaged and printed materials that reach the residential consumers in BC, however, I don't yet understand our obligations for any of our packaged and printed materials that are sold outside of BC, across Canada, what are we required to do as a manufacturer in BC?	For the MMBC program you are required to report and pay on the materials you supply to BC consumers only. You are not required to report or pay on any packaging or printed paper that is shipped outside British Columbia. If you provide packaging and/ or printed paper to consumers in other jurisdictions such as Saskatchewan and Manitoba we recommend that you contact Steward Services at 1-888-980-9549 to determine the extent of your obligations in other jurisdictions.

54.	Please explain why we have to pay fees on materials that are not collected for recycling. If these materials are going to landfill we shouldn't have to pay "recycling fees".	The BC Recycling Regulation pertains to all printed paper and packaging that is sold to consumers and managed through the residential waste/ recycling system, including packaging materials that are not currently collected because there are no post-consumer end-markets for them. The fees collected by MMBC for these non-recyclable materials will be used for research and development into technologies and processes that could result in end-markets for these materials. To exempt non-recyclable materials from fees would be contrary to the Recycling Regulation and the objectives of extended producer responsibility, and would create a perverse incentive for stewards to use non-recyclable packaging.
55.	Since geography constraints highlight higher transportation costs, has MMBC begun to communicate the need for fossil friendly service and transportation equipment? For example, equipment powered by natural gas, propane or hybrid engines?	Thank you for this question, given the BC carbon tax this is an important consideration. MMBC's curbside collection contracts specify that the "Contractor will maintain all vehicles used in the performance of Curbside Collection in a manner intended to achieve reduced emissions and particulates, noise levels, operating costs, and fuel use." In the communities where MMBC provides the service directly through a competitive procurement process, the vehicle standards are quite specific and include the requirement for "All collection vehicles regularly used by the Contractor to perform Curbside Collection will be a model released within five (5)years..." in addition to the same clause on operating manner above. In the RFP, points were awarded based on transportation equipment (i.e., age, fuel source, use of GPS route mapping, etc.).
56.	We have a customer charging us back for MMBC recycling fees. If we are a Steward, and pay fees, is this applicable?	If your business has signed up as a steward in British Columbia your retail partner should not be reporting and paying for your materials. Please contact Steward Services at 1-888-980-9549 so that they can look into this more closely and ensure that double reporting is not taking place.
57.	Is there any plan for MMBC to roll out a larger rolling bin for residents?	We assume that your question is a result of the increased costs in Manitoba due to the rollout of larger recycling carts for Winnipeg residents. MMBC has undertaken measures to ensure that stewards are protected from increased costs due to decisions made by municipalities to expand or enhance collection methods. MMBC's contracts with municipal collectors are on a per household basis and not on a per/ tonne basis so stewards will not pay increased collection costs if municipalities in BC do decide to provide residents with larger carts to collect more materials.



58.	Referencing the beverage containers on deposit. What (if any) dialogue is MMBC undertaking with the BC government to address the potential savings that could be made with no loss of service to residents in rolling beverage containers into the MMBC family?	It is not MMBC's role to get involved in a policy discussion with the government on the beverage deposit program in British Columbia. If stewards have an opinion on this issue we encourage them to raise it with the Ministry of the Environment.
59.	Recycling programs, by charging manufacturers for packaging, encourage a reduction in total recyclable materials generated - how is MMBC going to tackle an eventual dwindling supply of raw materials?	We interpret your question to mean, how will MMBC handle a decline in the revenues from marketed materials as stewards reduce the amount of material they put into the recycling system? From our experience in other jurisdictions where stewardship fees have been in place since 2003, we are not seeing a significant decrease in the volume of material being collected for recycling. We have however seen a shift in the <u>types</u> of materials stewards are using as they move to lighter weight and often less recyclable materials. Because each material type pays its own way and there is no cross-subsidization of costs between materials, stewards that use recyclable materials will benefit from the revenues generated from the sale of that material while stewards that use less recyclable materials will pay higher fees as there is little if any revenues to offset the costs of managing those materials through the system.
60.	Is there any consideration being given to dis-aggregating the corrugated cardboard category into high grade and low grade materials because some corrugated cardboard is not as recyclable as others due to ink and labels. If this category was dis-aggregated that would avoid the cross-subsidisation between the higher recyclable material and the lower recyclable material - similar to what has been done in the plastics category.	In the plastics category there is very clear evidence that some grades of plastic are more recyclable than others with strong end markets while some resins actually contribute to the contamination of the plastics stream. That has made it relatively simple to dis-aggregate the plastics category. The evidence for recyclable and non-recyclable corrugated cardboard is not as clear but we would welcome the opportunity to discuss this further with material suppliers and processors.
61.	If more material is collected by MMBC then what is reported by MMBC stewards how will MMBC reconcile the difference in collection and processing costs?	MMBC has only entered into contracts to collect and process 75% of the tonnes reported by MMBC members.



62.	<p>Are you aware of the legislation requiring financial institutions to send paper statements to their members/customers and is there discussion or consideration of addressing this because it is a requirement? Perhaps consider a lower printed paper fee rate for those businesses that are obligated by law to provide paper? Also, is there any incentive for those businesses that make a conscious effort to use already recycled material or environmentally friendly material, which usually comes at a higher premium?</p>	<p>Yes, we are aware that some businesses are required to provide printed materials to their customers. We are however not able to establish a separate fee schedule for different business sectors because the cost to manage their material in the supply chain remains and must be covered by them. We appreciate that many stewards choose to use recycled content in their packaging or printed paper materials however, these materials still attract a cost when they enter the recycling system irrespective of whether they are made from virgin or recycled content. It is that cost which stewards of the material are charged.</p>
63.	<p>Please comment on the use (how and where) of both the program start up and working capital accumulation costs from 2014?</p>	<p>\$16M of working capital was used in 2014 to allow MMBC to immediately start paying its bills when it assumed responsibility for the packaging and printed paper recycling system in May 2014. As you know, MMBC is managing a supply chain in real time meaning that contractors need to be paid on an on-going basis throughout the year. Capital accumulation was necessary to allow MMBC to finance the program from launch date.</p> <p>The program start-up funds totalling \$7.5M were used to cover the cost of developing a program plan and setting up the infrastructure to operate the recycling system for packaging and printed paper in BC. Those costs were originally financed through a credit facility and through contributions from trade associations but needed to be recovered from MMBC members in order to repay monies owing.</p>
64.	<p>Voluntary stewards do not receive the same breaks as an obligated steward, Why?</p>	<p>Voluntary stewards are not obligated businesses because, with the exception of non-resident franchisors, they do not have residency in British Columbia. The purpose of the small business exemption and the low volume steward provision is to ease the administrative burden on the small businesses in BC that are obligated under the Recycling Regulation.</p>



65.	Program Management costs have increased by 12% when comparing the monthly allocations. That is a 70K increase on a monthly basis totalling to approximately 900K per annum, can you please provide granularity to these additional expenses?	The program management costs for 2015 reflect 12 months of operation vs. 2014 program management costs for the 7.5 months given the program start date of May 19, 2014.
66.	Companies doing business in Ontario have to sell more than \$2 million of retail stuff to have to start to pay. Please relate the B.C. situation.	There is a small business policy for the MMBC program as well. You can read more about this policy and the low volume steward provision here: MMBC Small Business Policy . But in summary, the small business exemption extends to BC businesses in any one of the four categories listed below, and exempts those businesses from filing a program plan of their own or joining MMBC's program: -Businesses that have less than \$1 million in revenue; - businesses that supply less than 1 tonne (1,000 kilograms) of packaging and printed paper to BC residents; - businesses that operate as a single point of retail sale and are not supplied or operated as part of a franchise, a chain or under a banner; or - registered charities.
67.	Given that in BC, MMBC has full control of the supply chain, can you anticipate based on MMBC's experience to date, what fees in future years may look like in future years?	MMBC has negotiated, for the most part, long-term contracts which are incentive based and have no escalators for CPI, fuel etc. Because of these long-term contracts, we expect that fees in BC will remain relatively stable. We cannot anticipate what material revenues will be in the future but on the expense side, we anticipate relatively stable costs because we are locked into long-term agreements which we believe is a beneficial approach for stewards.
68.	With respect to the administrative fees, 9% in 2015 reflects a full year of operation vs. 2014 and 7% administrative fees reflect 7.5 months of operation, what steps will you be taking to reduce those administrative fees over the coming years?	Because our program costs are set we do not anticipate an increase in our administrative costs year over year. Recognizing that there are some variable factors, it is our goal to keep program management costs below 10% as a percent of overall program costs.



69.	P&E, can you provide further details as to how the additional \$250K will be allocated, if consumer awareness is already at 97%, what is the objective of the additional expenditure?	The funds dedicated to P&E in 2015 reflect a full year's operation and the onboarding of five municipalities in late 2014 and two more municipalities that will join in January 2015. P&E for 2015 includes the implementation of province-wide advertising and consumer education as well as the costs associated with running all the P&E in areas where MMBC is directly responsible for service delivery. The P&E activities are important for ongoing consumer education on what materials are and are not recyclable in order to support our goal of a low contamination rate (3%) in the collected material and optimizing the value of the material sold on the commodity markets.
Multi-Material Stewardship Western		
70.	When will the agreement for low-volume stewards in Saskatchewan be ready for steward to sign?	The Saskatchewan Ministry of Environment is currently consulting on our proposed small business policy and we expect the process to be completed by the end of November.
71.	Is Stewardship in SK limited to companies who are physically located in SK?	No, companies that do not have residency in Saskatchewan can sign on as voluntary stewards with MMSW. The deadline to register as a voluntary steward in SK for the 2014 reporting year was June 1, 2014. Please contact steward services at 1-888-980-9549 to enquire about registering as a voluntary steward for the 2015 reporting year.
72.	What about the voluntary Stewards? Why do we not get to take advantage of the exemptions?	The Small Business policy does not apply to voluntary stewards because voluntary stewards are not legally bound by the regulation so are not required to sign up with MMSW. However, all businesses that produce packaging and printed paper for distribution to Saskatchewan residents and have residency in Saskatchewan <u>are</u> obligated under the regulation and so the Small Business Policy is designed to ease the administrative burden of the regulation for those smaller organizations.
73.	Is reporting required prior to the low-volume policy being released?	If you believe your company will be exempted by the proposed small business policy please contact steward services at: 1-888-980-9549.
74.	Does the Small Business Policy apply to revenues in Saskatchewan or total company revenues?	The revenue threshold in the draft Small Business Policy applies only to revenues generated in Saskatchewan.
75.	We missed the original sign on date so what is the next opportunity to sign on and become a voluntary steward?	Thank you for your interest in becoming a voluntary steward. You can contact Steward Services and sign up now for the 2015 reporting year. Please contact Steward Services at 1-888-980-9549.

<p>76.</p>	<p>What best practices have you utilized from other provinces programs, in order to minimize the cost/budget in your 1st year of operation?</p>	<p>MMSW has benefitted from the centralized services offered by CSSA, allowing MMSW to take advantage of the CSSA steward services team, the CSSA WeRecycle reporting portal, a shared technological platform and tap into a common set of business processes. It is estimated that across the four programs under CSSA's purview, \$3.6M is annually saved by being able to leverage a common administrative and technological resource. As well, MMSW was able to take advantage of the experience in other provinces of establishing a small business policy and a membership agreement.</p>
<p>77.</p>	<p>It is noted that MMSW has prepared a budget and fee schedule that will pay up to 75% of the cost of efficient and effective management of the MMSW members' target tonnes when we assume a 60% recycling rate. What criteria will be used to determine whether the tonnage was handled "efficiently and effectively? Additionally, is there a "floor" or minimum percentage that MMSW will pay? Alternatively is there a cap on the "municipal discount factor"?</p>	<p>At this point in time, as we collect actual Saskatchewan cost data, MMSW is offering municipalities funding based on their size and geography, as established by cost bands. These cost bands are laid out in the MMSW Stewardship Program Plan. This approach sets the level of funding available to municipalities recognizing that smaller, more rural municipalities incur higher costs in providing services to their residents than larger urban centres. 314 municipalities have signed Funding Agreements with MMSW. Please see the MMSW Stewardship Program Plan (page 14) for a detailed outline on MMSW's approach to funding municipal programs. MMSW Program Plan. In 2015, an MMSW Advisory Committee will be established reflecting the interests of urban and rural municipalities, regional waste management authorities and stewards and will provide input into defining efficient and effective program management. Also, please note that MMSW has set a 25% non-member discount rate to ensure that MMSW members are not paying for material that belongs to non-compliant businesses.</p>
<p>78.</p>	<p>Has the government agreed to the MMSW approach of the non-member adjustment i.e. the 60% recycling rate that MMSW has set? And do you have a written agreement from the government agreeing to this approach?</p>	<p>The Saskatchewan government is aware of MMSW's decision to apply a 60% recycling rate as a means of calculating the non-member discount factor. The municipalities have received numerous communiques about the need for a discount factor and recently received a communique advising them that the confirmed discount factor at program launch would be 25%.</p>

<p>79.</p>	<p>Is there a risk that the Ministry of Environment will want to revise MMSW's Program Plan because the municipalities are not getting the level of funding they anticipated? And throughout 2015, if more municipalities request to receive funding from MMSW? Will the MoE feel the pressure to require MMSW to fund more programs?</p>	<p>All stakeholders, including the Ministry of Environment, understand the importance of ensuring that more Saskatchewan businesses comply with the Regulation. The 25% non-member discount factor will be assessed on a quarterly basis and may be adjusted as more Saskatchewan businesses join MMSW.</p>
<p>80.</p>	<p>Given that the MMSW steward fees are based, at least in part, on the Manitoba costs, can we expect to see an increase in our SK fees as we are now seeing with MMSM fees once we get actual Saskatchewan cost allocation data?</p>	<p>In order to minimize the potential impacts on stewards as we transition to Saskatchewan-specific cost allocation data, we have started to build a reserve fund. If necessary, these funds would be used to minimize any potential fee increases if that was the result of moving to Saskatchewan specific cost data.</p>
<p>81.</p>	<p>Considering the 97% consumer awareness in SK, I'm wondering how can we assess consumer awareness before program launch? How are these metrics measured exactly? This question might apply to all programs since all measure consumer awareness one way or another.</p>	<p>CSSA conducted consumer research in early 2014 to establish a base-line for both MMBC and MMSW regarding consumer awareness of the existence of recycling services in their province – not awareness of MMSW and MMBC programs specifically.</p>
<p>82.</p>	<p>A program management cost representing 23.2% is unusually high; the justification for the higher percentage is that the same amount of program management work, how are we capitalizing on economies of scale? Its cited that steward call centres and related services are attributing to this expense, are we leveraging one centralized call centre for CSSA or are we duplicating efforts and running “silo: programs?</p>	<p>The benefit CSSA brings to the establishment of multiple provincial programs is ensuring that the programs are not set up in silos. In the establishment of MMSW, existing knowledge, IT infrastructure, human resources and business processes were leveraged through CSSA. National Steward Services (the call centre) and the single WeRecycle portal for stewards are two important example of a single service platform for all four programs.</p>



<p>83.</p>	<p>Program management costs of 23% of total program costs is extremely high particularly given that the amount being spent on promotion and education is quite low. Consumer awareness is very high at 97% and MMSW was able to take advantage of existing knowledge for other programs for things like the small business policy etc. So, please describe the ratio between the consumer awareness, the need for P&E, and the actual cost-benefit analysis.</p>	<p>The 23% MMSW program management cost is comparatively higher than other programs because while the same amount of program management work is required for MMSW as for other CSSA programs (i.e., steward call centre and related services, municipality reporting management, financial services and more), the scale of the program is significantly smaller, as is the budget, and therefore the program management percentage appears larger. However, as more stewards join and their corresponding tonnes are managed, the program management cost as a percentage of the program will decrease.</p> <p>The \$50,000 budgeted for P&E is limited to reaching out to Saskatchewan residents around the time we launch the program because, in fact, municipalities are responsible for their own P&E.</p>
<p>84.</p>	<p>If the costs in SK were based on the original MB fees, should we expect fee increases here in the short term as well?</p>	<p>While both MMSM and MMSW are shared responsibility programs, we have implemented measures in SK that allow us to control our costs to a greater extent. In Saskatchewan we have asked municipalities who want to receive funding from MMSW to sign funding agreements that include a pre-determined funding rate as outlined in the MMSW program plan. So, while the program costs in SK are to some extent based on MB costs, stewards' exposure to unexpected cost increases in SK is more limited.</p>
<p>85.</p>	<p>880 municipalities seems quite high for the province of Saskatchewan, what criteria is being used to determine what is a municipality? What impact will these smaller “municipalities” have on the recycling rate?</p>	<p>314 municipalities have executed funding agreements with MMSW, which constitutes 68% of Saskatchewan's population. Our original list of 880 municipalities was developed in March, 2014 using information provided by the Saskatchewan Ministry of Government Relations. The current total of municipalities is 782 due, we believe, to recent amalgamations but more information on what constitutes a municipality in Saskatchewan can be found here: www.municipal.gov.sk.ca.</p> <p>Municipalities that have not executed funding agreements with MMSW do not impact the recycling rate since MMSW's voluntary recycling rate pertains only to our members' tonnes. Our members reported 50,000 tonnes and when our voluntary recycling rate of 60% is applied to these tonnes it means that MMSW will pay participating municipalities to recycle 30,000 of our tonnes.</p>

Multi-Material Stewardship Manitoba

<p>86.</p>	<p>Can you please provide granularity in the City of Winnipeg's \$3.8M investment in recycling infrastructure and why these expenses are attributable to the stewards? The amortization over 10 years only attributes 2.16% of the total Net Cost increase. Recycling tonnes increased by 14% yet fees increased significantly more and you provide details as to how much of the increase was related to a 'data scrub' how much of the increase was truly a result of increased tonnage and how much of the increase is attributable to swing in commodity prices?</p>	<p>As shown in Table 9 of the pre-read, there was a 27% increase in total net system cost, which included approximately \$3.8 million due to the amortization cost (ten years) of the Winnipeg collection carts, one-time deployment costs, and the increase in the tonnes being processed. The net costs were also negatively affected by a 4% drop in commodity revenue largely driven by a drop in the fibre prices, which is significant because fibre represents approximately 70% of the system's total tonnes. Given that MMSM stewards are responsible for 80% of municipal costs (as distinct from the total system net costs illustrated in Table 9) their 2015 obligation increased by \$1.9M for two reasons: 1. The costs incurred as a result of more recovered tones; and 2. last year MMSM drew down \$1.5M in surplus funds which will not occur this year. That is why there is a 30% year over year increase in their 2015 obligation</p>
<p>87.</p>	<p>Can you release the results of the cost based study?</p>	<p>The cost allocation study is confidential because it contains commercially sensitive information provided by municipalities and their service providers. However, MMSM has provided a summary report which contains the material-specific net costs and information about the data that was used to calculate those costs. You can find that report on the MMSM website at MMSM Cost Summary Report.</p>
<p>88.</p>	<p>With reference to Table 11 in the pre-read document which is the MMSM Equalization Cost Distribution. Please explain this table.</p>	<p>Within the printed paper category, the third factor of the three-factor formula (which distributes 25% of the category costs to underperforming materials) totalled \$460,000. Because all the materials in the printed paper category were performing well at a recycling rate that exceeded 60%, there was no material within that category to apply those costs. The cost transfer barrier between printed paper and packaging in the approved fee setting methodology prevents transferring this cost to the packaging category. In order to ensure a fair allocation of these costs across the materials within the printed paper category, MMSW distributed the 25% allocation of costs for Factor 3 (\$460,000) amongst all the printed paper categories based on their proportionate share of fees calculated from the combined total of Factor 1 and Factor 2 only. Table 11 (on page 28 of the pre-read document) outlines how the equalization factor was applied to the materials within the printed paper category.</p>



89.	Can you please explain the discrepancy between the MMSM 'Fee Rates after Surplus' in Section 4.5 of the pre-read document and the 2014 fee schedule posted on the MMSM Rules.	There is a difference between these two tables. The reason is that in order to apply the surplus drawn-down to each fee category in 2014, we disaggregated the material categories. However, the table in Section 4.5 of the pre-read document for the October 2014 Steward meeting reflects the aggregated fees (e.g., for printed paper) after the surplus was drawn down. Consequently there is a discrepancy between the (disaggregated) 2014 fees as posted in the MMSM 2014 Rules – the fees stewards actually paid, and what is presented in the pre-read.
90.	Can you explain the difference between the net costs in Table 4.3 of the pre-read and the steward obligation shown in Table 44 of the pre-read?	MMSM stewards pay up to 80% of municipal system costs, as required by regulation. These costs are based on the population size of each municipality as stipulated in Section 4.2.1 of MMSM's Program Plan. Table 4.3 provides the total net system costs (i.e., \$22,293,812 prior to the 80% steward obligation being applied. Table 4.4 sets out MMSM's obligation once the 80% obligation is applied, (i.e., \$14,428,052). The municipal cost portion of the obligation totals \$12,075,900 shown in Table 4.4 as "share of supply chain costs". The additional \$2,352,152 consists of costs associated with promotion and education campaigns to encourage residential recycling, program management and regulatory costs.

Stewardship Ontario

91.	It is difficult for stewards given that the two largest provinces, where most of the stewards have activities, have not yet published a fee schedule. That being said, can you confirm that if the arbitration decision results in a shortfall in funds, this shortfall will be covered by SO surpluses or the reserve, or will the stewards be billed for this?	From an overall revenue perspective, assuming that the arbitration comes in around that proxy amount we presented last year, there would be sufficient revenue to cover the steward obligation and we wouldn't need to tap into Stewardship Ontario's reserves. However there is also a need to look at the material-specific fees as cross-subsidization of costs between materials is not permitted. SO will analyze the amount of material that was reported by stewards and the performance of those individual materials. As a result, there are two levels of detail that require examination: the overall obligation and then how that obligation is translated into fees at the material level to ensure that each steward pays their fair share based on the materials they supply into the Ontario market. Using reserves is an option that is available to us if necessary. A final decision can only be made once the quantum of the 2014 steward obligation to municipalities is known, and we will communicate that decision to stewards as quickly as possible.
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92.	What if charging 2013 rates doesn't cover funds needed for 2014 costs - will stewards get hit in 2015?	Please see answer above.
93.	Who has made the decision that voluntary stewards are not permitted in Ontario?	The Ministry of Environment historically voiced concerns about allowing voluntary stewards in Ontario.
94.	Section 2.7 of the 2013 Blue Box Program Rules indicate the option for voluntary stewards. Are there any changes planned for this rule?	We are aware that the voluntary steward provision is contained in the Blue Box Rules. The government has in the past expressed concern that with a voluntary steward provision, costs will be passed along to suppliers. However, we are currently exploring ways for that section of the Rules to be enabled while addressing the concerns previously raised.
95.	Is a company able to become a voluntary steward with SO like in other programs?	Please see answer above.