

Consultation Report on the Proposed New Fee Methodology

June 2016



**Canadian Stewardship
Services Alliance**



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Introduction

Beginning in May 2015 a committee of dedicated stewards, the Steward Consultation Committee (SCC) developed a proposed new fee methodology that takes a principle-based approach. Built for stewards by stewards, it was designed to respond to concerns that the existing methodology is too complex, difficult to understand and may be unfair to certain material categories. The new methodology focuses solely on the allocation of costs and commodity revenues to each material in a manner that reflects each material's impact on the recycling system.

Results of the Stakeholder Consultation

On April 21, 2016 Neil Antymis, PepsiCo and Scott Tudor, Sobeys, the co-chairs of the SCC presented the proposed new methodology to the stakeholder community via a simultaneous in-person/webcast meeting attended by over 400 registrants. All documents associated with the consultation, including a [pre-read](#), the [presentation slides](#) and a [Q&A](#) addressing all questions asked at the consultation, are available at this link: <http://www.cssalliance.ca/steward-meetings>. Also available for stakeholders is a [calculator tool](#) that was created to help stewards compare the current fee methodology with the new methodology using their 2016 program fee schedules. The tool provides them an order-of-magnitude view of the variance in total fees for each material between the two methodologies. Seven separate mailings, each to an average of over 5,000 stakeholders helped ensure widespread awareness of the proposed new methodology. A 28% average “open” rate of the mailings and their associated documents demonstrated a relatively high level of interest in the new methodology. According to [recent data](#) from Mail Chimp, one of the world's leading email marketing platforms, the average email campaign open rate is 23%.

Stakeholders were requested to provide their comments concerning the proposed new methodology to CSSA by the end of May. CSSA received 17 stakeholder submissions on the proposed new fee methodology from the following organizations:

Azure Publishing
Carton Council
Canadian Beverage Association (CBA)
Clover Leaf Seafoods
Cottage Life Media
Canadian Plastics Industry Association (CPIA)
Food & Consumer Products of Canada (FCPC)
House and Home Media
Magazines Canada
Modern Dog (and Modern Cat) Magazines
Nestle Waters
Newspapers Canada
Pacific Blue Cross
Paper and Paperboard Packaging Environmental Council (PPEC)

Retail Council of Canada (RCC)
St. Joseph Media
TVA Publications

All the submissions express general support for the new methodology. Below are some examples of those statements of support:

(Carton Council) “we would like to commend the members of the Steward Consultation Committee and the team of experts supporting them for the quality and thoroughness of their work and for their dedication to developing a new fee methodology that is easy to understand, fair and able to stand the test of time.”

(Clover Leaf Seafood) “fully supports the proposal for a Modernized Fee Methodology as articulated in the Consultation Document....” “We agree with the principles established to inform the development of the fee methodology and with the Committee’s objectives in developing the new methodology.”

“Our thanks to the members of the SCC for the significant and difficult work they have undertaken, and the personal time they have invested to develop this improved fee methodology.”

(CPIA) “The proposed fee methodology, in our opinion, represents a positive step forward in harmonizing and simplifying the process of establishing material-specific stewardship fees across the CSSA group of organizations. The work done by the Steward Consultation Committee (SCC) is detailed, thoughtful and comprehensive.”

(Magazines Canada) “As CSSA has correctly determined, the current three-factor formula has outlived its usefulness by no longer providing objective or equitable fee outcomes for use in today’s Blue Box programs.” “.....[we] are thankful that this matter was taken seriously and that the necessary time and resources were devoted to finding a new methodology that will serve Blue Box Stewards and members well into the future.”

“We agree that a 60% allocation of costs using ‘supplied quantities’ helps to mitigate the counting of free rider costs that, under the old methodology, many stewards must pay resulting in an over-allocation of costs for which they have no responsibility or fair obligation.”

(AZURE and other magazines’ submissions) “...pleased that material changes to the fee setting methodology have been proposed that better reflect cost drivers and allocate system costs in a much fairer and principles-based way.”

“The use of volume as a cost allocation metric better aligns with cost drivers by recognizing total system realities.”

(FCPC) “We appreciate that CSSA has undertaken a comprehensive process to develop the proposed new fee setting methodology, and that stakeholders had the opportunity to provide comment prior to that process.”

(RCC) “RCC members support the guiding principles which provide a basis for the proposed methodology.”

Timing of Fee Methodology Implementation

Nine of the 17 submissions are from organizations that represent printed paper; they will experience a significant reduction in fees as a consequence of the new methodology. These stewards and their industry associations request that the new fee methodology be approved as soon as possible and be used to calculate the 2017 fees. Alternatively, other organizations such as CBA, RCC and FCPC express concern about the methodology being applied to the 2017 fees because they do not think their members will have enough time to prepare for such a major change. They also argue that 2017 fees will be calculated based on stewards’ 2015 data which pre-dated the proposed new methodology and did not give stewards a chance to make changes in their own packaging choices in anticipation of the new methodology. They request that the new methodology be applied to the 2018 fees, rather than the 2017 fees. “Out of fairness and respect for stewards, new calculations must not apply before the 2018 fees.” (RCC) However, in the event that each stewardship organization decides to use the new methodology to calculate 2017 fees, they request that “there should be an interim regime/calculation provided to mitigate the effects of the new approach.” (RCC) “...we encourage CSSA and its respective stewardship programs’ Boards to consider a phased-in approach to soften the financial impact on stewards.”

A key consideration for the Fee Methodology Project was the data input that the new methodology would rely upon, chief among them, the use of Activity Based Costing (ABC) study data – data that is increasingly challenging to access. The SCC settled on a new methodology that would depend on ABC data to determine the costs associated with each material based on both its common characteristics like weight and volume as well as its unique characteristics such as bulkiness, abrasiveness or disruptiveness. The SCC co-chairs, in their presentation to the stakeholder community on April 21st, underscored the continued importance of the ABC studies in the event that the new methodology is adopted. This, as expected, generated renewed interest in this input and has been the source of stakeholder comments and recommendations. In addition, several of the submissions note specific concerns and make some requests as follows:

- Stakeholders be kept informed on the work of the ABC study technical committee that is focused on understanding why the cost per tonne for the same material can differ significantly between programs;
- Given the importance of ABC studies as an information source to the new methodology, each stewardship program must be transparent and publish ABC study results, the need for which should be reviewed every five years;
- When measuring density for the purpose of allocating costs based on volume, particularly in the case of PET bottles, that the density measurement be taken once the material is compacted;
- Material aggregation should be revisited. Some organizations favour continued aggregation of fees, and others ask that it be discontinued immediately;

- Some organizations ask that three-year rolling average be eventually discontinued for use when calculating the commodity revenue price associated with the marketed material; while others see it as a means of addressing the year-over-year “fee instability” and ask that it be retained.
- While stakeholders understand that the scope of the fee methodology does not address the issues of free riders, they request that each stewardship organization remain focused on this important issue.

On behalf of the SCC, the Project Team wants to express its appreciation to every organization that submitted comments. Please note that responses to each are currently being prepared that will specifically address individual points raised.

ABC Study 101: A Presentation at the Annual Steward Meeting (October)

Given the importance of ABC studies to both the current and new methodology, CSSA conducted a mini-survey at the April 21st consultation to determine if stakeholders would be interested in learning more about these studies at our annual steward meeting in the fall. The answer was a resounding “yes” and therefore we will invite a speaker to deliver an “ABC Study 101” presentation, designed to raise stakeholder awareness of how these studies are conducted, and the work the technical committee will do to find solutions to the Material Recycling Facility (MRF) access issue.

Conclusion and Next Steps

During the month of June, 2016 the Boards of Directors for each stewardship organization (MMBC, MMSW, MMSM and Stewardship Ontario) will review the SCC’s proposed fee methodology, consider how it will impact stewards, take into account stakeholder feedback and make a decision on whether it will be adopted and when. In Ontario, the implementation of the new methodology also requires approval from Waste Diversion Ontario and the Ministry of the Environment and Climate Change.