

**Multi-Material Stewardship Manitoba Inc. (MMSM)**  
Re: 2015 fee approval and next steps

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### **2015 Fees Approved**

- The Multi-Material Stewardship Manitoba Inc. (MMSM) Board of Directors has approved the 2015 Fee Schedule which can be viewed below and online [here](#).
- MMSM released the draft fee schedule for consultation on October 10 as part of the Canadian Stewardship Services Alliance's (CSSA) [pre-read document](#) distributed ahead of the national stewards' meeting that took place on October 15.
- The Q&A's from that meeting can be viewed [here](#).
- There was a 30-day comment period for MMSM stewards to provide questions and feedback to Karen Melnychuk, Executive Director, which closed November 14.
- Additional information on the status of the 2015 Rules will be provided to stewards shortly but to assist in your planning, steward reports will be due May 31, 2015. Quarterly payments are due April 30, June 30, September 30, and December 1, 2015.

### **Context for 2015 Fee Increase**

A number of factors, explained below, have contributed to net system costs increasing by 27%, which means that MMSM stewards will collectively see a 30% increase in their 2015 fees (which are based on 2013 municipal recycling system costs.) The total 2015 fee obligation is \$14,428,052, compared to \$12,576,642 before surplus drawdown in 2014. Detailed calculation tables for the setting of the 2015 fees are available [here](#).

#### **1. Significant increase in recycled tonnes – Packaging and Printed Paper**

- There was a significant increase in recycled packaging and printed paper in 2013 to 81,122 tonnes (from 71,197 tonnes in 2012).
- The increase is largely a result of Winnipeg switching to larger collection carts, which allow residents to recycle larger volumes of household recyclables.
- The additional 10,000 tonnes increased the recycling rate to 63% (from 54% in 2012).

#### **2. No surplus to draw down from**

- Last year, MMSM drew down \$1.5M in surplus funds which resulted in a decline in fee rates for all materials except glass, which contributed, in part, to the size of the increase for 2105.
- For 2015, MMSM does not have excess funds to draw down in order to reduce fees as it did in 2014.

#### **3. New cost allocation study and transition to Manitoba data**

- For the first time, Manitoba generated its own cost data, which has been planned since the MMSM program was launched in 2010.
- Previously, MMSM allocated costs among materials based on historic Ontario data.
- MMSM commissioned a cost allocation study which was conducted by Genivar Inc., managed by StewardEdge and reviewed by MMSM staff and its service provider, CSSA.
- The cost allocation study provides detailed information on how MMSM should allocate system costs across individual materials.
- After careful consideration and deliberation, the MMSM Board decided to transition Manitoba-specific data to calculate 2015 fees based on 50% Manitoba cost allocation data and 50% historical Ontario data to help smooth the transition to new data.
- The results of the study (even when blended with Ontario data) had a significant impact on fee rates.
- CSSA managed MMSM's fee setting process. This process included data integrity and verification, Pay-In Model (PIM) inputs, and production of the draft fee schedule.
- No changes were made to the fee setting methodology, only data.
- The cost allocation study is confidential because it contains commercially sensitive information provided by municipalities and their service providers. MMSM has posted the [Cost Summary Report](#) which contains the material-specific net costs and information about the data used to calculate the costs.

#### **4. Impacts to Printed Paper category**

- The new cost allocation study indicated that printed paper should bear more of the system costs compared to historical data.
- For the first time, all printed paper categories exceeded the 60% recovery rate, which compromised the application of the equalization factor of the three factor formula (explained below in the Background section).
- The equalization factor applies 25% of the net cost to each material based on how much it would cost to manage the material if it were recovered at a 60% recycling rate. This factor is not assigned to materials that exceed 60%.
- All paper categories performed above 60% so there were no underperforming materials to assign costs to, and the cost transfer barrier between printed paper and packaging prohibits transferring the cost to underperforming packaging categories.
- To address the issue, MMSM distributed 25% allocation of costs for the third factor amongst all printed paper categories based on the proportionate share of fees calculated from the combined total of factors 1 and 2.

## 5. Impacts on other materials

- The new cost allocation study indicated that other material costs had changed since the inception of the program.
- Material market revenue fluctuations also played a role in fee changes.
- Steel packaging fees increased as the cost to manage it has increased.
- Aluminum fees decreased due to the new cost data allocation study results and higher commodity revenue.
- Polycoat fees increased as the cost to manage it has increased and the revenue has decreased.
- PET fees decreased due to lower material management costs and an increase in revenue.

## Next Steps

- **New cost allocation study**
  - MMSM will be conducting a new cost allocation study in 2015 to ensure they have the most complete and up-to-date data as possible.
- **Fee setting formula methodology review and consultation**
  - MMSM is also exploring alternative approaches for fee setting and will coordinate with its counterparts in other provinces with legislated packaging programs, and with its service provider CSSA, to remain as aligned and harmonized as possible.
  - As noted at the national stewards meeting, CSSA will explore alternative approaches to the current fee methodology with the provincial programs to identify opportunities to harmonize and to minimize the expense.
  - 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.
- MMSM will be reaching out to stewards with more details on these activities over the coming months.

## Background

### *Who is MMSM?*

- Multi-Material Stewardship Manitoba Inc. (MMSM) is an industry-funded, not-for-profit organization that operates a province-wide recycling program for packaging and printed paper.
- MMSM was established in accordance with the [Packaging and Printed Paper Stewardship Regulation](#) under the [Waste Reduction and Prevention \(WRAP\) Act](#) Regulation (Man. Reg. 195/2008) pursuant to The Waste Reduction and Prevention Act.
- Industry stewards must pay fees that cover 80% of the net costs of recycling programs for packaging and printed paper; municipalities pay the remaining 20%.
- MMSM is governed by its [Board of Directors which is made up of representatives from the grocery sector, consumer products sector, alcoholic and non-alcoholic beverages, retailers, printed paper and newspapers.](#)

- The service provider for MMSM's program is the Canadian Stewardship Services Alliance (CSSA), a not-for-profit, national organization established to implement a harmonized approach for stewards to manage multiple recycling programs across jurisdictions whether fully- or partially-funded by industry. Services provided include national steward services department, back-office support, central finance department, data warehousing, process management, business analysis, HR support, IT support and project management.

***What is the three-factor formula?***

- Fees are set using the three factor formula (part of the government-approved MMSM program plan) which is used to distribute costs fairly amongst the materials based on their recycling performance:
  - Factor 1 - Recycling Rate: 35% of the cost is based on the recycling rate. Materials with lower recycling rates assume a larger share of the cost than materials with higher recycling rates.
  - Factor 2 – Net Cost: 40% of the net cost that is assigned to each material is based on how much it costs to manage the material.
  - Factor 3 – Equalization Factor: 25% of the net cost is assigned to each material based on how much it would cost to manage the material if it were recovered at a 60% recycling rate. The equalization factor is not assigned to materials that exceed the 60% rate.

**2015 MMSM Fee Schedule**

<b>Category</b>	<b>Material</b>	<b>2015 Fee Rates</b>
<b>PRINTED PAPER</b>		
Printed Paper	Newsprint	5.66 ¢/kg
	Magazines and Catalogues	14.11 ¢/kg
	Telephone Books	14.11 ¢/kg
	Other Printed Paper	14.11 ¢/kg
<b>PACKAGING</b>		
Paper Based Packaging	Old Corrugated Containers	12.97 ¢/kg
	Polycoat & Laminates	39.09 ¢/kg
	Old Boxboard	12.97 ¢/kg
Plastic Packaging	PET bottles	14.46 ¢/kg
	HDPE bottles	17.09 ¢/kg
	Plastic Film	34.77 ¢/kg
	Other Plastics	34.77 ¢/kg
Steel Packaging	Steel Food & Beverage Cans	13.66 ¢/kg
	Steel Aerosols	13.66 ¢/kg
	Other Steel Containers	13.66 ¢/kg
Aluminum Packaging	Aluminum Food & Beverage Cans	-7.13 ¢/kg*
	Other Aluminum Packaging	10.14 ¢/kg
Glass Packaging	Glass	6.65 ¢/kg

\* When a material fee is in a credit position, the steward would receive a credit against their fees owing. This was the case for 2014 when the aluminum fee was -2.63, and is the case again in 2015. However, as there are many different types of packaging used by stewards, MMSM has not had a situation where the credit has outweighed the total obligation.