January 23, 2009

Dear Mayors and Members of Council:

RE: Blue Box Material Commodity Markets

Over the past few months, most Ontario municipalities have encountered problems marketing printed papers and packaging materials collected through residential Blue Box programs. Demand for both primary and secondary resources has declined dramatically, in reaction to the deterioration in global economic conditions. As global demand for finished products has declined, markets have purchased less material and reduced the prices offered for recyclable materials.

Some municipalities have contacted Waste Diversion Ontario (WDO), Stewardship Ontario and the Association of Municipalities of Ontario (AMO) questioning whether stockpiling Blue Box materials might bring higher revenues in a few months. After considering the state of local, national, and international commodity markets and the general economic uncertainty, WDO, Stewardship Ontario and AMO have concluded that municipalities should:

- take every opportunity to market materials to recycling markets, even at reduced revenues;
- where marketing materials, even at reduced revenues, is not an available option, market materials to recycling markets that charge a tip fee, making every effort to minimize tip fees paid;
- for paper fibres, where it is not feasible to market materials even at reduced revenues or tip fees, direct materials to permitted composting facilities and, where the composting facilities are operated by municipalities, make every effort to market the resulting compost for revenue; and
- for non-paper materials, where it is not feasible to market materials even at reduced revenues or tip fees, hold materials pending increased market demand.

We appreciate that your net costs to collect, process and market Blue Box materials are increasing as a result of declining revenue. Under the Blue Box Program Plan, 50% of the net municipal Blue Box system cost is off-set by funding from Blue Box stewards. If you continue to divert Blue Box materials, higher costs incurred over the fall of 2008 will be reflected in the net cost calculation that WDO provides to Stewardship Ontario for the purposes of setting the 2010 stewards fees. Similarly, higher net costs in 2009 will be factored into setting the 2011 Blue Box stewards’ fees so that the 50% steward cost sharing will be maintained.
Under the Blue Box Program Plan, newspaper publishers meet their steward obligation through an in-kind contribution of lineage. If municipalities incur higher costs for managing newspaper, the higher steward contribution in future years may be in the form of lineage.

WDO, Stewardship Ontario and AMO continue to seek opportunities to support and strengthen Ontario’s markets for secondary resources. While we all struggle through these difficult economic times, we encourage you to continue to direct your Blue Box materials to available markets.

Sincerely,

Glenda Gies  Gemma Zecchini  Peter Hume  
Executive Director  CEO  President  
Waste Diversion Ontario  Stewardship Ontario  Association of  
Municipalities of Ontario