

## Data Report #2

# 2014 Blue Box Program Cost & Revenue

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January 15, 2016

### Introduction

Each year, municipalities, recycling associations and First Nations (“municipal programs”) with a Blue Box program report financial information to WDO through the Datacall. This financial data relates to the quantity of printed paper and packaging [marketed](#) locally. It includes the cost of operating the Blue Box program and revenue from the sale of Blue Box materials after sorting.

Annual financial Blue Box reports from municipal programs are required by WDO to calculate the industry funding to support the Blue Box Program. The amount of industry funding is approximately 50 per cent of the Blue Box Program’s total net costs.

This report highlights trends in the financial data associated with the Blue Box Program in 2014 and over the previous five-year period. The data used to generate this analysis is included in the following two spreadsheets available on the WDO website:

1. [2014 Blue Box Cost and Revenue \(alphabetical\); and](#)
2. [2014 Blue Box Cost and Revenue by Municipal Group.](#)

The 2014 results indicate a 2.6% increase in gross costs and a 1.7% decrease in weight of material marketed from 2013 to 2014. As discussed in the 2014 Blue Box Tonnage Highlights report, the decrease results mainly from the changing composition of printed paper and packaging in the Blue Box Program. Most notably, packaging and containers are moving to lighter-weight plastics, and less printed paper is being marketed due to the shift to digital formats.

### Analysis

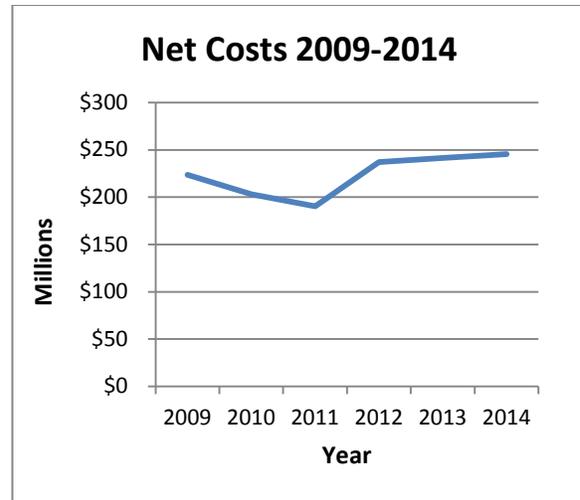
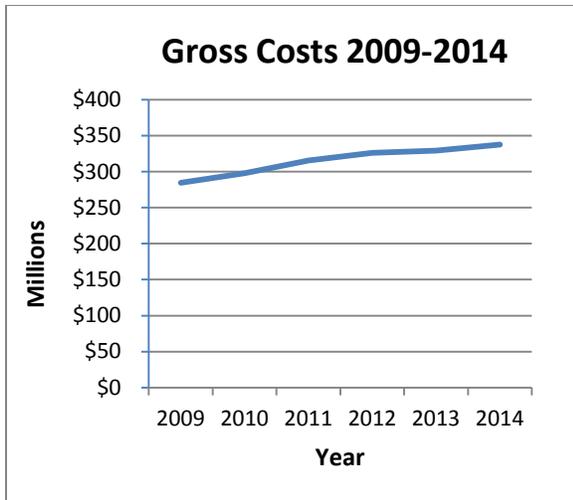
#### Higher costs and revenue in 2014

Gross Blue Box operational costs reported by municipal programs increased by 2.6% from \$329.0 million (M) in 2013 to \$337.6M in 2014. Over the five-year period from 2009 to 2014, there was an average annual increase in gross Blue Box costs of 3.7%.

Revenue from the sale of Blue Box material<sup>1</sup> reported by municipal programs increased by 4.9% from \$87.7M in 2013 to \$92.0M in 2014.

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<sup>1</sup>Municipal programs also report other revenue associated with the program (e.g., sales of Blue Box bins and carts).



Commodity fluctuations affect revenues

Revenue received for the sale of Blue Box materials is subject to fluctuations in market pricing of commodities. Compared to 2013, municipal revenue grew in 2014, as noted on the bottom of page 1. Except for newspaper and “hardpack” (boxboard and cardboard combined), Ontario commodity prices for Blue Box materials increased from 2013 to 2014<sup>2</sup>. Annual variances in commodity prices have a direct effect on the net cost of the Blue Box Program.

In 2014, net Blue Box Program costs, after accounting for the sale of recycled material and any possible revenue-sharing agreements with contractors, increased by 1.8% from \$241.3M in 2013 to \$245.6M in 2014. Over the five-year period since 2009, there was an average annual increase in net Blue Box costs of 1.9%.

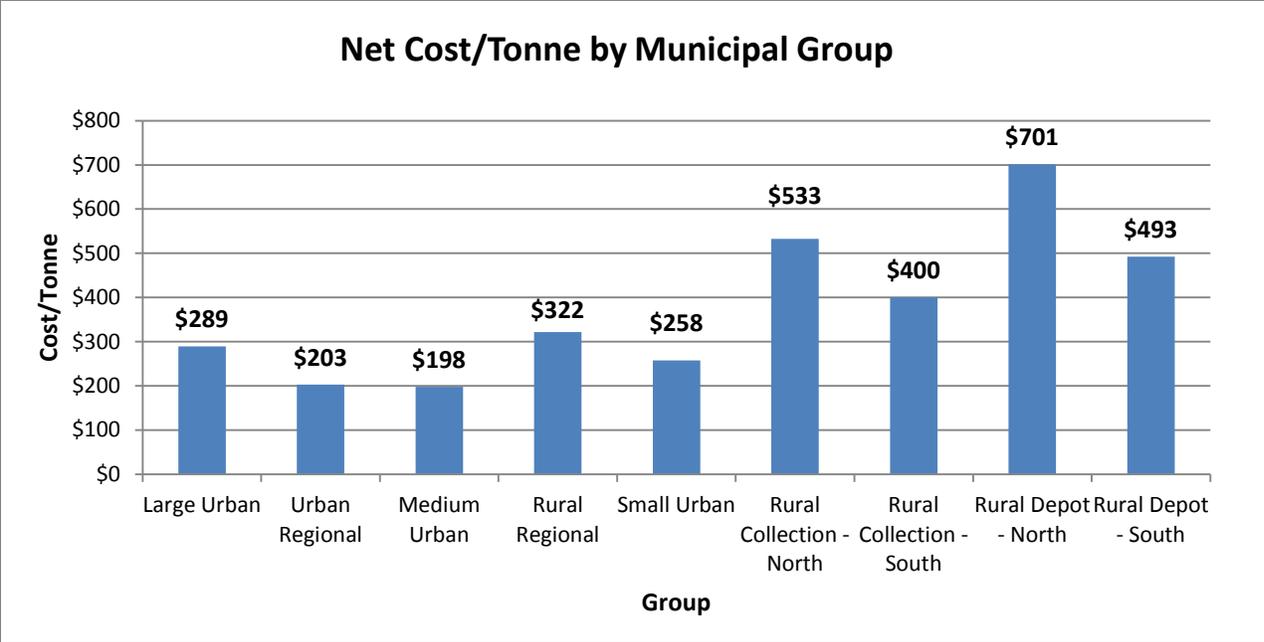
The net cost per tonne of material recycled in the Blue Box Program increased by 3.7% from \$268 per tonne in 2013 to \$278 per tonne in 2014.

The per-tonne cost increase was similar to the net cost increase. The average year-over-year growth of the net cost per tonne was 1.6% over the past five-year period.

Different program types affect operation costs

In the chart on page 3, net cost per tonne is shown by municipal grouping. Each municipal program is sorted into one of nine groups using a range of municipal and program characteristics (e.g., population density, curbside collection availability, and North vs. South location). Differences in program characteristics can have significant effects on the net costs of operation, ranging from \$198 per tonne (Medium Urban grouping) to \$701 per tonne (Rural Depot – North grouping). Recycling programs in the North typically have higher recycling net costs per tonne, as longer distances must be travelled to process and market the material, and there are fewer tonnes over which to spread the costs. Denser urban programs collect a higher volume of material within shorter distances.

<sup>2</sup> <http://reclaystewardedge.com/wp-content/uploads/2014/12/Dec-2014-Ontario-Price-Sheet.pdf>



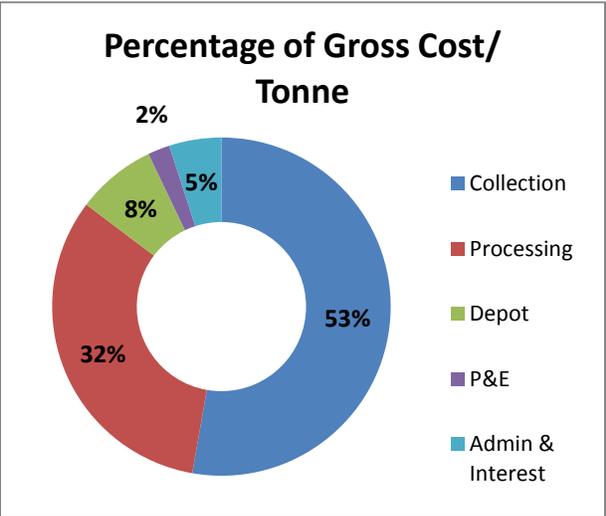
Collection and processing are the two largest costs

The Blue Box cost and revenue spreadsheets related to this report outline the total and per-tonne operating and capital costs spent by each municipal program in 2014 to:

- Collect curbside Blue Box material;
- Process the Blue Box material;
- Manage drop-off depots; and
- Promote and educate their communities about the program.

Additionally, WDO calculates and includes costs<sup>3</sup> for the administration of the Blue Box Program, as well as interest<sup>4</sup> on the amortization of capital equipment. The average gross cost/tonne spent by Ontario municipalities on the 2014 Blue Box Program is allocated as follows:

- Collection of Blue Box Materials - \$201;
- Processing - \$124;
- Depot - \$29;
- Promotion and Education (P&E) - \$8; and
- Administration & Interest (on capital) - \$19.



While P&E and administration and interest costs did not change from 2013 to 2014, there were increases of 4.1% in collection costs, 4.2% in processing costs, and 7.4% in depot costs.

<sup>3</sup> WDO calculates administration costs of 3% for services that are contracted out and 5% for services provided by the municipal program.

<sup>4</sup> Interest is calculated as the prime interest rate of the year of capital purchase.

Note: Some programs have combined collection and processing costs within one contract and therefore report a combined cost under collection.