

2015 Blue Box Program Cost & Revenue

April 2017

Introduction

Each year, municipalities, recycling associations and First Nations (“municipal programs”) with a Blue Box program report financial information to RPRA through the Datacall. This financial data relates to the quantity of printed paper and packaging marketed¹ locally. It includes the cost of operating the Blue Box program and revenue from the sale of Blue Box material.

RPRA requires that municipal programs submit annual financial Blue Box reports in order to calculate the steward obligation for funding the Blue Box program. The amount of industry funding is approximately 50 per cent of the total net cost of the Blue Box program in Ontario.

This report highlights trends in the financial data associated with the Blue Box Program in 2015 and over the previous five-year period. The data used to generate this analysis is included in the following two spreadsheets available on the RPRA website:

1. [2015 Blue Box Cost and Revenue \(alphabetical\)](#); and
2. [2015 Blue Box Cost and Revenue by Municipal Group](#).

When compared to the 2014 Datacall, the 2015 results show a 1.5% increase in the overall gross costs, along with a 1.7% decrease in marketed tonnes. As discussed in the [2015 Blue Box Tonnage Highlights](#) report, the decrease of tonnage 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

The following are some observations on the cost and revenue for the Blue Box program.

Costs over the last five years

Gross Blue Box operational costs reported by municipal programs, shown in Table 1 on page 2, increased from \$337.6 million (M) in 2014 to \$343.5M in 2015. Over the five-year period from 2011 to 2015, there was an overall increase in gross Blue Box costs of 8.9%.

¹ Blue Box materials sold by municipal programs to end markets after collection and processing at a material recovery facility.

Table 1: Gross Costs 2011-2015

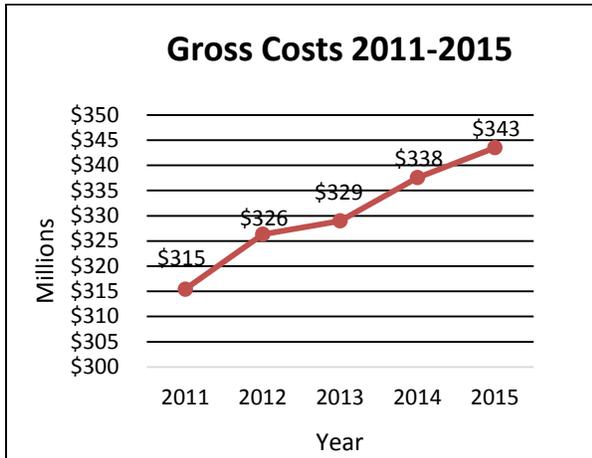
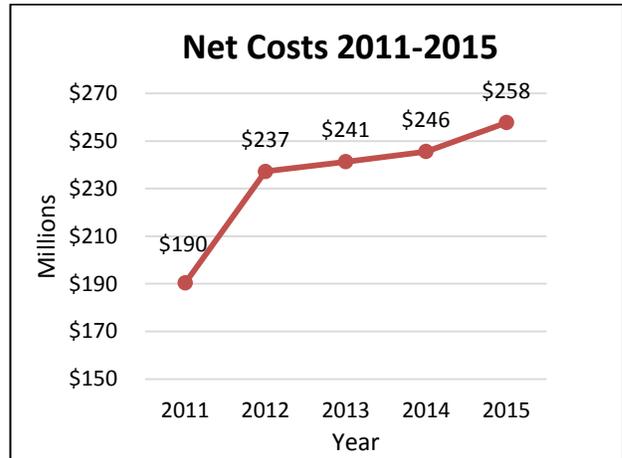


Table 2: Net Costs 2011-2015



Commodity fluctuations affect revenues

Revenue received for the sale of Blue Box materials is subject to fluctuations in market pricing of commodities. Compared to 2014, municipal revenue fell in 2015 from \$92.0M to \$85.8M, primarily as a result of lower newspaper and “hardpack” (boxboard and cardboard combined) prices. Commodity prices for most other Blue Box materials increased from 2014 to 2015². However, as paper products represent 74.6% of the total tonnage collected in the Blue Box Program, a decrease in revenue of 9.3% was the net result.

These annual variances in commodity prices have a direct effect on the net cost of the Blue Box Program.

In 2015, net Blue Box Program costs, after accounting for the sale of recycled material and any possible revenue-sharing agreements with contractors, increased by 4.9% from \$245.6M in 2014 to \$257.7M in 2015. Over the five-year period since 2011, there has been an overall net cost increase of 35.8%.

The net cost per tonne of material recycled in the Blue Box Program increased by 8.7% from \$278 per tonne in 2014 to \$302 per tonne in 2015.

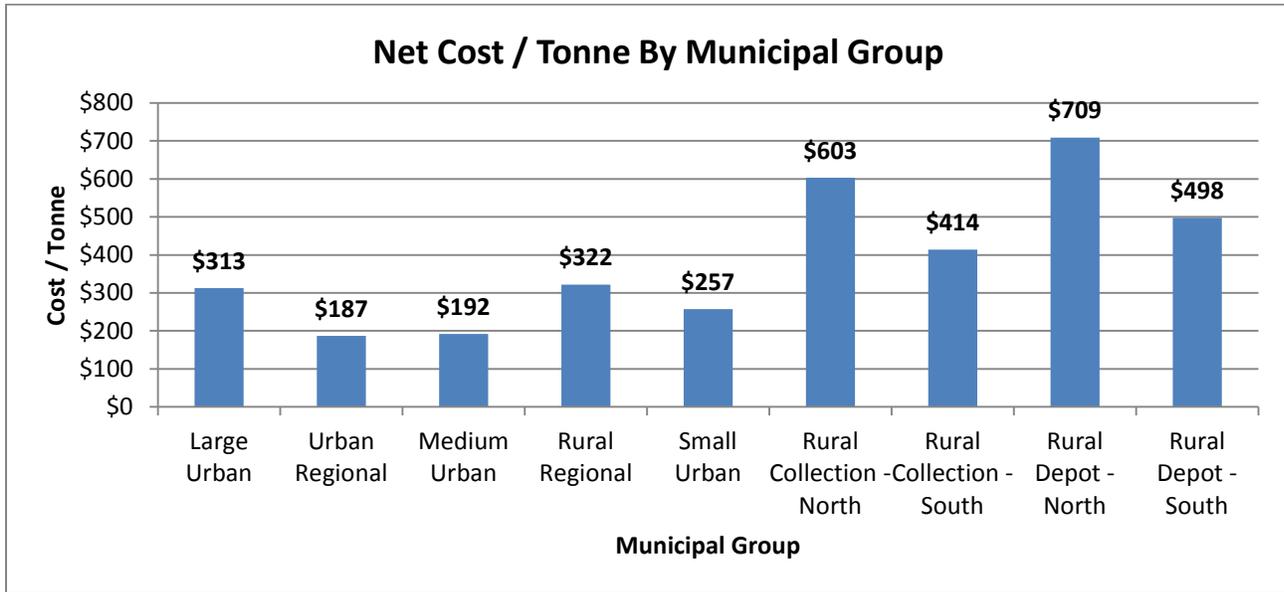
²<http://reclaystewardedge.com/wpcontent/uploads/2014/12/Dec-2014-Ontario-Price-Sheet.pdf>

The per-tonne cost increase was similar to the net cost increase. The overall change in Net Costs from 2011-2015 in net cost per tonne is 43.7%.

Different program types affect operation costs

Expanded in Table 3, located on page 3, net cost per tonne can be 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 \$187 per tonne (Medium Urban grouping) to \$709 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 collect, 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.

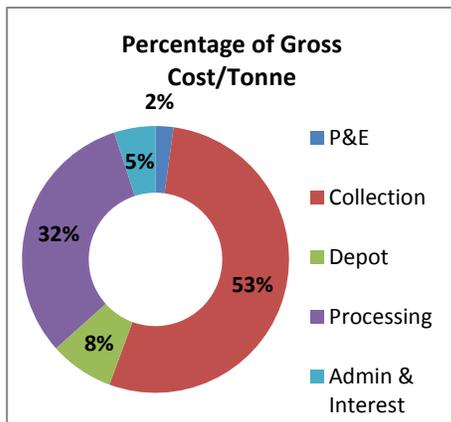
Table 3: Net Cost/Tonne by Municipal Group-2015



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 2015 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, RPRC calculates and includes costs³ for the administration of the Blue Box Program, as well as interest⁴ on the amortization of capital equipment. The average gross cost/tonne spent by Ontario municipalities on the 2015 Blue Box Program is allocated as follows:

- Collection of Blue Box Materials - \$201;
- Depot - \$29;
- Processing - \$124;
- 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, 7.4% in depot costs and 4.2% in processing costs.

³ RPRC calculates administration costs of 3% for services that are contracted out and 5% for services provided by the municipal program.

⁴ 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 either collection or processing.