

**ARBITRATION TO DETERMINE  
THE 2014 STEWARD OBLIGATION FOR THE BLUE BOX PROGRAM**

**BETWEEN:**

**ASSOCIATION OF MUNICIPALITIES OF ONTARIO and THE CITY OF  
TORONTO**

**Applicants**

- and -

**STEWARDSHIP ONTARIO**

**Respondent**

**AFFIDAVIT OF FRANCIS VEILLEUX**

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## Introduction

1. My name is Francis Veilleux. I am currently employed by the Bluewater Recycling Association (Bluewater) as President and have held this position since 1989. I have been employed by Bluewater for the last 25 years. My CV is attached. My background is in business administration.
2. I will be a witness at this arbitration because I have been compelled to do so by summons.
3. As the manager of a BB program, I am not neutral in this arbitration.

## Background and expertise

4. My background and expertise are in the areas of development, costing and optimization of recycling and waste management programs in more than 80 municipalities. I have developed a number of operations, economic analysis models, and guidelines, which can assist municipalities in planning 3Rs programs and improve economics through reduced costs and improved efficiencies.
5. I am a recognized expert in recycling systems design and MRF facility optimization. I have been asked to design or review new MRF's in Haldimand-Norfolk, Medicine Hat, England, New York, Minnesota, and four Association facilities. I taught the processing segment of the Ontario Blue Box Recycler Training and delivered dozens of speeches on the topic at various venues across North America.
6. I was hired 25 years ago to turn a dream into a reality for seven small local municipalities. They had spent the last two years discussing how they could work together to buy a truck and start a blue box program since the private industry they relied on was not interested in providing the service. From the basement of one of the municipalities I continued their quest to get more municipalities involved to benefit from economies of scale.
7. By September of that year I had convinced 17 municipalities to work together to enable us to purchase two recycling trucks and build a very small and crude processing facility. The next March we doubled to 34 municipalities and added two more trucks and continued from there. At one point we actually had about 80 municipalities working together. Our success helped many of them to make the decision to merge all of their municipal services into new larger municipalities hence why our number is only 23 today. We still service all of them and more areas but they are now larger municipalities.
8. Through the years I have been directly involved in every aspect of the program. Today, I continue to oversee all operations but with the help of other dedicated professionals. I help the board with all tactical and strategic planning. I take care of all legal aspects, corporate and membership affairs and government lobbying. I

continue to be the driving force behind our higher level continuous improvement projects. I am responsible for all engineering work, information technology services, and capital project purchasing. I also plan, develop, and implement all promotion and education activities at the Association. And finally, I personally handle all municipal sales.

9. I was involved in the consultations on the Cost Containment Plan but was mostly informed of decisions after the fact.
10. I was a municipal representative on the project team that developed the 2007 KPMG report. In particular, I worked on identifying the fundamental best practices, conditional better practices, the decision tree, and the financial model.

## Bluewater's Blue Box Program

11. Bluewater is a non profit cooperative made up of 23 small municipalities. The Association services 23 municipalities in four counties. Our service area is over 8,000 km<sup>2</sup> or about 2 million acres. We service approximately 180,000 people in 85,000 homes. The homes are anywhere from 5 minutes away to 90 minutes and we have over 7,000 km of roads to service.
12. Bluewater was founded in 1989 and it collected its first blue box on September 5, 1989. When the WDA came into effect in 2002, nothing changed from an operating perspective. We continued to provide the same great service we have always had. It did provide our members the false hope of actually receiving 50% funding. They have grown frustrated to hear on one side that they outperform other programs yet they are not paid their fair share.
13. At the end of the day, our BB program is not about making money – it is about the public's desire for recycling.
14. Our association is unusual among BB programs because our legal structure is a not for profit corporation rather than a local board or municipal corporation. As a separate entity we enjoy the advantages of operating under the corporations act free of the municipal act requirements but because our municipal involvement our accountability is much higher. We like to think that we get the best of both worlds. We get to operate like a business making decisions that are free of political influence to provide the most efficient and effective service but with our municipal involvement we are accountable to the tax payer to provide the best service level possible at the most reasonable cost.
15. We provide the complete BB program services to all of the members. This includes the collection, processing, and marketing of the materials as well as all the associated promotion and education relating to the program. We provide a hands-free solution to our members.
16. It is a very rural area – we pickup curbside from farms and very small towns and villages with 300 to 5000 homes. In one municipality the collection is accomplished with three depots strategically located within their municipality.

17. We have a fleet of 42 compaction vehicles configured in single and dual streams to provide curbside and depot service to our members. In a handful of communities we collect recyclables only and single stream vehicles are used in that case to deliver the materials to our Material Recovery Facility (MRF). In the majority of our municipalities, we collect both waste and recyclables and this is accomplished using dual stream vehicles to collect both waste and recyclables at the same time. This system in a rural environment has proven to be much more efficient than using two separate trucks.
18. Bluewater is always looking for the best technology and system available to provide its collection services in order to maximize diversion and minimize costs.
19. In 1995, Bluewater developed a new vehicle that allows for the collection of waste and recyclables at the same time. The vehicle designed by Bluewater lowered costs, produced less pollution and less traffic than traditional curbside collection alternatives.
20. Bluewater developed the new vehicle when a time and motion study revealed that up to 85% of collection time was in fact spent driving the vehicle rather than loading it. Therefore, it became evident that if one truck could pick-up both waste and recyclables then the increased work load would be minimal. The theory proved to be correct. Today, Bluewater services most municipalities using this system.
21. The co-collection truck is carefully divided into two separate compartments to ensure that the materials sorted by the householder can be kept that way. This way we guarantee that as much as possible will be recycled.
22. Our newest type of collection vehicle is the automated collection vehicle. These vehicles are the latest technology available for collecting waste and recyclables. While they are the latest technology, the concept is hardly new. The first vehicle equipped with a mechanical arm to collect standard containers was first used in 1969 by the city of Scottsdale, Arizona.
23. Today's vehicles are refined with the smoothest most accurate hydraulic controls packed in a joystick like those used by game craving teenagers instead of a multitude of control sticks. Instead of collecting barrels they are used to collect wheelie bins.
24. The new vehicles come in two configurations. One type has two compartments; one for recyclables and one for waste, perfect for co-collection in the rural areas where most of our time is spent driving from stop to stop. A moveable chute in the hopper diverts the material into the curbside or roadside compartment.
25. The other configuration has one compartment only to collect either recyclables or waste at a time. This configuration is very useful in recycling only communities or in very urban areas with a local landfill. In that latter, waste wheelie bins are collected first and the vehicle is emptied locally before collecting the recyclables and taking them back to our processing facility. The new vehicles will enable us to lower or maintain program costs while providing the residents with more

capacity to recycle more. The vehicles virtually eliminate injuries common in our industry.

26. Solid waste collection work can be unpleasant, backbreaking labour, often in extreme weather conditions, with plenty of offensive odours. In addition to reducing the risk of work-related injuries for our people and improving work conditions, the use of standardized wheeled bins offers several benefits for the residents:
  - a. Residents benefit with having bins that are up to six times the capacity of the blue box that facilitates and encourages more recycling.
  - b. The fixed wheels make hauling them to the curb a lot less work than before.
  - c. Using bins with lids helps to keep water, ice, and snow from set-outs, which helps to control the water contamination and helps sorting.
  - d. Discourages scavenging of valuable materials.
  - e. Using bins can improve neighbourhood aesthetics —uniform containers often eliminate unsightly set-outs.
  - f. Blowing litter can be reduced because containers with lids are more resistant to being tipped over or torn apart by dogs, raccoons, crows, etc.
  - g. Containers with lids can help control odour and vector concerns associated with keeping recyclables or residential solid waste for longer periods of time.
27. The traditional approach to material sorting has been mainly driven by people lined around conveyors manually separating different commodities to meet market demands. This approach was rudimentary and effective when only five materials were collected curbside. Applying this approach to today's material mix is accepting that material quality is not important, high sorting costs are acceptable, and repetitive strain injuries are normal. We do not support this approach to processing.
28. While the Association is proud of its past developments in the Material Recovery Facility, the future of our industry demands higher throughput and a higher quality standard with a broader mix of materials. The ever changing packaging stream makes it a necessity to use technology to assist in the sorting activity, as our people cannot physically and mentally process what is presented to them today in a speed necessary to be effective.
29. The use of people to manually sort materials resulting in repetitive strain injuries is not sustainable. The average human hand can effectively pick 1,500 pieces an hour. Our optical sorter can do so at up 500,000 pieces per hour. The comparison is not even close. The latest technological advances in our industry have enabled us to effectively change the treatment approach of recyclables where technology does the sorting and our people focus on quality. We have researched and

experimented with numerous technologies and processes to come up with a combined package that maximizes throughput, flexibility, and quality while minimizing labour and capital costs. Some of the unique components of our system include:

- a. A glass cleaning system that removes the glass early in the system and treats the glass with an overhead magnet, an eddy current and uses a cyclone based vacuum system applied to selective particle sizes generated by a trommel for maximum efficiency and clean glass. All metal and paper is removed with this cleaning process creating marketable commodities.
  - b. Another innovative design in this single stream facility is the mixed fibre process. An optical separator is used to remove non fibre contamination (plastic, metal) from the mixed fibre. Any paper removed with the containers is easily recovered with a strategically placed low pressure air classifier effectively separating the paper from the containers. All plastics and metals removed are redirected to the "container" line after being ejected.
  - c. The container sort area uses the widest optical system in North America measuring over nine feet across and is the first triple pass optical system in Ontario on one machine. Three separate passes are used to separate the material stream into up to seven categories. The three passes offer greater flexibility of material selection for sorting as the mix changes but the best part is the third pass. After achieving a 90%+ purity level on the first and second pass, the PET and HDPE are batched processed on the third pass to achieve a 98%+ material purity right out of the machine. Our quality control sorters can concentrate on other contamination.
30. We own the single stream material recovery facility used by all of our members. We used our 20 years of research, experience, and first hand operating knowledge to design and build this facility in October and November 2009. It remains one of the most advanced and automated facility in Ontario today. The total capital cost of the equipment was \$4 million and CIF contributed \$2 million or half the cost. Its design capacity at the time was 50,000 tonnes annually based on two shifts per day six days per week. Last year we processed nearly 18,000 tonnes of incoming materials.
31. As of December 31, 2012, the Association employed approximately 68 full-time employees, including 6 persons classified as professionals or managers, 41 employees involved in collection, 18 in the material recovery operations, and 3 clerical, data processing or other administrative employees.
32. Our aim is to recover as much recyclable material as possible. When we started our operations, the provincial goals were 25% diversion by 1992 and 50% by 2000. Later, the province increased the goal to 60% by 2008. We took those directives to heart and worked hard to meet them. We exceed the 60% target in

- 1992 when we started to implement waste user pay in all of our municipalities. To have WDO tell us we had not reached 50% 15 years later was simply insulting.
33. Our household participation rate is virtually 100% since we have had a waste user pay program in effect since 1992 in most of our municipalities.
  34. We use three criteria to assess whether a new material should be added to our BB program: 1) Does it make economic sense? 2) Are there a minimum of three markets for the material? 3) Will diverting this material from the landfill have some environmental impact? We do not add materials on an ad hoc basis – we make sure that we can do something with them and that we understand the impact they will have on our operations.
  35. In 2012, our BB program collected 12,286 tonnes and marketed 11,868 tonnes of BB materials.

## Datacall accuracy – Issue 2

36. How accurate are your Datacall numbers? We are 100% accountable to WDO, to all 23 member municipalities, and all the ratepayers that we serve.
37. Every year, an independent auditor reviews all of our costs and reports this information to the Board of Directors of the Association. The report is then presented to the staff of each member municipality and the elected representatives of each municipality.
38. We report the data from all municipalities but two to WDO as one center because we run it as one program. This has caused some complications in our reporting, but we have always worked with WDO to provide any necessary clarification.
39. The datacall is prepared by Matt Keeley our VP of Finance. Matt has been Chartered Accountant for 33 years. He sends the datacall in and signs off.
40. Every year we attend the webinar held by WDO to understand the changes to the Datacall as there are usually a number of them. We carefully follow the rules. Our staff spends a minimum of 80 hours a year to gather and enter the data requested.
41. However, it is frustrating to spend so much time to gather the data and make all the necessary adjustments to follow the rules only to find that time and time again, estimates are used to calculate the costs. For example, in the waste management industry it is common that administrative costs are between 10 and 15% but as part of a cost reduction tactic by the packaging industry raising concerns that municipal administrative costs are too high, they agree to a cap of 3 or 5% depending on the type of program is submitted. In this case, while the Association spend \$853k in administration cost which is less than the industry average, we are forced to submit an artificial cost of \$279k.
42. Another example is the way our collection costs are presented. We collect waste and recyclables in the same truck at the same time because it is cheaper to do it

- this way. However, this means that the cost is mixed. When WDO was first launched, SO sent their representatives to our office to study every minute of every day to determine the split of the cost. They determined that 70% of our time is spent on recycling so they allowed 70% of the cost to be submitted for funding.
43. At the time, we did not argue since we were to be paid based on cost. However, ever since cost containment has been a priority, we have been penalized for such a “high” cost further exacerbated by the wrong “band” we have been placed in. By weight, only 50% of our costs would be allocated to recycling. Either methods are valid, it is simply a matter of opinion to arrive at an estimated cost.
  44. Another example was the use of an E&E factor for the longest time to determine good performers and bad performers. The factor was a complete fabrication using provincial averages as actual local generation numbers. In accordance to the factor, SO claimed at one time that we had more recyclables available than our entire waste stream. The point is that we go out of our way to provide the real numbers just so they can fabricate numbers that suit them better.
  45. We have been audited three times. In 2006, we did not apply what they decided was the correct factor to allocate the cost pickup and transportation cost between BB materials and waste, which are picked up with the same truck. This audit was triggered by an increase in the cost of the program. The WDO hired an outside firm (Williams Financial Services) to conduct the audit. They spent a few days with us, but this was the only error of significance found. The data call form had been changed from the previous year and the allocation of 30% to non-blue box materials on collection had been missed. It was never determined whether it was a Bluewater error or a data call error. Usually if there is a significant change it is caught by the WDO staff upon their verification process when the report is submitted in April to avoid an error in grant allocations but this didn't happen. There was an adjustment to the costs but we never received an audit report from the auditor or the WDO.
  46. We have also been selected for audits for the 2009 and 2011 data calls. The 2009 audit was again conducted by Williams Financial Services, while 2011 was conducted by BDO. Both audits again were conducted in the field by qualified (CA) auditors. No reasons are given why you are selected for audit. It can be for a significant change in net costs or a random selection based on the size of the program. The 2009 audit resulted in an adjustment to costs of 3.65% which reduces your grant for the next year. The 2011 audit resulted in an adjustment to costs of 0.85 % which does not result in any charge against future grants because it is less than 2.0 %.
  47. The adjustments to 2009 occurred over how costs for non-residential costs (ICI) are determined. It is sometimes difficult for us to determine whether the material we are collecting comes from commercial or residential. For example, when there is a store on the main floor of a building and an apartment above – which generated the BB material? The auditors argued that we did not make any deductions for ICI materials when it was likely that some of the material came from that source. We did not argue with the auditor but there was no data



available to genuinely identify the source and quantity of the materials. We simply agreed to use a suggested number by the auditor. Since we have moved to automated collection and distributed containers to each property that are registered to the property, we have an actual number of ICI serviced. In 2010 and 2011 we adjusted that calculation to reflect the suggestions from the WDO auditors.

48. How are costs tracked? The Association has internal policies and procedures in place to ensure that all expenses are approved by at least two individuals before final payment by the Board of directors. All transactions are recorded using Microsoft Dynamics accounting software that is audited by an independent accounting firm. Management is responsible for the preparation and fair presentation of financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
49. The auditor's responsibility is to express an opinion on these financial statements based on the audit. They conduct their audit in accordance with Canadian generally accepted auditing standards. Those standards require that they comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
50. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
51. They believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for an audit opinion.
52. In their opinion, our financial statements present fairly, in all material respects, the financial position of Bluewater Recycling Association and its financial performance and its cash flows in accordance with Canadian generally accepted accounting principles.
53. Our report is distributed to 23 councils and their staff. We know that some scrutinize it more than others but ultimately; it is their choice on how they wish to deal with it.

## BB program cost

54. In 2012, our BB program cost \$5.868 M in gross costs. After revenue of \$1.448M, our net cost for 2012 was \$4.420 M. Of that, we received only \$1.455M (32.9%) from the payout model. The remainder, \$2.965M, was paid for by our ratepayers.
55. We receive so little because a program's net cost is net Blue Box program cost (gross program cost including calculated interest on municipal capital and estimated administration less gross program revenue). A program's recycling rate for Blue Box materials compares the material estimated to be generated by households served by the program (based on Stewardship Ontario's historical waste composition data) to the Blue Box tonnes marketed by that program and has a maximum value of 90%.
56. Our share is cut by a payout model Performance Factor that evaluates the relative efficiency and effectiveness of a program using normal probability methods and the flawed WDO "best practices" score. The Performance Factor determines the share of funding allocated to the program relative to other members of the municipal group. We are also compared with the wrong group.
57. We are in the "Rural regional" cost band, although I think that we should be in the "Rural Collection - South" cost band because we are not really a region – we just happen to be multiple municipalities working together. We should be the Rural Collection-South as our members would all be classified as such if they filed independently. Because they work together, they are being penalized by being classified as Rural Regional. The other municipalities in the "Rural Regional" cost band are generally cities surrounded by a rural area, which is an unfair comparison. The Association does not have any major urban hub. All of our service areas are rural. Our household density is nine households per km of roads. All others in the Rural Regional are at least twice as much. We have made this argument to WDO several times, but have so far been unable to get them to change our designation.
58. If we were in the "Rural" cost band, I think that we would be one of the least expensive in the group. As it is, when compared to the "Rural Regional" group we are not a bad performer but we are not comparing apples. To expect us to perform at the same level as a city is ludicrous. Our farm properties are spread at a rate of 3 per km of road where as the city has 50 foot lots. Similarly, our residents are expected to generate the same amount of materials as urban dwellers. They receive a 16 page weekly newspaper while their city counterparts have 30 page daily newspaper but we are expected to recover the same amount. In some areas, our residents don't own microwaves so they certainly don't buy any frozen dinners.
59. If we followed the Decision Tree Best Practice model, we would be in our own category Medium Rural Southern, which is unique among the BB programs in Ontario. In that model, a potential of 18 cost bands were possible but it was

rejected as a cost model because there were too many categories compared to the pre-existing model that continues today.

60. In fact, there are many more variables that affect program performance such as distance between service providers and facilities including end markets, which makes it impossible to truly compare them. The best person to identify this was Stewardship Ontario's former Director of Materials Management, Rick Denyes, when he said that municipal programs in Ontario are like snow flakes, every one of them is unique. You can try to group them and make general comparisons, but you cannot expect to fully replicate the programs because of the number of variables affecting the outcome. This is the same way that no one really compares to the City of Toronto. They are unique in their density.
61. If we got a full 50% of our BB costs from the stewards, we would continue to provide the best value services to our membership like we do now except that we would feel like we are actually working in partnership with the packaging industry rather than being in a perpetual conflict.
62. Inadequate funding has slowed down our implementation of some best practices.

## Cost containment and efficiency- Issue 1

63. In 2012, did you do everything in your power to operate your BB program as efficiently and effectively as you could? Yes we did, like every other year. To the best of your knowledge, did you spend any money unnecessarily? No.
64. Containing costs is important to municipalities because we are 100% accountable to the taxpayer for the services we provide.
65. We are running the most efficient program we can, given the resources available. Our efforts were recognized in 2011 when we won an award from the Solid Waste Association of North America (SWANA) for being the second best program in North America.
66. Our arrangement with our members is subject to renewal annually. If we do not perform, we can be replaced at the end of any fiscal year. Our budgets go through our internal staff, it gets approved in principle by the board, is presented to every municipal member, where it is reviewed by each council and their staff in order to set user pay rates for the users, and finally approved by our board.
67. Steward comments that we are inefficient and drive gold trucks around is simply insulting. 70% of all municipalities tender their blue box programs but in 25 years I have never seen the Stewards bid a single contract to show us how they could do better.
68. We are constantly reviewing the cost of operating the BB program. Our members can leave the Association at the end of any given year. As such, if the services offered by the Association are not competitive they will leave.

69. In 2009, we built a new MRF at a cost of \$4 Million. It is a single stream, fully automated facility. This means that recyclables can be fully commingled when they are delivered to the facility. It does not mean that we sort recyclables out of the waste stream but the recyclables do not have to be separated into different streams like paper, containers, glass, etc.
70. Single stream makes the program easier for the residents, simpler for the collection part of the program utilizing more versatile and more efficient vehicles. Automation requires fewer staff to operate the facility, reducing costs over the long term. The main role of the staff is to provide quality control, while the machines automatically sort the materials and the waste. The CIF provided \$2 million of the \$4 million construction cost.
71. In 2008, we began transitioning to an automated collection system as well. Instead of collecting small BB, we can now collect large wheeled bins at a rate of 180 households per hour – an increase in efficiency of 225%. The CIF gave us \$1Million to pay for these new bins, but we only used \$600,000.
72. The CIF provided \$40,000 to pay for a report demonstrating that the new collection system is more efficient.
73. As of January 2014, we have converted 2/3 of the municipalities in our BB program. We expect that approximately 80% of our households will be converted in the next two or three years. The remainder may never convert as they are extremely rural and they do not have the same benefits as others.
74. We have also obtained CIF funds for an energy audit of the MRF to determine whether any cost savings available and they did not find anything else that we could be doing to save energy. CIF also provided funding to update our Waste Management Plan and our Communication Plan.
75. Our management uses a continuous improvement approach to management. Our industry is still relatively young and opportunities continue to exist to improve our end products, services, and processes. These opportunities can be small incremental improvement over time or breakthrough improvement all at once. Our processes are constantly evaluated and improved in the light of their efficiency, effectiveness and flexibility. It is part of our management culture on a daily basis and its results are reflected in our reporting to the membership.
76. We market our membership opportunity to every municipality in a 100 km radius to try to bring them into our program. Beyond that, it is not effective to provide collection services. We also market our processing service to every municipality within a 300 km radius because we have some extra capacity at our MRF. Currently, about 15% of our incoming tonnage is from non member municipalities.
77. However, beyond that distance it becomes too expensive to transport the materials to the MRF – transportation costs would exceed any savings we could provide to the municipality.

## Complying with the CCP

78. Have you done everything you can to comply with the Cost Containment Plan?  
Yes. We work to operate, wherever possible, at best practices to minimize gross and net Blue Box program costs.

## Then why have costs gone up?

79. Despite these efforts, our costs are up and revenues are down.
80. Partly, this is due to the standard reasons why costs increase: approximately 50% of our costs are labour costs, at a minimum Bluewater's employees receive a cost of living increase each year; Approximately 20% of our collection costs is closely related to the cost of fuel, which have doubled since 2009. In March 2009, a litre of diesel fuel cost 49.7¢ wholesale before tax, in February of 2014 that same litre was \$1.00.
81. To make matters worse, today's engine consume more than the old engine because of the higher emission standards that must be met. Our pre-2007 engines consumed 14.46 litres per hour whereas the post 2010 engine consume 18.12 litres per hour, or 25% more.
82. By far, the biggest factor affecting our increasing costs is related to changes in the BB material we collect.
83. The materials are lighter and we are receiving more of it – density is decreasing, while volume is increasing. The facility we built in 2009 to have a capacity of approximately 50,000 tonnes/year can now only process 35,000 tonnes per year because the density of materials collected was 102.34 kg/m<sup>3</sup> in 2008 but in 2012 it was merely 72.11 kg/m<sup>3</sup>. This is the result of light weighting existing packaging.
84. Reducing materials weights and modifying pack format to lighter configurations is an ongoing effort for almost every business in support of cost reduction, reduction of environmental burden and progressing towards sustainability. While the effort may be valuable to the producers it comes at a cost when it is time to recycle the packaging.
85. One example is in the early 90's, a PET bottle was essentially a 2L soft drink container. They were easy to identify and quantities were manageable to manually sort after some basic screening. After the Walkerton water incident, single serve PET water bottles proliferated the market place. The impact at the Material Recovery Facility was an increase in bottles managed from 500,000 per year to over 25 million. It is impossible to manually sort this volume and maintain quality without mechanical assistance.
86. According to the International Bottled Water Association website, the average single serve (500 ml) water bottle weighed 18.9g in 2000 and it weight 30% less (12.7g) in 2008. In 2014, a new bottle is being introduced to perform as well but

weigh in at a mere 7.95g. It won't take any less physical space on our conveyor belts but if all materials were following the same approach, our facilities would process less half the tonnage they used to through no fault of ours.

87. Also, the material we are asked to recover is worth less – mixed plastics, polycoats, and aseptic containers that make up 6.2% of the blue box stream do not generate as much revenue as the materials we received when the BB program first began operating. According to Stewardship Ontario's own numbers they cost \$1395, \$1122, and \$882 per tonne to recycle but they only bring in \$90 per tonne in revenue. They pressure municipalities to add these containers to the program and then blame us for costs being out of control. On top of that, in 2008-2009, the market for recyclable materials collapsed with the economy and it has still not recovered to what it was.
88. The original program in 1981 had five materials: newspapers, aluminum, steel, glass and PET. These were valuable commodities, except for glass. The only valuable commodity added since then was cardboard and HDPE. Nearly every other new material that has been added to the program has been low value. Historically, the value of BB materials was approximately \$120 per tonne or higher. In contrast, mixed plastics are worth approximately \$30/ton and cost about \$1400 per ton to collect. Some of the materials we collect now were not even around 10 years ago, such as the clam shell food containers.
89. We continue to accept these new low value materials, even though they are more expensive, because there is a public expectation to recycle more without understanding the consequences. Once a municipal program starts accepting something, it's very hard to stop without affecting the whole program's credibility. If we were to say this year that we no longer accept aseptic containers, that could put the program in jeopardy. The public trusts the municipalities to make educated decisions about the blue box program. It believes that if a material is collected, it is recycled and it makes money. If we were to go back to them and say the market has disappeared or it does not make enough money to recycle, the public loses confidence in the entire program. We see it over and over again if a program cannot find a market for a commodity and decides it is cheaper to landfill it and public finds out, the entire blue box program loses tonnage because some people lose confidence and stop recycling altogether.

## Best practices

90. As part of our commitment to efficiency and effectiveness, and to continuous improvement, we work to operate at best practices whenever possible. Best Practices are not confined to any specific area of the Blue Box program. They could be operational, promotional, administrative, or legislative.
91. We define "best practices" as in the Ontario Centre for Municipal Best Practices (OCMBP) May 2005, report, *Best Practice Identification Methodology Report: Identification of Municipal Best Practices For Waste Management - Solid Waste*

*Diversion:* “Best Practices are defined as waste system practices that affect Blue Box recycling programs and that result in the attainment of provincial and municipal Blue Box material diversion goals in the most cost-effective way possible”.

92. To help identify and qualify observed practices as “Best Practices”, the Team developed a set of criteria and attributes that further augment the formulated definition. Thus, Best Practices in municipal Blue Box recycling are: Measurable, Comparable, Transferable, Replicable, Result in minimized unit cost, while maintaining or improving diversion, Result in net positive effect, as it relates to cost and diversion, Temporal in nature.
93. Best practices don’t stay the same. Continuous improvement and evolution of technology yield new Best Practices.
94. Best practices are not the same for all municipal BB programs. Every program has unique conditions that will affect their ability to implement certain practices.
95. Do all Blue Box best practices reduce costs, especially in the short run? No. Do any increase cost? For example, Best Practices that involve writing plans and reports for the long term are reflected as a cost in the short term that hopefully will result in a saving in the long term.
96. To learn about best practices and keep abreast of external developments and innovations, we seek out other successful programs in North America and Europe to learn different techniques. I attend approximately three conferences per year. I am a member of four different waste industry organizations and I attend dozens of meetings and webinars. We receive a dozen waste management publications on a regular basis and I review each issue to learn more about best practices.
97. Managing our program as a cooperative is a best practice. It is a widely-recognized principle in business that significant efficiencies and economies can be obtained from larger scale activities. The same principle applies to recycling programs. Therefore, it is considered a fundamental Best Practice for municipalities to explore a multi-municipal approach to planning recycling activities.
98. Our members have found it advantageous to work co-operatively in providing solid waste management services. Pooling resources, such as processing equipment, collection equipment, or facilities, can result in increasing equipment, labour, and/or facility utilization, thereby realizing financial and operational efficiencies. It makes it possible to use new technologies and methods that may not be otherwise available on a smaller scale. We have access to more markets for our materials yielding higher revenues.
99. We can also minimize the staff needed to deliver the same programs. We only have to manage one website rather than 23, our promotional materials are all developed together with common messages tailored for each service area. Collection supplies such as blue boxes or wheelie bins are always ordered in bulk to get the best price and quality.

100. Our people are experts in their field rather than managing the entire blue box program on one of their many other duties.

## Cost Containment Plan

101. I commented on the proposed CCP when it was being developed – see page 63 of the CCP. I supported Principle 3.
102. During the consultations, the explanation that was given to us about cost bands was that they were to be used for program classification and to provide general comparisons. We were not told that the CCP would change our right to have stewards pay 50% of actual BB costs, and I still don't think it did.
103. Municipalities did not object to pursuing best practices. We do it anyway.
104. Is cost containment the same as payment containment? No. What's the difference? In BB cost containment, an attempt is made to control actual BB costs whereas payment containment is an attempt to reduce the share that Stewards pay. They are on a perpetual journey to find schemes to limit or lower their obligations. To us it simply means another tactic for SO to escape from its responsibilities.
105. Did you ever hear or see any Minister of the Environment say, before or after CCP, that he or she intended to change the 50/50 cost split, or to create a multi million/ year shortfall in municipal BB funding? No

## KPMG Report

106. I was a municipal secondee on the KMPG Best Practice project.
107. Municipalities supported and paid for the KPMG study because they had nothing to hide about their performance, they were willing to learn about new and better ways to run their programs. They agreed to pay for the study as a good faith gesture to private industry concerned about cost containment.
108. The KMPG study essentially concluded that current municipal BB program costs were inline with KPMG's estimated best practice costs.
109. We did not expect the study to change the BB cost split between municipalities and stewards.
110. How helpful to the Association were the best practice recommendations in the KPMG report? They were limited as we had implemented all of them before the report came out.



## WDO “best practices” score

111. Because of the way the pay-out model is calculated, maximizing our WDO “best practice” score is important to ensure we receive the maximum amount of funding. We therefore take our score seriously.
112. I am very familiar with the WDO/ KPMG list of “best practices” and its related better practices. I believe in them and take them seriously but I cannot accept their interpretation of the score as an absolute measure of performance.
113. For example in 2012 we were scored 84% when in fact we met 100% of the practices. However, the scores are checked electronically. It has been more a case of misinterpretation of our answers compared to the expected answers.
114. If you don’t answer questions, you get assigned a 0% mark. We should have scored 100% on question 3, but we didn’t answer any of the sub-questions, so we were assigned a 0% score. On question 4, we answered “no” for collection contract with another municipality and “no” for processing contract with another municipality and “no” for synchronizing your expiry date with other municipalities because the wording of the questions doesn’t match up for us. Our members all work together and while they don’t have “contracts” they have an agreement that meets all the same criteria. This error resulted in a 2.7% decrease in our 2013 funding.
115. Are “best practices” in BB management the same as the WDO “BP score”? No. It is a very incomplete list. Even in 2007 the authors of the KPMG study were limited in their definition of best practices because its focus was on blue box only. They were unable to look at the blue box program as part of an integrated waste management program. As a result, some practices such as co-collection were ignored. Similarly, new methodologies like single stream collection or processing were too new to evaluate as were new technologies such as optical sorters and automated collection. Today our programs are night and day from how they were operated in 2007.
116. Does this scoring exercise incent you to operate better? More efficiently? More effectively? No. We already do everything we can.
117. Does payment containment by stewards, i.e. less money to municipal BB programs, incent you to operate better? More efficiently? More effectively? No.

## In kind

118. The Association does not have a dedicated advertising co-ordinator. I am responsible for the promotion and education of the residents which includes the design and placement of in-kind ads. Clearly, it is not my only job function.
119. Whenever possible we use all of our lineage allocation, however, we inevitably leave some of the allocation because of the way it is distributed. The

Association manages the blue box program for 23 municipalities. In those municipalities, we have no less than 16 weekly newspapers that we use to communicate with our residents. In order to do any sort of marketing campaign we need to place the same ads in all the newspapers we use.


120. Unfortunately, the in-kind ads program does not allow us to dictate when and where we can spend the allocation. We are told that we have so many lines of space that vary from newspaper to newspaper. This means that in one newspaper we may be able to place on half page ad while in another we have enough for 12 half page ads. This is problematic when we try to keep the same message with everyone. As a result, we may have a few lines from many individual newspapers that go unused because they are not enough to buy a quarter page ad and we cannot applying it to other newspapers to get enough space for another ad.
121. Furthermore, we are given space in a daily newspaper that is not read by the majority of our residents. Our program is also substantially different than the one in that municipality. It seems to be counterproductive for us to place ads in the daily newspaper that our residents will not read but the city residents will that is contradicting to their program. The program is comparable to me telling you that I will give you a free lunch and you can decide when you want it but I will tell you what you are having and where.
122. We receive preferred rates from our local paper that are better than the CARD rates.
123. We have often requested colour ads that are delivered in black and white. We have had a couple of instances where our placement was missed and printed the following week which caused additional program launch issues. We also have to be careful with the message to ensure it meets the criteria for the ads.
124. In kind ads used to require months of notice and now two weeks appears to be OK. Our paid advertisement locally is accepted 48 hours before.
125. The proportion of lineage is not consistent across all newspapers making it difficult for any sort of a campaign.
126. We have discovered a long time ago that for a fraction of the cost “donated” “in kind” we can produce a 16 page full colour newspaper delivered to every single home that we service rather than getting two half page ads that only a part of the community gets.

## Conclusion

127. The stewards should pay a full 50% of our verified reported BB program costs, this year and every year.

128. I understand that this affidavit is sworn evidence to be offered to a legal tribunal deciding a question of great public importance. I have done my best to make this evidence as accurate and as truthful as I can. I intend to be bound by it.

129. To the best of my knowledge, I do not have any current records of any critical emails that document an agreement that is material to the issues set out in the pleadings.

  
\_\_\_\_\_  
FRANCIS VEILLEUX

WITNESS

Sworn or Affirmed before me


On April \_\_, 2014

at the City of \_\_\_\_

in the Province of Ontario

A Commissioner, etc..

SWORN BEFORE ME AT THE Municipality of  
South Huron, in the County of Huron and the  
Province of Ontario,  
this 2nd day of APRIL, 2014

  
\_\_\_\_\_  
Genevieve Scharback, Clerk  
Municipality of South Huron  
A COMMISSIONER ETC.