

Cost Recovery Update Summary

January 28, 2013

From October 2012 to January 2013, OES distributed notices about, and invited Stewards, Remitters and Sub-Remitters to participate in; ongoing information sharing concerning cost recovery.

Electronic notifications for the various initiatives were sent to approximately 1,670 Stewards, Remitters and Sub-Remitters and interested stakeholders. In addition, information was proactively shared with the OES Industry Stakeholder Advisory Committee with representatives from Canadian Federation of Independent Business, Consumer Council of Canada, Canadian Office Products Association, Electronic Products Stewardship Council, Retail Council of Canada, Recycling Council of Ontario, Ontario Waste Management Association, Canadian Association of Independent Grocers, Canadian Association of Recycling Industries, Association of Municipalities of Ontario and Municipal Waste Association.

Stakeholders were invited to engage and to provide comment on:

- Release of cost recovery [backgrounder](#) on Monday, October 15, 2012
- Cost recovery orientation and focus group on Tuesday, October 16, 2012 including Q&A feedback throughout the session
- [Invitation](#) to comment via online survey and web-based form on Thursday, October 18, 2012
- Bits and Bytes recognition of Cost Recovery Orientation and Focus Group [Issue 121](#)
- Cost recovery update in Bits and Bytes ([Issue 122](#))
- Initial comment period open till Monday, October 29; with 15 comments that were emailed directly to the Executive Director or Director of Finance
- Cost recovery update in Bits and Bytes ([Issue 123](#))
- Distribution of "[Important Notice on Cost Recovery](#)" to 1,668 subscribers on Wednesday, January 16
- Posting of [cost recovery update](#) on the cost recovery webpage (also noted on the OES home page) on Wednesday, January 16, 2013
- "[Reminder to Comment](#)" on January 22, 2013 prior to comment period closure date of Thursday, January 24, 2013

Comments Received

By comment close date of January 24, 2013, OES has received a total of 51 comments; 49 via survey and 2 direct emails to the executive and/or finance directors. This is a response rate of .03%.

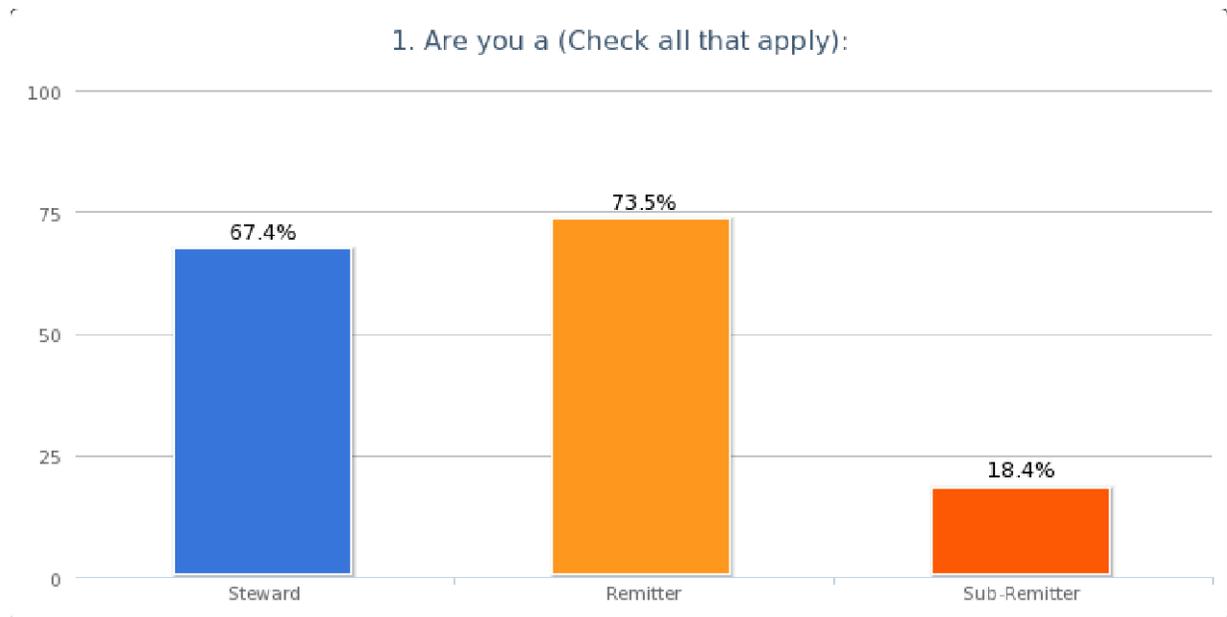
Table of Contents

Cost Recovery Update Summary	1
Reponses to Cost Recovery Update Survey	3
Survey Respondents	3
Respondents' Participation in Cost Recovery to date	3
Steward Fee Adjustments.....	4
True-Up.....	4
Managing Program Operating Expenses	5
Satisfaction with Current Steward Reporting System.....	6
May 1, 2012 Implementation Date.....	7
Potential for Revised Fees in 2013.....	8
Harmonization of Fees	9
General: Transitioning to the new cost recovery approach.....	10

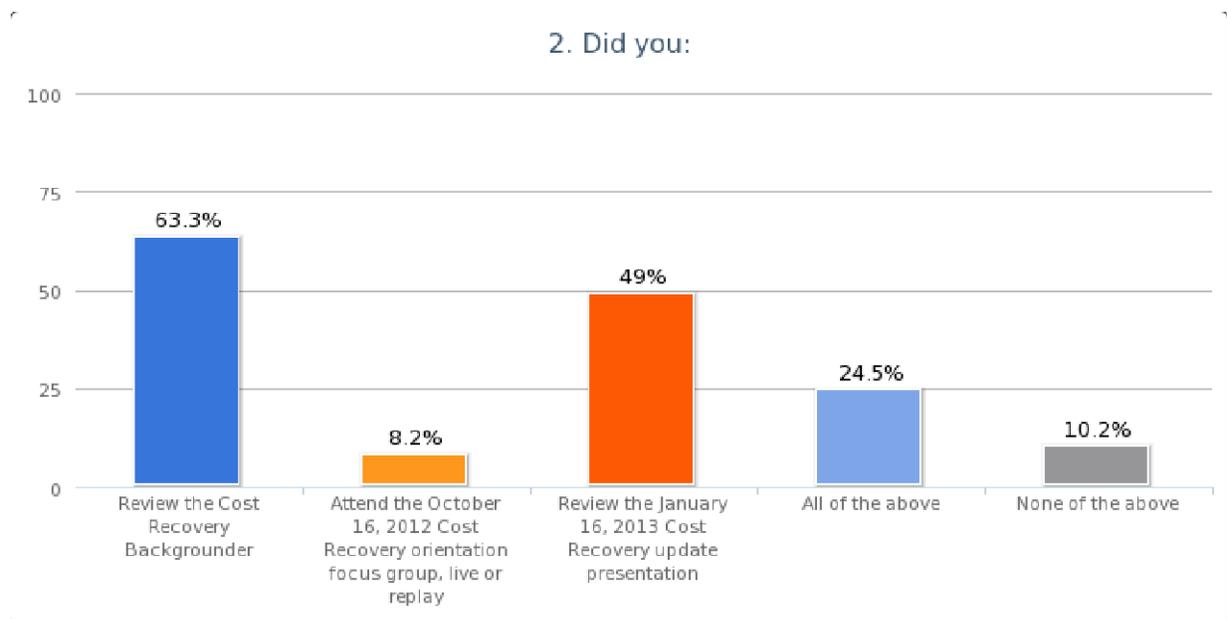
Reponses to Cost Recovery Update Survey

(closed January 24, 2012)

Survey Respondents

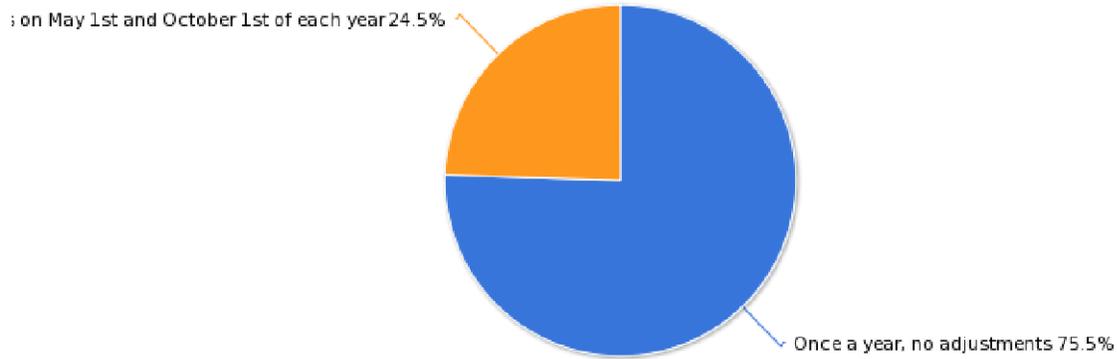


Respondents' Participation in Cost Recovery to date



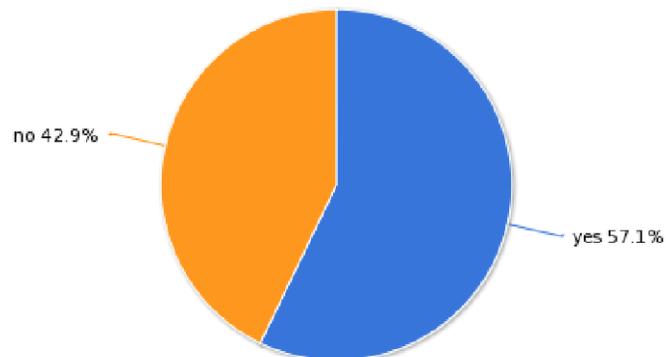
Steward Fee Adjustments

3. Would you prefer that the steward fee be changed once a year, OR that the steward fee be adjusted (up or down) on May 1st and October 1st of each year:



True-Up

4. Do you understand that the annual true-up to your organization cannot be passed on through the fee?



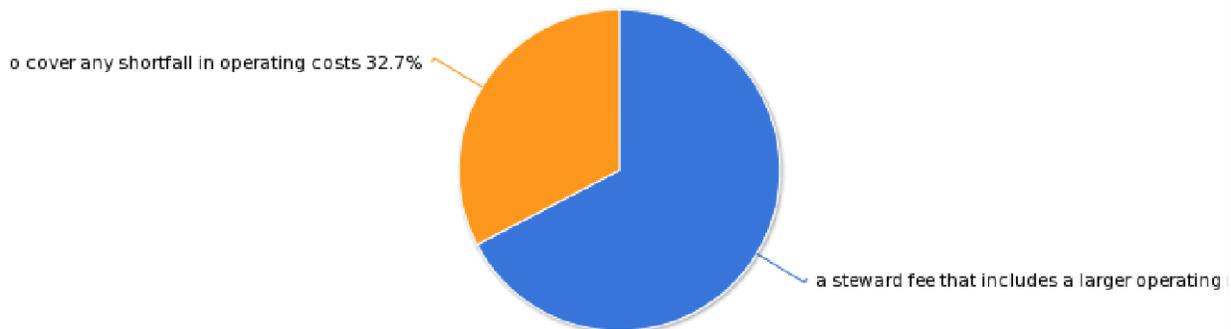
True Up: general stakeholder feedback:

- Users should bear true-up cost through fees
- What is sold last year has no relevance to what will be sold this year
- Extra paperwork and administration

- Provide some predictability; seems the annual true-up is an unknown provision
- How will this be written into the regulation that currently states that the Remitter is allowed to pass on the costs of recycling to the end-user?
- If there is a multi-million dollar accumulated deficit, why were the manufacturers not informed of this?
- How will tax be handled? Is this tax on tax?
- Need more information on the annual true-up
- Financial exposure to business operating expenses
- Are remitters, sub-remitters responsible for the true-up bill as well? If so, why?
- Prices of products to end users will increase if there is additional cost imposed by the true-up

Managing Program Operating Expenses

5. Would you prefer a steward fee that includes a larger operating reserve contribution, OR would you prefer a larger lump-sum true-up invoice to cover any shortfall in operating costs?



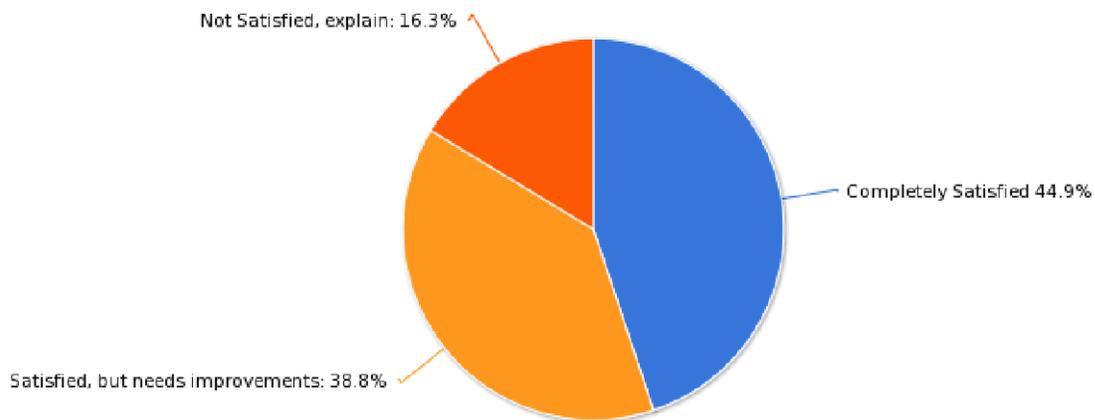
Operating Expenses: general stakeholder comments:

- Both options not acceptable
- Prefer operating reserve contribution cover all or most of all operating costs; a surplus at the end of the year, than a true-up
- Expect full disclosure on how these amounts were derived, and an audit performed before any invoicing is done
- How are steward remitters to sell goods they do not know the true cost of neither? The fee- setting methodology and cost recovery method are flawed.
- Determine operating short-term shortfalls are caused because people are recycling equipment that is 10+ years old and no money was ever collected at that time.
- Timely and advance communications to the end user and stewards on the cost of disposal of products will be critical.

- The fee-setting methodology should include sufficient funds allocated to the operating reserve to cover any shortfalls.
- Cost recovery is a burdensome, flawed and complex approach with no apparent economic sense.
- OES needs to better manage their costs and be more accountable; cushioning a reserve will not help them achieve this.
- A larger steward fee has the advantage of increased transparency to the end customer.
- Pay for any shortfall in costs at one time.

Satisfaction with Current Steward Reporting System

6. Are you satisfied with the current WEEE Steward Reporting System?



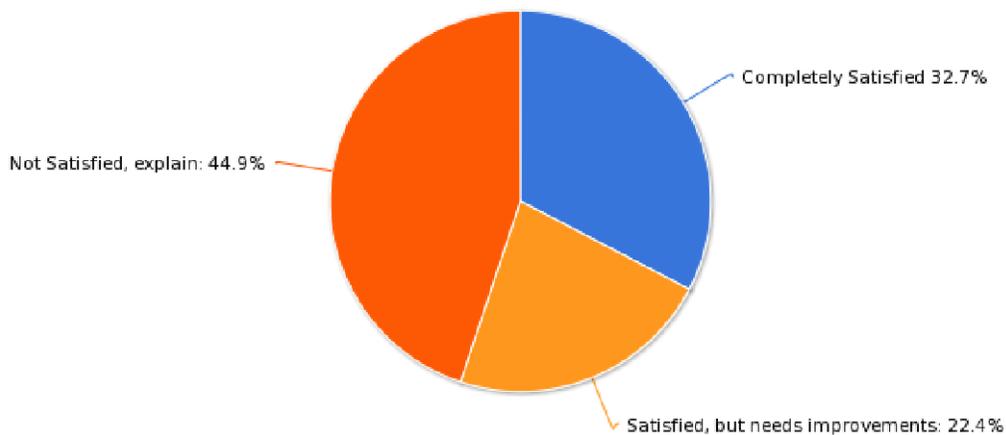
Steward Reporting System: general stakeholder comments

- Difficult to report returned units; currently subtracting returned to sales to report a number
- OES current system similar to those in the other provinces
- Consistency with other programs/ definitions would be beneficial (one portal, and data across provinces)
- Option to report quarterly should exist based on volumes
- Pro-actively cancel agreements for delinquent registrant; in the submitted reports it should be made clear that the registrant is delinquent and action is occurring
- SRS portal and web interface is fairly easy to use
- Search is cumbersome
- Better definition of obligated product categories
- Reporting back to Stewards on shortfalls and other financial impact tracking

- Remitter Agreements, Sub-Remitter Agreements, and Brand should be removed. The remitter and sub-remitter agreements are extra steps goes beyond being registered as a remitter and add an extra layer of work that does not seem to create much benefit. Also, the brand page is difficult to continue being updated. Again, also does not seem to add much benefit to the process.

May 1, 2012 Implementation Date

7. Are you satisfied with the May 1st proposed implementation date?

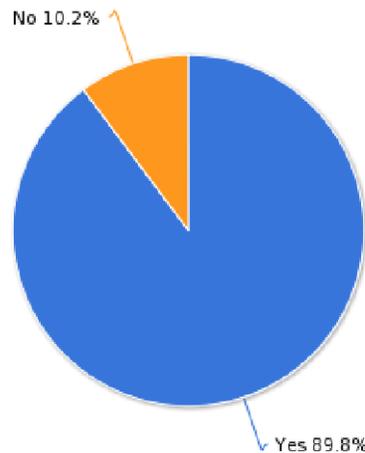


May 1st Implementation Date: general stakeholder comments

- New fees should be published and made available at minimum 60 days before the May 1st proposed implementation date or any set implementation date
- May 1st is reasonable assuming retailers have clear direction/information and communication materials are ready well before the implementation deadline
- Six months' notice preferred; need more time to prepare, educate/communicate and implement
- Will we see audited financial statements for 2012 60 days before the implementation date? Is the Ministry of the Environment verifying accuracy of the data on the deficit?
- May 1st not enough time for true consultations to take place; Cost Recovery not a proven method

Potential for Revised Fees in 2013

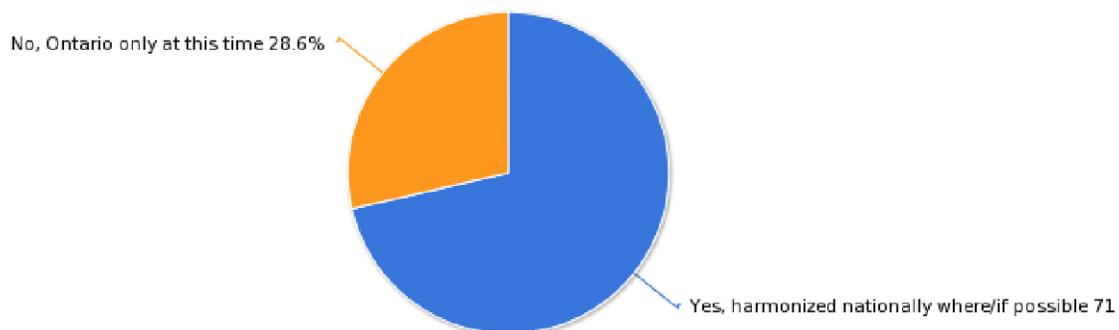
8. Do you understand that with a revised fee-setting methodology based on actual costs that there may be revised fees in 2013?



- Administrative burden to all parties
- Need fee stability and proper funding to fund the program
- Adjust fees more often to keep in line with actual costs than any kind of true up
- Will add more confusion with the consumer/end user; need communications and education
- Fee adjustment should be calculated so that there is no need for additional increases in 2014
- Minimum 60 days' notice prior to implementation
- A revised fee for 2013 is unacceptable and should be avoided

Harmonization of Fees

9. To the extent possible, should steward fees be harmonized with those of other Canadian provinces understanding that fees may be higher or lower in certain WEEE categories?



- Harmonize and equalize
- Harmonize, but only after the reasons for cost differentials between recyclers have been identified and adjustments made in their contracts; get bids for Canadian recyclers to give all the programs a fair and true price
- Adopt best practices of other provinces
- If we can't get costs right in Ontario, how are we going to agree on setting them for all provinces?
- Harmonize, but determine economies of scale if the fees are harmonized. This issue exists currently with the provinces that are currently harmonized. Some fees that are charged need to be reassessed
- Adopt EPRA's proven policies
- Harmonize, but other provincial programs have large gap in categories, fees and definitions
- Harmonize, and have one body, by category, by province and to allow that body to oversee distribution of funds / costs
- With regards to the harmonization of rates/fees, have a fee per province or one nationally
- Would need to know if other provinces are moving to a cost recovery model; if fees consistent with other provinces, a true up variation could be much larger
- Fees need to be predictable and any true up invoice needs to be avoided at all cost, therefore, the fees should be calculated for Ontario only
- Product bundles are treated differently in ON than in other provinces, so it will be a challenge for retailers and dealers

- Harmonize, but need to understand the costs in each program
- Harmonization should be taking place at the Federal level when product enters into the country, and passed as transfer fees to Provinces/Municipalities to manage end of life of products in all aspects (i.e. packaging, electronics etc.)
- Harmonize; currently Quebec is not allowing businesses to show the eco fee, making many companies eat the cost of the fees, while fees in Ontario are the highest and most complicated. Why would customers purchase products in Ontario when they can go to Quebec and purchase products without seeing the additional eco fee on their invoice? Harmonization is a must in order to preserve some fairness in these provincial diversion programs.

General: Transitioning to the new cost recovery approach

Do you have any concerns, i.e. resources, systems, financial about transitioning to the new methodology? Please comment:

- Doesn't seem like anyone knows how to properly calculate and manage the costs of this program
- Is there an audit of program costs? Are we paying too much for what is being offered? Can OES learn from other programs operating in Canada without problems
- How will we maintain the ability to recover our costs by billing our clients as a separate line item if we are transitioning to a new system with unknown variables?
- Please make sure that ALL systems are working correctly before implementing. Tired of paying to set up our systems when the government can not get their end correct first
- While we're revamping the program and exhausting our resources, why not work on harmonizing?
- If OES is in a deficit, it is not the issue of the manufacturer; it is a problem with the running of the stewardship and the Ministry needs to be held accountable
- Not enough known; Stewardship Ontario's transition has been costly and difficult to understand potential costs for Stewards.
- Consider periodic sampling to determine accuracy of market share data being used; continue to consult industry in further developing the market share calculation to ensure a fair playing field. For example, under a market share approach we need to make sure there is differentiation between IT equipment and consumer electronics
- Costs understood not budgeted for in our 2013 budgets
- One size does not fit all
- Need better understanding of the whole process
- "Other WEEE" should be broken down into individual categories and responsible for the burden of their own contributions into the market place
- Administrative, financial and customer service consequences
- Clear and repeated communications are extremely important in order to implement these changes without too much resentment or resistance