



Waste Electrical and Electronic Equipment Program Plan:

An update on the road to full cost
recovery

Important Stakeholder Information

16 January 2013



Background

- February 9, 2012 Minister's directive to WDO
- WDO to develop a plan to implement a cost recovery and accumulated surplus/deficit approach for Ontario Electronic Stewardship's Waste Electrical and Electronic Equipment Program
- *Guiding Principle: Stewards pay the actual costs based on actual sales*



The goal

- Ensure that the WEEE Program is put back on to a sustainable funding path going forward, as well as ensuring that the debt that has accumulated in this program is repaid



Process to date

- A draft cost recovery method was submitted by WDO to the Minister on April 30, 2012 based on meetings with OES since February 2012
- OES held a live meeting and webcast orientation for Stewards on October 16, 2012 outlining proposed cost recovery models
 - Initial feedback and comments were received
 - Initial feedback and comments solicited from OES Industry Stakeholder Advisory Committee on October 30, 2012
- OES proposed a final model to WDO for review
 - The final model was developed in consultation with Electronics Product Stewardship Canada, the Retail Council of Canada and OES
 - Proposed model approved by WDO Board on November 7, 2012
- Final cost recovery model was submitted by WDO to the Minister for approval on December 17, 2012



The OES cost recovery model: a per unit charge with annual true-up

Per unit charge with annual “true up” invoice

- Calculate per unit charge (“fees”) based on
 - Prior year’s actual financial statement costs
 - Operating reserve requirement
 - Deficit recovery requirement
- Billed monthly to stewards, remitters or sub-remitters
- Semi-annual review for adjustments, if necessary
- Charges approved by OES & WDO boards
- Annual true-up invoice (likely February in following year) where actual costs exceed revenue in a category in the year
 - To be invoiced to Stewards based on units reported (actual market share) for the year



What is different?

Current

- Fees calculated based on estimated sales in the market and estimated costs (material management and program costs)
- A review of the business model for WEEE shows OES does not recover its full annual costs related to the operation of the WEEE program directly from the stewards

Proposed

- Fees calculated based on *actual* sales into the market and *actual* costs (material management and program costs)



Proposed fee-setting methodology – assumptions and objectives

- Charges to stewards are based on actual costs
- Costs are allocated on the basis of each steward's market share
- Recovery of all costs annually
- Supports cash flow requirements
- Ensures financial sustainability
- Ensures accumulated debt is recovered equitably



Building and using reserves

- Program costs will include a contribution to a reserve fund, to be levied on stewards each month
- Magnitude of levy will be calculated using a specified percentage of last year's operating costs divided by the actual quantities of material supplied into the Ontario market the year prior to generate a per unit reserve levy



Proposed surplus management approach

Surplus funds in the individual material categories will be used in the order listed below:

- Surplus funds would first be used to fulfil the reserve requirements for that category
- Additional surplus funds would be retained to protect the financial stability of the organization as it transitions to the new full cost recovery model
- Reduce the stewards' future reserve contribution requirements
- Finance other material debts pending retirement of debts



Material category deficits

- Currently there are deficits* in two material categories:
 - Floor-standing (copiers, printers, etc.)
 - Other WEEE
 - Computer peripherals
 - Telephones & telephone answering machines
 - Home theatre-in-a-box
 - Aftermarket vehicle audio and audio devices
 - Home/non-portable image, audio and video devices
 - Personal/portable image, audio and video devices
 - Desktop printers

**Amount to be known and communicated on completion of OES
2012 audited financial statements*



Proposed debt recovery approach

- OES will place a debt retirement charge on all registered stewards in the appropriate material category, on a go-forward basis, based on reported market share
- The debt will be recovered over five (5) years commencing with implementation May 1, 2013



Year-end 'true-up'

- A year-end true-up and associated payments will be used to ensure there are no deficits/surpluses related to the actual costs incurred during the year
- In the event of a deficit, OES will determine the shortfall for the material category and divide by the quantity of the obligated materials introduced into the Ontario market that year



Summary

What's Changing

- Fee calculation methodology (from estimate to actual) and components
- Annual true-up invoice
- Reserve requirement and deficit recovery

What's Not

- Per unit fees
- Monthly reporting



Implementation and next steps

- Request for revising the new fee-setting methodology under the current program plan to be submitted to WDO Board for approval – January 30, 2013
- WDO submission of program plan amendment to fee-setting methodology to Minister – February 1, 2013
 - Subject to Ministerial approval
 - On approval, Notice to Stewards
 - Includes steward fee consultation, if necessary
- **May 1, 2013 implementation expected**



Your immediate next steps: Feedback and comments

***Stakeholder comment period open until
5:00 p.m. Eastern, Thursday, January 24, 2013***

1. [Survey](#)
2. [Comment web form](#)

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