Today’s Meeting

Attendees:
• 90+ attendees in person
• 300+ webinar audience

Webinar information:
• Slides advance automatically

Questions:
• Question box for questions/comments on webinar console
• You can submit questions at any point during the presentations – questions will be addressed throughout the presentations
• All questions and responses will be captured in a Q&A document that will be posted on the CSSA and program websites
• The webinar itself will also be online
• If you have any questions following the meeting, they can be emailed to: stewards@cssalliance.ca
Today’s Agenda

1. Introduction to CSSA
2. How are we doing so far? Measuring Performance Across CSSA’s Family of Recycling Organizations: A Consolidated View
3. How are fees developed?
4. SO – Steward Obligation and Look Ahead
5. MMSM – Steward Obligation and Look Ahead
6. MMBC – Steward Obligation & Look Ahead
7. What will the next five years look like?
Introduction to CSSA

John Coyne
Chair, CSSA Board of Directors
Who we are:

» A **national, non-profit organization**, founded by leading retailers and manufacturers, bringing together key players to achieve better recycling performance

» We are **Industry-led and Industry-funded**

» We work on behalf of businesses that participate in stewardship programs, as well as partner with provincial governments, local governments and waste management companies to provide recycling and waste management services and leading expertise to nearly 20 million Canadians
Why CSSA?
Governance/ Steward Involvement

• Skills based board—100% steward-led; good sectoral/regional mix
• Expansion of board from 7 to 15 directors in 2014
  – 10 directors from steward organizations at large
  – 5 directors nominated by key industry associations from steward companies in their membership
• Industry Advisory Committee made up of trade associations - important adjunct to the board to get feedback, perspective on PPP programs across Canada
• Customer User Group—made up of steward companies providing important input on administrative harmonization of systems, material lists and reporting processes.
• Multi stakeholder local advisory committees planned for BC and Saskatchewan programs.
CSSA Vision

To transform Canadian businesses into world leaders in responsible product stewardship by delivering sustainable and cost efficient stewardship programs on a national scale
Steward Benefits

• Single reporting and payment portal
• Common Definitions
• National List of Materials
• National Standards and Benchmarks
• A National Voice
• Administrative Savings of $3.6M/ year
Core Principles

- Excellence in program delivery
- Efficiency
- Adaptation and Flexibility
- Continuous Improvement
- Level playing field
- Innovation
- Stakeholder Engagement
- Good Governance
Harmonization – eliminate duplication while expanding access to recycling services for consumers
Measuring Performance Across CSSA’s Family of Recycling Organizations

Gemma Zecchini
CSSA Program Director
Comparability a benefit of harmonization

- Allows for tracking and performance improvement over time.
- Feeds systems for learning & applying best practices from one jurisdiction to another.
- Demonstrates and communicate accountability for performance.
3 Performance Perspectives

1. System View at a Provincial Level

2. Steward Portion of Costs

3. Material Fee Schedules
1. System View at Provincial Level

PERFORMANCE INDICATORS
Performance Indicators

• System-wide indicators
  – Environmental
  – Consumer
  – Financial

• Allows “apples to apples” comparisons
Environmental Indicators

- How much material was recycled?
- Recycling rate
- Variance to target
- Kg/capita recycled
Consumer Indicators

- Households with access to recycling services
- Awareness of program and how to use it
- Per capita expenditures for promotion & education
Financial Indicators

✓ Total program costs/tonne (net of commodity revenues)
✓ Program Management Costs
✓ Costs/capita
How we’re doing so far: Recycling Performance

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Target: 60</td>
<td>Target: N/A</td>
<td>Target: 75</td>
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<tr>
<td>Actual: 62.8</td>
<td>Actual: 54.1</td>
<td>Actual: 75</td>
<td></td>
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<tr>
<td></td>
<td>Actual: N/A</td>
<td>Projected: 75</td>
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</table>

2011: Ontario 64.2, Manitoba 52.3.
# How we’re doing so far: Consumer

## % households with access to PPP programs

<table>
<thead>
<tr>
<th>Province</th>
<th>2014 (Projected)</th>
<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td>Ontario</td>
<td>95</td>
<td></td>
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<tr>
<td>Manitoba</td>
<td>93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Columbia</td>
<td>78</td>
<td></td>
<td></td>
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</table>

## Recycled kg per capita

<table>
<thead>
<tr>
<th>Province</th>
<th>2014 (Projected)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>69.6</td>
<td>71.2</td>
<td></td>
</tr>
<tr>
<td>Manitoba</td>
<td>60.3</td>
<td>60.8</td>
<td></td>
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<tr>
<td>British Columbia</td>
<td>49.3</td>
<td></td>
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</table>
How we’re doing so far: Consumer

**Consumer Awareness - %**

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<thead>
<tr>
<th>Province</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Manitoba</td>
<td>91</td>
<td></td>
</tr>
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</table>

**P&E cost per capita - $**

<table>
<thead>
<tr>
<th>Province</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>0.59</td>
<td>0.54</td>
</tr>
<tr>
<td>Manitoba</td>
<td>0.60</td>
<td>0.30</td>
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</table>
### How we’re doing so far: Financial

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net cost per tonne</td>
<td>$272.3</td>
<td>$246.7</td>
<td>$454.9</td>
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<tr>
<td>Program management as % of net cost</td>
<td>2.4</td>
<td>13.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Net cost per capita</td>
<td>$19.0</td>
<td>$14.9</td>
<td>$22.4</td>
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</tbody>
</table>
## Financial Performance YOY

### ONTARIO

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>YOY variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cost per tonne</td>
<td>$272.3</td>
<td>$215.5</td>
<td>26%</td>
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<tr>
<td>Program management as % of net cost</td>
<td>2.4</td>
<td>3.0</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Net cost per capita</td>
<td>$19.0</td>
<td>$15.4</td>
<td>23%</td>
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</tbody>
</table>

### MANITOBA

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>YOY variance</th>
</tr>
</thead>
<tbody>
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<td>Net cost per tonne</td>
<td>$246.7</td>
<td>$237.2</td>
<td>4%</td>
</tr>
<tr>
<td>Program management as % of net cost</td>
<td>13.8</td>
<td>12.7</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Net cost per capita</td>
<td>$14.9</td>
<td>$14.4</td>
<td>3%</td>
</tr>
</tbody>
</table>
2. Steward Obligation

ANNUAL NET COSTS
Steward Obligation

• Relates to proportion of net costs that stewards will pay based on provincial regulations.

• Outcome of negotiations with municipalities regarding the application of certain premiums/discounts based on performance. (transfer payment model)

• Outcome of commercial arrangements with service providers. (true EPR)

• Form basis of annual budget for stewardship organizations.
### Steward Obligation 2014

<table>
<thead>
<tr>
<th>Province</th>
<th>Total Steward Obligation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONTARIO</td>
<td>$104,005,507</td>
<td>50</td>
</tr>
<tr>
<td>MANITOBA</td>
<td>$11,076,642</td>
<td>80</td>
</tr>
<tr>
<td>BC</td>
<td>$84,387,500</td>
<td>100</td>
</tr>
</tbody>
</table>

**Total steward obligation for CSSA programs of $199.5M**

- **Québec**: $120M at 100%

**Total PPP steward obligation in Canada of $320M**
Program Cost Components

The biggest cost is Supply Chain
Program Cost Components

Promotion & Education:

- Raising awareness of program and encouraging recycling behaviour amongst consumers
Program Cost Components

Research & Development
– Investing in new ways to recycle difficult materials

Program Management Costs
– Steward support & services
– Contract management
– Performance tracking/auditing
– Regulatory reporting
Program Cost Components: One Time

Working Capital

Program Start UP
Plan development, stakeholder consultations, steward recruitment, negotiations and contracting with service providers
3. Setting Fees

MATERIAL FEE SCHEDULES
Material Fee Schedules

• Material specific fees based on cents/kg
• Based on weighted formulas and cost-allocation methodologies
• Three main objectives:
  – Provide sufficient funds to cover costs (neither a profit nor a loss).
  – Fairly and equitably allocate costs among materials.
  – Provide signals and incentives to promote recyclability of materials.
• Goal is to apply fee setting methodology consistently across provinces even though fee rates will differ.
What drives differences in material fee schedules?

- Amount of steward obligation (100%, 80%, 50%)
- Supply chain costs, recycling rates & recycling targets
- Quantities of packaging and printed paper recycled
- Whether prior year surpluses or deficits have been added/subtracted from the fees.
Fee Setting Methodology

Supply Chain Costs using three-factor-formula

1. Recycling Rate Factor: 35% of cost assigned based on the recycling rate. Materials with lower recycling rates assume a larger share of costs than materials with high recycling rates.

2. Net cost factor: 40% of net cost assigned to each material based on how much it costs to manage the material.

3. Equalization Factor: 25% of net cost assigned based on how much it would cost to manage the material if it were recovered at the target rate.
Fee Setting Methodology

3-Factor formula for supply chain costs

+ Promotion & Education

+ Research and Development

+ Program Management
Questions?
Steward Obligation and Look Ahead
I. Review of 2014 Steward Obligation

II. 2014 Fee Schedule

III. Look Ahead
I. Steward Obligation
Full System Cost Drivers

• Annual net cost of entire recycling system increased 22% ($44.3M) due to:
  – Depressed commodity revenues driven largely by setbacks in the global economy
  – $12 million YOY gross cost increase mainly due to increased municipal costs

• SO cost-per-tonne/capita more than MMSM due to greater variety of plastic
### Steward Obligation

<table>
<thead>
<tr>
<th>Steward Obligation</th>
<th>2014 Obligation</th>
<th>2013 Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Supply Chain Costs</td>
<td>$99,016,092</td>
<td>$98,500,681</td>
</tr>
<tr>
<td>Promotion &amp; Education</td>
<td>-</td>
<td>900,000</td>
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<tr>
<td>Research &amp; Development</td>
<td>-</td>
<td>1,650,000</td>
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<tr>
<td>Program Management</td>
<td>4,989,415</td>
<td>6,284,077</td>
</tr>
<tr>
<td><strong>Total Fee Obligation</strong></td>
<td><strong>104,005,507</strong></td>
<td><strong>107,334,758</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Year over Year change %</th>
<th>-3.1%</th>
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<tbody>
<tr>
<td>Material Specific P&amp;E*</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

*To be funded through material-specific market development funds
Steward Obligation Highlights

• Negotiations with municipalities to determine the final 2014 obligation is still underway
  – If negotiations result in a higher obligation, SO will cover any additional costs with program reserves.

• 2014 obligation to decrease by 3.1% YOY
  – Program management costs decreased $6.3m to $4.9m largely due to benefits of joining CSSA
  – Poor performance of commodity markets in 2012 mitigated by 3 year rolling average
II. 2014 Fee Schedule
Fee Rate Highlights

- All 2014 fee rates have decreased with exception of some printed paper categories
  - Newsprint (Non-CAN/OCNA) fees up 15% because tonnage down 21% (fewer tonnes against which to spread fixed costs)
  - Better data indicate that reported recycling rate for other printed paper is 45.2%, somewhat lower than previous estimates
• Magazines and Catalogues fees increased 4%
  
  - Better data show recycling rate of 78%, significantly lower than previous estimates
  
  - Fewer tonnes supplied means fewer tonnes against which to spread fixed costs
  
  - Fee partially aggregated to ensure magazines not paying more than cost to manage their material (same principle as was used for 2013 fees)
Look Ahead
• Printed Paper anomaly last year resulted in third party review this year with a group of printed paper stewards

• Review identified opportunities to improve fairness of fee methodology for stewards

• Opportunity for CSSA to resolve on national basis via 1st-principles review with stewards in 2014
Comment and Questions
Overview

I. Review of 2014 Steward Obligation

II. 2014 Fee Schedule

III. Look Ahead

IV. Questions
2014 Steward Obligation
Obligation is 80% of municipal costs

<table>
<thead>
<tr>
<th>Steward Obligation</th>
<th>2014 Obligation</th>
<th>2013 Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of supply chain costs</td>
<td>$10,012,800</td>
<td>$9,700,000</td>
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<tr>
<td>Promotion &amp; Education</td>
<td>720,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>25,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Program Management</td>
<td>1,818,842</td>
<td>1,833,850</td>
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<tr>
<td>Surplus to Return</td>
<td>(1,500,000)</td>
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<tr>
<td><strong>Total fee obligation</strong></td>
<td><strong>$11,076,642</strong></td>
<td><strong>$12,283,850</strong></td>
</tr>
</tbody>
</table>

Year over Year change %: -9.8%

Material specific P&E*: $100,000

* P&E to promote reduction of plastic bag usage
Steward Obligation Highlights

• Despite increased cost obligations to municipalities, MMSM’s steward obligation decreased by approx 10% due to drawdown of surplus
• Supply chain obligation has increased by 3% in line with CPI and fuel prices
2014 Fee Schedule
## 2014 Fee Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Material</th>
<th>Fee rates 2014 (cents/kg)</th>
<th>Fee rates 2013 (cents/kg)</th>
<th>Variance (%)</th>
<th>Fee rates 2014 (Without surplus) (cents/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRINTED PAPER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printed Paper</td>
<td>Newsprint</td>
<td>1.96 c/kg</td>
<td>2.38 c/kg</td>
<td>-17.6%</td>
<td>2.40 c/kg</td>
</tr>
<tr>
<td></td>
<td>Magazines and Catalogues</td>
<td>5.97 c/kg</td>
<td>6.19 c/kg</td>
<td>-3.6%</td>
<td>7.02 c/kg</td>
</tr>
<tr>
<td></td>
<td>Telephone Books</td>
<td>6.03 c/kg</td>
<td>6.19 c/kg</td>
<td>-2.6%</td>
<td>7.02 c/kg</td>
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<tr>
<td></td>
<td>Other Printed Paper</td>
<td>5.45 c/kg</td>
<td>6.19 c/kg</td>
<td>-12.0%</td>
<td>7.02 c/kg</td>
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<tr>
<td>PACKAGING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Paper Based Packaging</td>
<td>Corrugated Cardboard</td>
<td>9.96 c/kg</td>
<td>10.52 c/kg</td>
<td>-5.3%</td>
<td>11.43 c/kg</td>
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<tr>
<td></td>
<td>Boxboard</td>
<td>10.27 c/kg</td>
<td>10.52 c/kg</td>
<td>-2.4%</td>
<td>11.43 c/kg</td>
</tr>
<tr>
<td></td>
<td>Gable Top Cartons</td>
<td>25.22 c/kg</td>
<td>31.31 c/kg</td>
<td>-19.5%</td>
<td>27.60 c/kg</td>
</tr>
<tr>
<td></td>
<td>Paper Laminates</td>
<td>25.22 c/kg</td>
<td>31.31 c/kg</td>
<td>-19.5%</td>
<td>27.60 c/kg</td>
</tr>
<tr>
<td></td>
<td>Aseptic Containers</td>
<td>25.22 c/kg</td>
<td>31.31 c/kg</td>
<td>-19.5%</td>
<td>27.60 c/kg</td>
</tr>
<tr>
<td>Plastic Packaging</td>
<td>PET Bottles</td>
<td>17.13 c/kg</td>
<td>20.33 c/kg</td>
<td>-15.7%</td>
<td>19.82 c/kg</td>
</tr>
<tr>
<td></td>
<td>HDPE Bottles</td>
<td>15.93 c/kg</td>
<td>24.89 c/kg</td>
<td>-36.0%</td>
<td>18.69 c/kg</td>
</tr>
<tr>
<td></td>
<td>Plastic Film</td>
<td>29.19 c/kg</td>
<td>34.99 c/kg</td>
<td>-16.6%</td>
<td>34.08 c/kg</td>
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<tr>
<td></td>
<td>Polystyrene</td>
<td>31.72 c/kg</td>
<td>34.99 c/kg</td>
<td>-9.3%</td>
<td>34.08 c/kg</td>
</tr>
<tr>
<td></td>
<td>Other Plastics</td>
<td>31.72 c/kg</td>
<td>34.99 c/kg</td>
<td>-9.3%</td>
<td>34.08 c/kg</td>
</tr>
<tr>
<td></td>
<td>Plastic Laminates</td>
<td>31.72 c/kg</td>
<td>34.99 c/kg</td>
<td>-9.3%</td>
<td>34.08 c/kg</td>
</tr>
<tr>
<td>Steel Packaging</td>
<td>Steel Food &amp; Beverage Cans</td>
<td>7.70 c/kg</td>
<td>10.89 c/kg</td>
<td>-29.3%</td>
<td>9.55 c/kg</td>
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<tr>
<td></td>
<td>Steel Aerosols</td>
<td>6.68 c/kg</td>
<td>10.89 c/kg</td>
<td>-38.7%</td>
<td>9.55 c/kg</td>
</tr>
<tr>
<td>Aluminum Packaging</td>
<td>Aluminum Food &amp; Beverage Cans</td>
<td>-2.63 c/kg</td>
<td>1.01 c/kg</td>
<td>-360.4%</td>
<td>-0.83 c/kg</td>
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<tr>
<td></td>
<td>Other Aluminum Packaging</td>
<td>9.99 c/kg</td>
<td>18.07 c/kg</td>
<td>-44.7%</td>
<td>13.67 c/kg</td>
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<tr>
<td>Glass Packaging</td>
<td>Glass</td>
<td>5.91 c/kg</td>
<td>5.77 c/kg</td>
<td>2.4%</td>
<td>6.57 c/kg</td>
</tr>
</tbody>
</table>
Fee Rate Highlights

- Decision to draw down $1.5 M in surplus funds means fee rates will decline across the board for all materials – except glass
- Surplus has been allocated based on disaggregated material fees
- Increased glass volume increased its costs
- Aluminum and steel fee rate drop due to much improved performance reported by larger municipalities despite decline in commodity markets
MMSM Look Ahead

- MMSM signed MSA with CSSA effective January 1, 2014 to deliver steward-facing services
- Working with CSSA to harmonize Steward Services
- Transitioning all historical data to CSSA from current service provider
- One reporting portal
- National material list
- Continue to work with MB municipalities to ensure recycling programs are efficient and effective
MMSM Look Ahead (continued)

• Steward reporting dates will be harmonized with Ontario and BC
• 2014 will be the transition year
  - 2013 MMSM steward data will be used twice
    ▪ Quantities reported in 2013 have already been used to calculate 2013 invoices
    ▪ The 2013 reported quantities will be used again to calculate the 2014 invoices based on the 2014 fee rates
  - In 2014 MMSM stewards will complete their steward reports by May 31, 2014 using their 2013 sales data. The quantities reported will be used to calculate the 2015 fees. These quantities will then be invoiced in 2015.
Look Ahead (continued)

- Change has three impacts on MMSM Stewards:
  - More time to complete their steward report with the extension of the reporting deadline from March 31 to May 31
  - The elimination of sales estimates in the fee setting process
  - The alignment of sales data to the municipal cost data year to better match costs with fees

• Reports will be due on May 31st each year thereafter
Questions
Overview

I. Steward Recruitment
II. Procuring MMBC Members’ Tonnes
III. Review MMBC steward obligation
IV. Review Fee Schedule
V. Accommodating the needs of small business
VI. 2014 Look Ahead
I. Steward Recruitment
Member recruitment a success

- 1,310 stewards submitted Letters of Intent (LOIs) to join MMBC
- 678 stewards are members in good standing with MMBC
  - Uploaded a Membership Agreement
  - Submitted a material quantity report
- MMBC members represent slightly less than half of the LOIs but 80% of expected tonnes
- Recruitment efforts will continue to ensure all major producers are participating
Enforcement of the Recycling Regulation is critical

• 150+ BC companies with revenues > $10m (representing an estimated 30,000 PPP tonnes) did not submit letters of intent by the program plan deadline of November 19, 2012, nor did they subsequently join MMBC and report their data by September 20th.

• MMBC members will be looking to the MoE to ensure that their competitors are compliant with the Recycling Regulation and that all are equally subject to the law.

• MOE enforcement of the Regulation with these stewards is key to MMBC’s success
II. Procuring MMBC Members’ Tonnes
Members have reported their tonnes

<table>
<thead>
<tr>
<th>Packaging and Printed Paper</th>
<th>Member Tonnes Supplied</th>
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<tbody>
<tr>
<td>Printed Paper</td>
<td>61,037</td>
</tr>
<tr>
<td>Paper Packaging</td>
<td>86,365</td>
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<tr>
<td>Plastic Packaging</td>
<td>63,722</td>
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<tr>
<td>Steel &amp; Metal Packaging</td>
<td>13,115</td>
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<tr>
<td>Aluminum Packaging</td>
<td>3,485</td>
</tr>
<tr>
<td>Glass Packaging</td>
<td>19,597</td>
</tr>
<tr>
<td><strong>Total Member Supplied Tonnes</strong></td>
<td><strong>247,321</strong></td>
</tr>
</tbody>
</table>
What is MMBC’s recycling obligation?

• BC Recycling Regulation requires that a steward (producer) must recycle 75% of the packaging and printed paper they put into the residential marketplace.
• MMBC on behalf of its members has assumed that obligation.
• In 2014 MMBC needs to recycle 185,491 of its members’ reported tonnes.
• As more organizations join MMBC additional tonnes will need to be procured.

247,321 tonnes x 75% = 185,491 tonnes
Broad consumer accessibility is goal

• MMBC anticipates providing ~80% of BC households with access to recycling services in 2014
  – Commensurate with up to 75% of MMBC member-reported tonnes
  – As more businesses join MMBC, we will procure more tonnage by engaging additional collectors and expand access to more households across the province
III. Members’ 2014 Steward Obligation
Substantive cost drivers

- **100% EPR**: MMBC program is first fully industry-funded and managed packaging and printed paper program in Canada
- **75% Target**: Higher recycling rate target than eastern provinces
- **Multiple collection channels**: Requirement to include multi-family buildings and depots as collection channels, over and above curbside collection
- **Geography**: mountains, islands and bridges makes transportation more complicated and costly compared to other programs
- **Population density**: MMBC has a commitment to make recycling services accessible – many residents live in rural areas with small populations, presenting transportation challenges and increased costs
- **BC carbon tax**: adds a 10-20% premium on fuel prices – increasing transportation costs to collect recycling
- **Beverage containers on deposit**: program loses out on economies of scale and commodity revenues, especially revenues associated with valuable aluminum and PET
BC’s program will operate in real time

• MMBC will be operating an end-of-life supply chain in real time which means:
  – We are not reimbursing municipalities for costs they incurred in the past as is the case in ON, MB and QC
  – Much work accomplished to be ready for May 2014 launch
• These facts drive two one-time cost features in the budget:
  – $7.5 million program start up costs
  – $16 million working capital accumulation
MMBC first true EPR Program in Canada for packaging and printed paper

<table>
<thead>
<tr>
<th>Steward Obligation</th>
<th>100% EPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Chain Costs</td>
<td>$55,512,500</td>
</tr>
<tr>
<td>Program Management</td>
<td>4,375,000</td>
</tr>
<tr>
<td>Promotion &amp; Education</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Total Operation Costs</td>
<td>60,887,500</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Start-up</td>
<td>7,500,000</td>
</tr>
<tr>
<td>Working Capital Accumulation</td>
<td>16,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Fee Obligation</td>
<td>84,387,500</td>
</tr>
</tbody>
</table>
Program Start Up

• Program start up costs of $7.5 million is a one-time cost that will be addressed in 2014.

• Work on MMBC’s program began back in 2011 and has included:
  – program plan development, steward recruitment, stakeholder consultations, contract development for stewards and service providers and more.

• Money borrowed to pay these costs is backed by CSSA board members and should be paid back as soon as possible.
Working Capital Accumulation Needed

• A real time end of life supply chain means that MMBC will need to be paying its bills 15 days after program launch
• We need at least 2.5 months of working capital to pay our bills
• Budget provides for working capital accumulation of $16 million to allow us to begin paying bills immediately upon program launch
What does this mean for MMBC Members?

• MMBC members will receive their first invoices in January so that MMBC has cash on hand at program launch to pay its bills and service its debt

• Late joiners will not avoid paying these one time costs
  – Membership agreement stipulates that late joiners to MMBC will pay their share of costs back to the beginning of the program
IV. 2014 Fee Schedule
Fee Schedule Highlights

• Comprehensive cost and recycling data not available for MMBC fees (vs Ontario that benefits from 10 years of data)

• Augmented best available BC data with assumptions and extrapolations based on Ontario’s experience (e.g., material recycling rates)

• For the first time paper and plastic packaging categories introduced to signal that high performing materials attract a lower fee than low performing (hard-to-recycle) materials.
<table>
<thead>
<tr>
<th>Category</th>
<th>Material</th>
<th>Fee rates 2014 (cents/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRINTED PAPER</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printed Paper</td>
<td>Newsprint</td>
<td>20.00 ¢/kg</td>
</tr>
<tr>
<td></td>
<td>Magazines and Catalogues</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Telephone books</td>
<td>24.00 ¢/kg</td>
</tr>
<tr>
<td></td>
<td>Other Printed Paper</td>
<td></td>
</tr>
<tr>
<td>PACKAGING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper Based Packaging</td>
<td>Corrugated Cardboard</td>
<td>29.00 ¢/kg</td>
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<tr>
<td></td>
<td>Boxboard</td>
<td></td>
</tr>
<tr>
<td>Composite Paper Packaging</td>
<td>Gable Top Cartons</td>
<td>52.00 ¢/kg</td>
</tr>
<tr>
<td></td>
<td>Paper Laminates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aseptic Containers</td>
<td></td>
</tr>
<tr>
<td>High Grade Plastics Packaging</td>
<td>PET Bottles</td>
<td>31.00 ¢/kg</td>
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<tr>
<td></td>
<td>HDPE Bottles</td>
<td></td>
</tr>
<tr>
<td>Low Grade Plastics Packaging</td>
<td>Plastic Film</td>
<td>54.00 ¢/kg</td>
</tr>
<tr>
<td></td>
<td>Polystyrene</td>
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<tr>
<td></td>
<td>Other Plastics</td>
<td></td>
</tr>
<tr>
<td>Plastic Laminates</td>
<td>Plastic Laminates</td>
<td>70.00 ¢/kg</td>
</tr>
<tr>
<td>Steel Packaging</td>
<td>Steel</td>
<td>52.00 ¢/kg</td>
</tr>
<tr>
<td>Aluminum Packaging</td>
<td>Aluminum Food &amp; Milk Containers</td>
<td>45.00 ¢/kg</td>
</tr>
<tr>
<td></td>
<td>Other Aluminum Packaging</td>
<td></td>
</tr>
<tr>
<td>Glass Packaging</td>
<td>Clear Glass</td>
<td>25.00 ¢/kg</td>
</tr>
<tr>
<td></td>
<td>Coloured Glass</td>
<td></td>
</tr>
</tbody>
</table>

Newsprint easiest to recycle in its printed paper group has lower fee.

Paper based packaging easiest to recycle therefore has lower fee.

Highgrade plastics easiest to recycle has lower fee.

Low grade plastic difficult to recycle means higher fee.

Plastic laminates cannot yet be recycled so attracts the highest fee in this Plastics category.

Most aluminum captured by deposit system means aluminum in MMBC program expensive to manage.
V. Accommodating the Needs of Small Business
MMBC understands small business issues

- Administrative simplicity
- Minimal financial burden
- MMBC committed to addressing these concerns
- MMBC must also minimize transferring costs of small business to its medium and large members.
Some considerations…

• MMBC lacks exemption powers.
  – Recycling Regulation does not exempt any class of producers.
  – Only option is for MMBC to develop a class of membership for small business.

• Defining small business is difficult
  – Many criteria exist to classify small business e.g. from sales, net income, number of employees
  – None of these criteria correlate to the amount of packaging supplied into the marketplace.
Very small businesses exempt from reporting and paying material fees

• Businesses that join MMBC and that meet ANY of the following criteria will be exempt from reporting:
  • <$1M in revenues; OR
  • <1 tonne PPP; OR
  • Business operates as a single point of retail sale and is not supplied by or operated as part of franchise, chain or under a banner

• Members that meet any of these criteria would be required to register with MMBC and sign an annual declaration indicating they fall within the above threshold and pay $150 administration fee for membership in good standing
Flat Fees for Low Volume Producers

- MMBC is proposing two categories of flat fees:
  - $550 for those that supply between 1.0 and 2.5 tonnes; and
  - $1200 for those that supply between 2.5 and 5.0 tonnes of packaging and printed paper into the residential waste stream
- Flat fees based on estimated cost of $455 per tonne of packaging and printed paper
- Simplified reporting requirement rather than detailed annual reporting as required by larger members
  - Can calculate their tonnage using a simplified online tool
- Or members could choose to submit a detailed report and pay stewardship fees in accordance with MMBC’s fee schedule
Next steps: Consultation with small business

• MMBC is currently meeting with small business groups such as Canadian Federation of Independent Business, BC Chamber of Commerce and others to gather their input/feedback on policy
VI. MMBC Look Ahead
What’s next for stewards?

• MMBC welcomes new members
  • Member recruitment is ongoing
  • Our goal to provide BC consumers with broad accessibility is dependent on the ability to recruit more stewards so that we can expand our program to all reaches of the province

• 2014 invoices will be issued quarterly
  • Q1 invoices will be issued January 2, 2014 and are due January 31, 2014

• 2014 steward reports are due May 2014
  • Stewards will report 2013 quantities to MMBC
Questions?
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Email: stewards@cssalliance.ca
Website: www.cssalliance.ca