

# Consultation on the Proposed 2023 Fees for the Hazardous Waste Program Registry

October 6, 2022



# Proposal scope

The Resource Productivity and Recovery Authority (RPRA) is a regulator mandated by the Ontario government to:

1. Support the transition to a circular economy by winding up and transitioning legacy waste diversion programs under the [Waste Diversion Transition Act, 2016](#) (WDTA) and implementing the new producer responsibility framework under the [Resource Recovery and Circular Economy Act, 2016](#) (RRCEA)
2. Provide digital registration and reporting services (referred to as “registries” in RPRA communications) for the province’s Excess Soil and Hazardous Waste programs under the [Environmental Protection Act](#) (EPA), as directed by the Minister

As an administrative authority of the Government of Ontario, RPRA does not receive any government funding and funds its operations through fees charged to regulated parties on a cost-recovery basis.

This proposal is provided for information and to obtain feedback on proposed 2023 fees for RPRA’s Hazardous Waste Registry Program.

Proposed 2023 fees for RPRA’s RRCEA programs (Tires, Batteries, ITT-AV, Hazardous and Special Products, Blue Box, and Lighting) and the Excess Soil Registry were posted for information and feedback on September 26.

Fees are being proposed in advance of the calendar year in which they will apply. RPRA’s 2023 budget, on which 2023 fees are based, has already been finalized as part of RPRA 2023 Business Plan. The plan was submitted to the Minister on October 1 and will be published on RPRA’s website in the coming weeks.

# Mandate to implement the HWP Registry

- RPRA is mandated by the Minister of the Environment, Conservation and Parks to:
  - Create a digital registry for reporting all information under Ontario's Hazardous Waste Program, including registering facilities and waste streams, on-site waste activities and manifesting (no more paper manifests)
  - Set and collect fees to recover costs
  - Support registrants who report to the Hazardous Waste Program Registry
- RPRA's Hazardous Waste Program Registry will replace the current HWIN system and will include a mandatory online reporting portal and electronic manifesting solution, including a mobile app
- The Ministry of the Environment, Conservation and Parks (MECP) will continue to oversee the Hazardous Waste Program and be responsible for compliance and enforcement activities
- The RPRA website has more information about the [HWP Registry](#), including FAQs, presentations and other information



# Background on cost recovery

- The RRCEA and WDTA allow RPRA to set and collect fees to recover its costs. Fee revenues come from three sources:
  1. Annual fees from obligated parties required to register and report to RPRA under RRCEA regulations. RRCEA program fees cover RPRA's costs to develop and operate registry systems, carry out compliance and enforcement activities related to the RRCEA regulations, and provide support to registrants in complying with their regulatory obligations.
  2. Transaction fees from parties obligated to register and report through RPRA's Excess Soil and Hazardous Waste registries. These fees cover RPRA's cost to build and operate registry systems for programs under the EPA and provide support to users on an ongoing basis. The Ministry of the Environment, Conservation and Parks is responsible for compliance activities related to these EPA programs.
  3. Monthly cost recovery charges to industry funding organizations (IFOs) and industry stewardship organizations (ISOs) under the WDTA. WDTA monthly charges cover RPRA's costs to oversee the operation of legacy waste diversion programs, IFOs and ISO's, and the wind-up of IFOs.
- RPRA engaged the management consulting firm Optimus SBR to conduct a third-party review of its fees in fall 2021 to identify any enhancements to reflect best practices in fee setting. The review was completed before 2022 RRCEA Program Fees were set.
- The review concluded that RPRA's cost allocation methodology and fee model were reasonable and consistent with RPRA's fee-setting principles (found in the [General Fee-Setting Policy](#)). The review also concluded that RPRA's fee-setting principles were consistent with best practices.
- [Optimus SBR's Executive Summary](#) of their review of RPRA's Cost Allocation Methodology and Fee-Setting Model.

# Consultation process for 2023 HWP Registry fees

- RPRA's legislative framework requires RPRA to consult on proposed fees for 45 days and post the final fees for 30 days.
- The consultation on RPRA's proposed 2023 Hazardous Waste Program Registry fees **begins on October 6 and ends on November 21.**
- You can share feedback at [consultations@rpra.ca](mailto:consultations@rpra.ca) **on or before November 21.**
- Two webinars will be held on October 12<sup>th</sup> and 14<sup>th</sup>. Content for each webinar will be the same. Follow the links below to register:
  - [October 12](#), 10:30a.m. to 12:00p.m.
  - [October 14](#), 10:00a.m. to 11:30a.m.
- Feedback from the consultation will be summarized in a report that will be posted to RPRA's website.
- The final **fees will be posted to the website on or before December 1<sup>st</sup>** and stakeholders will be notified when they have been posted.
- For more information on the consultation process, visit our [website](#).

# Approach to fee setting

RPRA's proposed fees are guided by its [General Fee-Setting Policy](#), which is posted on RPRA's website.

There are four main inputs into RPRA's fee proposal development process:

1. The **annual budget**, which is set out in the annual business plan and consulted on with the Industry Advisory Council and Service Provider Advisory Council. Details of the annual budget will be published this fall when the 2023 Business Plan is released.
2. RPRA's **Cost Allocation Methodology**, which guides the allocation of RPRA's costs to the different programs RPRA operates.
3. The **fee model** that determines how and what fee payers within each program are charged.
4. Estimates of **number of fee payers and the amount of material supplied or generated** for each program

# 2023 Program Cost Allocations and Recoveries



# RPRA's strategic priorities

RPRA's cost recovery target is required to support the delivery of its strategic priorities :

**1. Providing registrants with accessible and easy-to-use registry services**

Every program RPRA operates relies on an online registry to facilitate mandatory reporting by registrants.

**2. Delivering an effective compliance program to help achieve resource recovery and waste reduction outcomes for the province**

The waste diversion outcomes embedded in the extended producer responsibility (EPR) framework and accompanying regulations depend on an effective and efficient compliance program to hold the regulated community accountable; this includes services to registrants to support efficient and informed compliance.

**3. Providing Ontario with reliable and useful resource recovery and waste information**

RPRA is mandated to report publicly on registry data, and registrants and the public expect RPRA to publish reliable and useful information about all eight programs.

**4. Building an accountable, transparent and sustainable organization that achieves value for money**

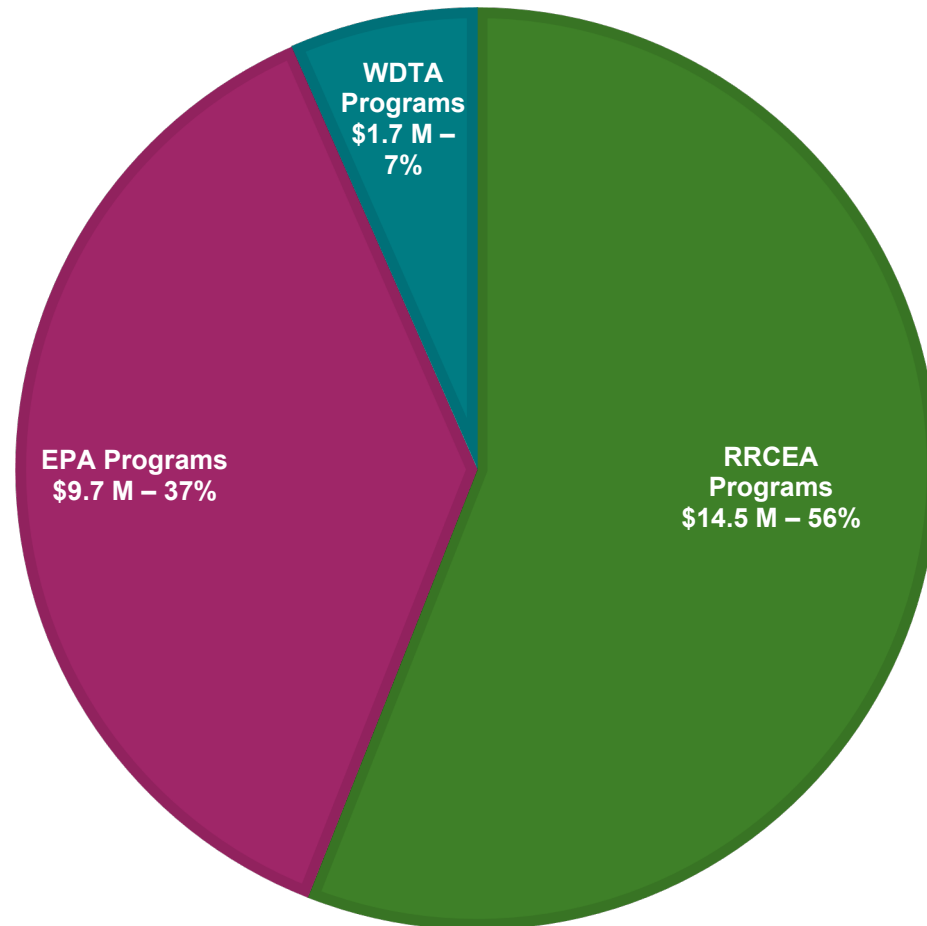
The government and stakeholders expect that RPRA will operate in a transparent and fiscally responsible manner and continue to invest in organizational improvements to achieve regulatory and service delivery outcomes.



# New investments in front-line services and registry support

- RPRA's 2023 budget includes new and necessary investments focused on:
  - **Front-line staff:** RPRA is planning for nine additional front-line staff compared to last year's forecast to meet registrant expectations for assistance in using the registry and achieving compliance.
  - **IT support:** RPRA is planning substantial additional investment in licensing and software, security improvements, and an enlarged managed services team to help ensure the security, reliability and useability of all registry portals, including the new Hazardous Waste Program Registry and mobile app.
- The investments are necessary because:
  - The volume of interactions with registrants is increasing substantially in 2023.
  - Growth has been accelerating over the past year as we have begun implementing four new programs, including the new Hazardous Waste Program Registry.
- These new investments will help ensure that RPRA provides the support its registrants need to fulfill their regulatory requirements without undue burden and achieve the regulatory and service delivery outcomes for both the RRCEA programs and the Hazardous Waste and Excess Soil registries.
- More information about RPRA's budget will be publicly posted when the 2023 Business Plan is published to our website in the coming weeks.

# 2023 RPRA cost recovery targets



- RPRA's 2023 cost recovery target is approx. \$25.9 M
- A detailed budget will be included in the 2023 Business Plan, which will be published to our website in the coming weeks
- Cost recoveries from EPA programs have increased over 2022, with HWP launching in January 2023 and assuming Excess Soil registrants will be required to file notices to the registry starting in January 2023.

# 2023 RPRA cost recovery targets (year-over-year)

Program	2022	2023	Notes
<b>Targets for RRCEA and EPA programs:</b>			
RRCEA programs (Tires, Batteries, ITT-AV, Lighting, HSP, BB)	\$12.5 M	\$14.5 M	Year-over-year increase reflects increase in investments, full amortization of registry portals, impacts of interest rate increases, among other things.
EPA programs (Excess Soil and Hazardous Waste program registries)	\$3.3 M	\$9.7 M	2023 will be the first year both the Hazardous Waste Program and Excess Soil registries will be fully operational and incurring the full costs of that operation. The 2023 cost recovery target reflects the IT and registry support needs of the Hazardous Waste Program and Excess Soil registries and includes start-up costs carried over from 2022.
<b>Total RRCEA and EPA programs target:</b>	<b>\$15.8 M</b>	<b>\$24.2 M</b>	
WDTA programs target:	\$2.7 M	\$1.7 M	Cost recovery target for WDTA programs will eventually reach zero in future years once all programs are wound-up.
<b>Total RPRA cost recovery target:</b>	<b>\$18.5 M</b>	<b>\$25.9 M</b>	The increase in RPRA's total cost recovery target from 2022 to 2023 is due to new investments in front-line staff and IT support necessary to handle new programs and the demands of existing programs, increased interest and amortization due to inflation, and an increased contribution to the operating reserve to reduce risk (including cash flow risk) and ensure continuity of service.

# Cost Allocation Methodology

RPRA's current cost allocation methodology was adopted in 2022 after reviewing the previous cost allocation methodology, along with the fee model, with an external party. The [summary](#) of that review is available on our website. The methodology comprises four main steps:

1. Assign forecasted direct costs to each program, including registry amortization and interest, registry foundational costs and interest, professional fees, and certain IT and registry-related expenses.
  - Over their lifetimes all programs are expected to incur an equal amount of the registry foundation common costs
2. Assign indirect and shared costs across all programs using key cost drivers. For example:
  - Indirect costs such as insurance, board remuneration, website, non-registry amortization and office supplies are shared equally across programs
  - Shared service costs such as staff salaries and benefits, IT services and supports, and software licenses are allocated to each program using cost drivers such as the number of registrants, or are shared equally across programs, or are shared using an average of various cost drivers.
3. Contributions to the operating reserve are allocated to each program based on the program's proportionate share of total expenses to be recovered for the year.
4. Contributions to RRCEA program start-up cost recovery are allocated equally to each active program.



# 2023 RPRA cost recovery targets by program

Program	2023 RRCEA/EPA targets
Tires	\$2.3 M
Lighting	\$1.3 M
ITT-AV and Batteries	\$3.2 M
HSP	\$2.5 M
Blue Box	\$5.2 M
Excess Soil (2023 includes \$0.2M to partially recover 2021 start-up costs)	\$2.3 M
HWP (2023 includes \$0.9M to partially recover prior year start-up costs)	\$7.5 M
<b>Total RRCEA and EPA programs</b>	<b>\$24.2 M</b>

# HWP Registry Costs

As an Administrative Authority of the Government of Ontario, RPRA does not receive any government funding and funds its operations through fees charged to regulated parties on a cost recovery basis.

Fees charged to HWP registrants will recover RPRA's costs for building and implementing the HWP Registry as authorized under the RRCEA, including:

- Registry development plus interest (development costs are amortized over a 10-year period)
- Recovery of start-up operating costs from 2021 and 2022 over a three-year period
- Registry implementation, including Registry Support Officers, call-centre costs, IT support costs, and general administration, such as:
  - On-call phone and email support to handle 20,000+ registrants and approximately 250,000 manifests per year
  - Business and IT support for registry portal, plus accompanying mobile app and public access to registry data
  - Ongoing training and guidance material for all users
  - Supporting an API to facilitate use by high volume registrants
  - Separate portal for MECP to access and input information and data

## HWP Registry Costs – cont'd

HWP Registry program costs (estimates based on 2023 budget)	2023 (in millions)	Notes
1. Amortization	\$1.2	Development costs for the HWP Registry are amortized over 10 years; also includes an equal program share of registry foundation common costs
2. Interest	\$0.7	Estimated annual interest payments on amortized registry costs
3. Direct, indirect and shared costs allocation	\$4.7	Direct costs include software licenses and other HWP-specific costs; indirect costs are general administration and other costs shared equally across programs; shared cost allocation for registry support and other shared services based on cost drivers, including number of registrants
Subtotal	\$6.6	
4. Deferred operating costs	\$0.9	Operating costs incurred in 2021 and 2022 during the development and launch of the HWP Registry to be recovered equally over three years: 2023, 2024 and 2025
<b>Total costs to be recovered from HWP registrants in 2023</b>	<b>\$7.5</b>	

# Proposed 2023 Fee Model and Rates





# Overview of proposed 2023 HWP Registry fee model

The *Subject Waste Program Regulation* under the RRCEA preserves fee exemptions for wastes and sources of waste that currently exist under the program. Accordingly, **all existing fee exemptions will be maintained.**

Like the current program, all fees will be **invoiced to the generator** (or, if full delegation is used, to the authorized delegate that registers the generator's facility).

Like the current program, RPRA is proposing (1) a **manifest fee** for each manifest, and (2) a **tonnage fee**. The tonnage fee will apply to shipped waste and to waste that is disposed onsite.

Unlike the current program, **there will be no annual registration fee.**

Fees will be **invoiced monthly** and will include applicable fees for manifests completed during the previous month. Fees for onsite disposal will be invoiced at the time the disposal activity report is completed.

The proposed fee model is aligned with RPRA's **General Fee-Setting Principles**, found in the [General Fee Setting Policy](#), including:

- **Equity:** The manifest fee ensures a de minimis amount is charged to generators even when tonnage is low. The tonnage fee ensures the model protects small generators from excessive burden, and that large generators pay fees that reflect the relative quantity of waste they generate.
- **Simplicity and Predictability:** Assessing a manifest and tonnage fees is aligned with reporting requirements for generators and with the *Subject Waste Regulation*; generators are already familiar with this fee structure from the current HWIN program.

# Overview of proposed 2023 HWP Registry fee rates

To recover the costs of the HWP Registry from manifest and tonnage fees, RPRA is proposing to maintain the manifest fee at **\$5 per manifest**, the same rate that is charged under the current HWIN program.

Remaining costs for the program will be recovered through a tonnage fee.

To set the tonnage rate at an amount that will recover program costs, RPRA must estimate the number of manifests and tonnage that will be reported during the year. These numbers have historically varied substantially from year-to-year.

For the purposes of setting the tonnage rate, RPRA is assuming that approximately **250,000 manifests** subject to fees will be submitted in 2023. This is close to the average number of manifests subject to fees that were reported between 2017 and 2021, excluding 2020, when shipments were abnormally low due to the COVID-19 pandemic.

For the purposes of setting the tonnage rate, RPRA is assuming that approximately **230,000 tonnes** of waste subject to fees will be reported in 2023. This is a conservative estimate in the lower range of total annual tonnage subject to fees reported into HWIN annually since 2017. Setting a tonnage rate based on a conservative tonnage estimate mitigates the risk that fees will fall short of recovering program costs in 2023.

Surpluses or deficits generated by over- or under-collection remain with the program budget and are incorporated into future fee rates. If the rate is set too low, the program will run a deficit, and rates will need to increase in following years to recover the difference. Rates must be set high enough so that revenue contingencies are not depleted during the year and program operations are not interrupted.

# HWP Registry fees proposed for consultation

Description	Proposed Fee
<b>Tonnage</b> *Excludes waste subject to tonnage fee exemptions in the Subject Waste Regulation under the RRCEA	\$27.50 / tonne
<b>Manifest</b> *Excludes manifests for waste subject to manifest fee exemptions in the Subject Waste Regulation under the RRCEA	\$5 / manifest

# Feedback

- If you have questions about the proposal or would like to discuss it in more detail, email us at [consultations@rpra.ca](mailto:consultations@rpra.ca).
- Register for one of our webinars:
  - [October 12](#), 10:30a.m. to 12:00p.m.
  - [October 14](#), 10:00a.m. to 11:30a.m.
- **Email your feedback to [consultations@rpra.ca](mailto:consultations@rpra.ca) on or before November 21, 2022**