

Processor Breakout



Governance and Administration

Conflict of interest mitigation plan

- Electronic Products Recycling Association (EPRA) administers the WEEE Program through a service agreement with OES and EPRA may have an operational role under the RRCEA after wind up

Mitigation plan addresses:

- Board Governance (e.g. new Board appointed in August 2018)
- Administration (e.g. separation of operations and independent Wind Up Program Manager)
- Data management (e.g. all steward and service provider data in OES's possession will be destroyed following transfer to RPRA)

Key question- Governance and administration

Do OES's proposals support competition and prevent conflict of interest?





Budget and EHF

Revised financial forecasts

- In April- June 2018, the Tax Court of Canada overturned a ruling from early in the program that stated that industry funding organizations, such as OES, were not allowed to claim Input Tax Credits (ITCs) for HST paid to third parties
- This meant claiming ITCs was allowed for the HST paid on services and goods received in managing the program from 2009-2018
- The Wind-Up Plan financial forecasts were revised following OES's consultations as a result of receipt of final refunds from CRA in February 2019
 - In total, OES received a refund of \$60.8 million from the CRA as a result of ITCs

Background - EHF reduction

- In light of the larger than expected OES forecast reserve surplus resulting from the CRA decision:
 - OES implemented a 17-month steward fee reduction to \$0
 - The fee reduction took effect on February 1, 2019
 - Eliminated:
 - Steward fees to OES until wind up
 - Consumer EHF fees until wind up
- OES formally notified stewards of the fee elimination on December 3, 2018 so that stewards could prepare their internal IT systems

Proposal- Budget

Revenue:	2018 Forecast	2019 Budget	2020 Budget
EEE Fee Revenue	\$51,309	\$3,327	
EHF Fee Refund		(\$2,300)	
Tax Refund	\$60,840		
Interest	\$936	\$545	\$250
	\$113,085	\$1,572	\$250
Expenses:			
Processing	\$27,142	\$26,013	\$12,681
Handling	\$6,103	\$6,231	\$3,280
Transportation/Storage	\$6,236	\$6,419	\$3,380
Direct Program Costs:	\$39,481	\$38,663	\$19,341
Other:			
Promotion and Education	\$2,885	\$2,860	\$1,000
Administration	\$3,101	\$3,370	\$2,485
Wind-up Fees	\$150	\$2,400	\$2,900
RPRA fees	\$1,256	\$2,600	\$1,300
Indirect Costs:	\$7,392	\$11,230	\$7,685
Total Costs:	\$46,873	\$49,893	\$27,026
Surplus/(Deficit)	\$66,212	(\$48,321)	(\$26,776)
Tonnage (metric tonnes)	47,711	45,684	22,271
Reserve	\$109,815	\$61,494	\$28,480
Drawdown on Reserve for HST		(\$6,238)	(\$2,597)
Closing Reserve		\$55,256	\$25,884

Proposal- Budget

- OES is projecting a program surplus of \$25.8 million following the steward fee elimination and the resolution of outstanding financial obligations
- Forecasts subject to financial contingencies, such as fluctuations in WEEE supply
- If needed, OES reserves the right to adjust steward fees to fund any financial shortfalls that may occur



Minister's letter on surplus funds

- The Authority received a letter from the Minister on April 2, 2019 requesting that the Authority conduct consultations on the use of OES surplus funds
 - Minister noted that surplus funds were larger due to the resolution of a tax issue with CRA
- The Minister requested that the Authority:
 - consult on options to ensure that any surplus at program termination be used for the benefit of Ontario consumers
 - report back by April 30, 2019



Contingency reserve

- Need for hold-back of a contingency to ensure OES can meet all of its financial commitments and not run out of funds prior to program wind up
- This contingency will have to address the uncertainty of the underlying assumptions and estimations associated with each option
- A conservative contingency will likely result in some final surplus funds remaining at wind up
- A determination will be made on the use of this final remaining surplus at corporate dissolution



Options for use of OES surplus funds

Based on the Minister's request, these are the possible options:

Surplus fund options that benefit Ontario consumers	
1	Modify the current elimination of consumer Electronic Handling Fee to provide a consumer rebate
2	Extend the current fee elimination period by extending the wind-up date
3	Credit consumers at point-of-waste or product return



Additional considerations for assessment

- Operational ease of implementation within available time
- Legal/contractual feasibility
- Cost efficiency

Option 1: Modify the current elimination of EHF fee to provide a consumer credit

Description

- Rebate applied to purchases of electric and electronic equipment (EEE) products
- Distribution method:
 - Credit at point-of-purchase/invoice
 - Mail-in coupons
- Implementation mechanism:
 - Distributed via stewards, remitters and sub-remitters
 - Mail-in management outsourced by OES

Key questions

- How should the rebate amount be set?
 - Fixed across EEE categories
 - Variable (e.g. mirroring former EHF)
- Which distribution method is preferred?
- What challenges do you see in implementing this option in your supply chain?
- What are timing and duration considerations?

Option 2: Extend the current fee elimination period by extending the wind-up date

Description

- Currently the fee elimination is implemented for the last 17 months of the program
- Continue operating the program at no cost to consumers beyond June 30, 2020

Key question

- Would you support the extension of the existing program as a way to drive down the surplus?

Option 3: Credit consumers at point-of-waste or product-return

Description

- Fixed or variable credit distributed to consumers of EEE at point-of-return
- Distribution method:
 - Direct or invoice credit
 - Mail-in coupons or receipts
- Implementation mechanism:
 - Distributed via processors, generators and collectors
 - Mail-in management outsourced by OES
 - Voluntary or mandatory participation

Key questions

- What factors should determine the rebate amount?
- What challenges do you see in implementing this option in your supply chain?
- Which distribution method is preferred?
- Voluntary or mandatory participation considerations?
- Timing and duration considerations?



Operations

Proposal- Transition of Material Tracking System (MTS)

- Proprietary software used to track WEEE materials through the supply chain, and to process orders, payments and incentive claims
- OES is proposing to make a clean version of MTS available as a free software to stewards and potential producer responsibility organizations as of January 2020
- OES will conduct information sessions if necessary to facilitate the transition of the MTS
- A copy of the MTS software will be provided to RPRA following program termination



Key question- MTS

Would you use a clean version of the MTS system?



Proposals- Service provider contracts, incentives and payments

- OES is not proposing changes to current collection, transportation and processing incentive rates prior to or during the wind up period
- OES is proposing that it maintain existing service provider contracts related to the collection, transportation or processing of WEEE materials
- OES will monitor applications for additional service providers during this period in light of maintaining current program performance and streamlining program wind up
- OES is proposing to give all service providers a minimum of six months' notice of contract terminations. Currently OES anticipates providing notice of contractual termination to service providers in relation to wind up by **September 30, 2019**



Proposals- Compliance

- OES will continue with its regular compliance review activities during the wind up period
- OES is proposing to conduct additional onsite processor visits to validate inputs and outputs related to processor reports
- OES is also proposing to conduct additional reviews on claims outside of normal patterns to ensure validity of claims and expedite the reconciliation process



Proposals- Collectors and Generators

- In January 2020, OES will begin working with collectors and generators to prepare for program shut down
- Collected WEEE will only be eligible for program incentives if the WEEE is dropped off at a collection site by **June 30, 2020** and the related MTS Bill of Lading (BOL) for pick up and transportation of these materials is created and submitted to OES by end of day on **June 30, 2020**.
- As of **July 1, 2020**, collectors and generators will not be able to add new volume to MTS and no new BOL submissions will be accepted



Proposals- Collectors and Generators

- Collector and generator BOL submissions must be made by **June 30, 2020** with arrangement for pickup of such materials arranged no later than **July 10, 2020**
- Collector claims for incentives on WEEE materials collected prior to June 30, 2020 must be submitted to OES no later than **July 31, 2020**



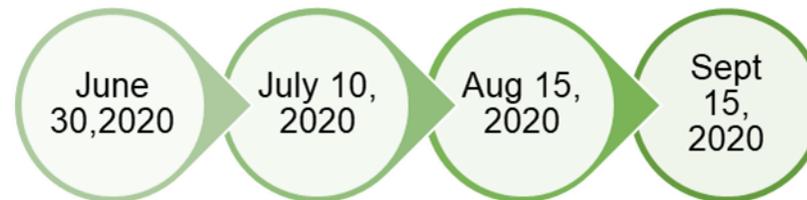
Proposals- Reports and Claims

- In the first quarter of 2020, processor mass balancing reports will be moved from a quarterly to a monthly basis to expedite OES payments in the final six months of program operations
- Processors will have until **August 15, 2020** to submit claims to OES for the MTS BOL's completed and submitted by June 30, 2020 end of day and with corresponding pick ups completed by July 10, 2020
- BOL's dated later than June 30, 2020, will not be eligible for reimbursement
- Mass balancing reports must be completed and submitted to OES by **September 15, 2020**



Proposals- Audits

- OES will increase the audits of processors during the last six months of the program to ensure claims are entered correctly, are valid and that processors continue to function in accordance with program requirements
- Onsite inspections and wind up audits will occur during **July through September 2020**



Proposals- Re-use and Refurbishers

- Re-use and refurbisher service providers will have until **July 10, 2020** to submit reports to OES on R&R activities completed prior to June 30, 2020
- After July 10, 2020, the MTS system will no longer be available for R&R reports



Summary of key dates

Cut-Off Date	Wind Up Plan Measure
June 30, 2020	<ul style="list-style-type: none"> - Program termination date; - Final date for collection of WEEE materials under program; - Final date for submission of MTS BOLs by collectors and generators;
July 10, 2020	<ul style="list-style-type: none"> - Final date for transportation pick up of WEEE from collector and generator sites; - Final date for submission of re-use and refurbish reports to OES;
July 31, 2020	<ul style="list-style-type: none"> - Final date for submission of claims for collection incentives to OES from collectors; - Final date for submission of steward EEE supply reports to OES for the period ending June 30, 2020;
August 15, 2020	<ul style="list-style-type: none"> - Final date for processing of WEEE collected prior to June 30, 2020 and submission of processor incentive claims to OES;
September 15, 2020	<ul style="list-style-type: none"> - Final date for completion of final processor mass balance reports under WEEE program; - Final date for steward submission of corrections or adjustments to EEE supply reports provided earlier under the program.



Key question- Service provider operations

Do the deadlines proposed by OES work when thinking about your business processes?



Key question- The overall plan

Is there enough information in the wind-up plan for you to prepare for the wind up of the program?

From your perspective, does the plan meet the requirements of the Minister's direction?



Next steps

- You may provide your feedback on OES's Wind-Up Plan by:
 - Completing a survey that will be emailed to you after this webinar
 - Emailing your comments to consultations@rpra.ca
- Feedback is due by **Thursday, April 25, 2019**
- Feedback from the consultation will be summarized in a report that will be available on the Authority's website
- RPRA and OES will provide information on proposed regulations as soon as information becomes available from the Ministry of Environment, Conservation and Parks