

Stewards and Remitters 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- Program operation

- In OES's view a business as usual approach will ensure that program performance is maintained and there is no disruption to the existing program during wind up
- OES is not proposing any changes to WEEE material definitions
- OES is not proposing changes to collection, transportation and processing incentive rates prior to or during the wind up period
- OES is proposing to maintain existing service provider contracts related to collection, transportation and processing during the wind up period



Proposal- Steward fees and supply reports

- In OES's view, the continuation of steward supply reports is essential for OES to monitor program performance and conduct periodic and final program cost allocations
- Current OES steward and remitter service agreements will remain in place for the duration of the program
- OES will provide formal notice of the timing of termination of these agreements to stewards after RPRA's approval of the Wind-Up Plan



Proposal- Steward fees and supply reports

- Despite the reduction of steward fees to \$0, stewards must submit EEE supply reports until June 30, 2020
- Following program termination, stewards who normally submit annual supply reports will submit a six month supply report covering the period January 1, 2020- June 30, 2020

Proposal- Steward fees and supply reports

- Final steward reports for the month ending June 30, 2020 will be due by **July 31, 2020**
 - Corrections or adjustments due by **September 15, 2020**. This applies to all stewards whether they normally report on a monthly, quarterly or annual basis
- OES is proposing that steward reports be submitted through a different login link starting July 1, 2020



Key question- Steward operations

Does OES's proposed reporting schedule and process align with your business operations?



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