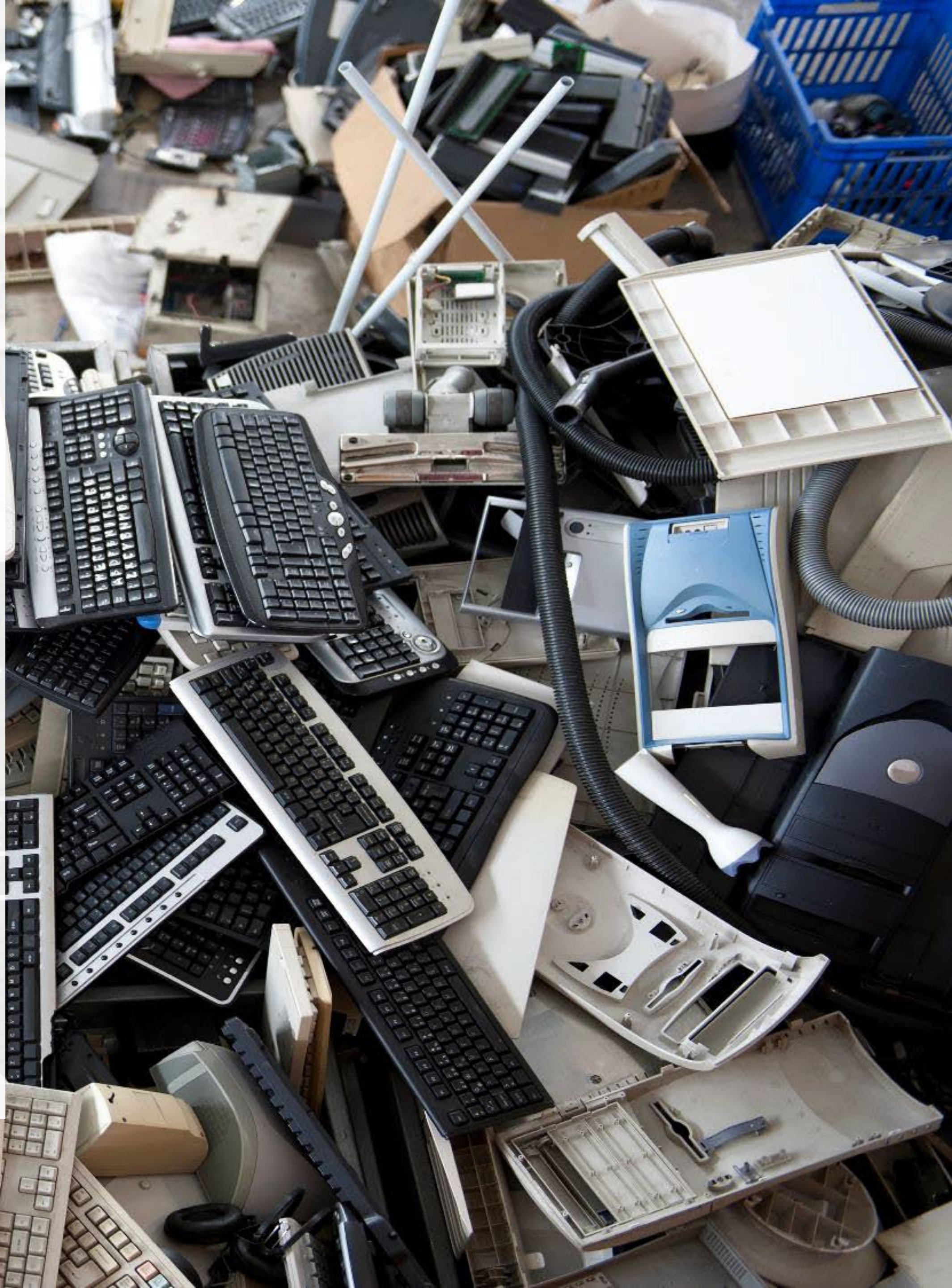
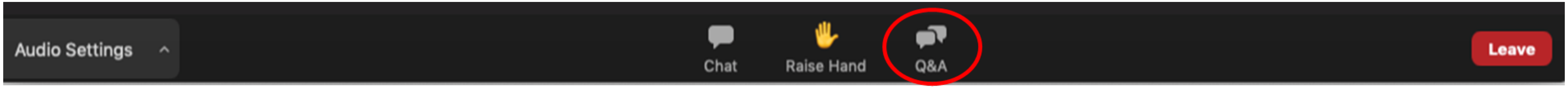
Proposed 2023 Fees for producers of Tires, ITT/AV and Batteries, and Lighting

October 19, 2022



RPRA Resource Productivity & Recovery Authority

How to ask a question



To ask a question at any time during the presentation or for technical assistance, click on the Q&A tab, type your question in the text box and click “send”.

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 registry and compliance programs for producers of tires, ITT/AV, lighting and batteries.
- Proposed 2023 fees for all of 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. Proposed 2023 fees for users of the Hazardous Waste Program (HWP) Registry were posted on October 6.
- 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 is published on RPRA's website.

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 fees for producers of tires, ITT/AV, batteries and lighting

- 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 fees for producers of materials regulated under the RRCEA (tires, ITT/AV and batteries, lighting, HSP materials and Blue Box materials) and users of the Excess Soil Registry **began on September 26 and ends on November 10, 2022.**
- You can send feedback to consultations@rpra.ca **on or before November 10.**
- A webinar for producers of Blue Box and HSP materials will be held on October 21, and a separate webinar for users of the Excess Soil Registry will be held on October 20. All webinars contain information about RPRA’s budget, cost allocation methodology and fee model, but each focuses on proposed fee rates for a subset of RPRA’s programs.
- 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 1st** 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 are included in the 2023 Business Plan.
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

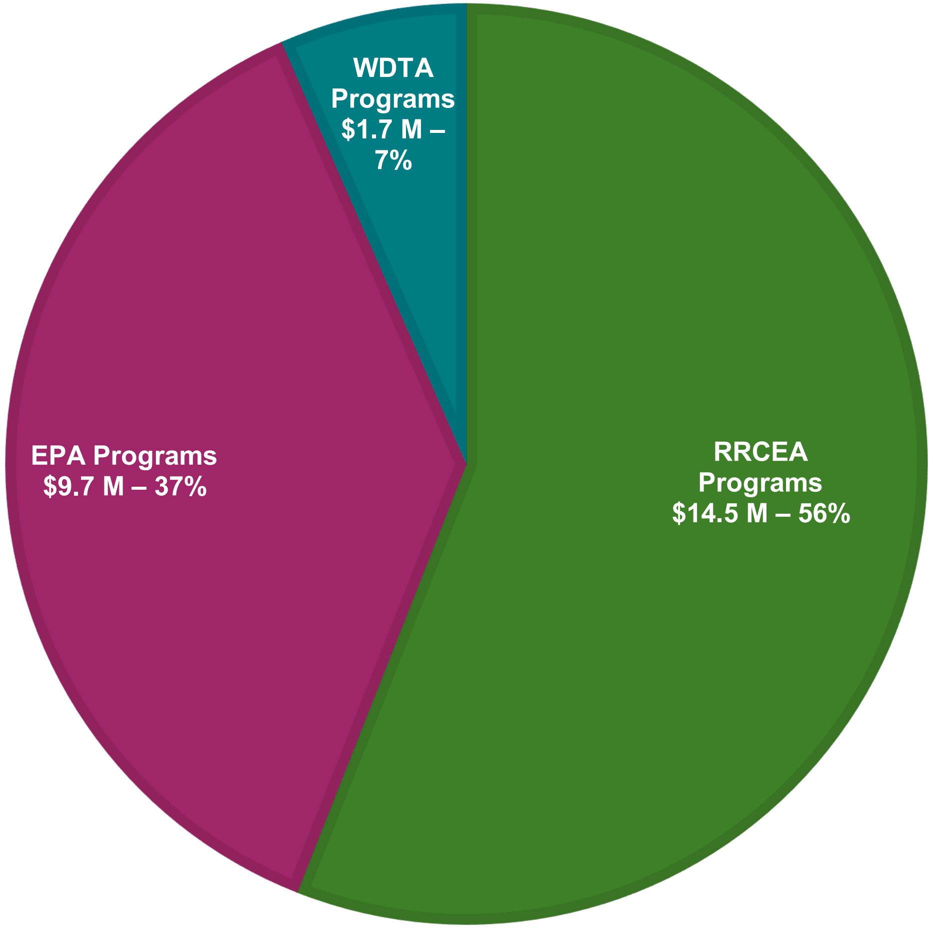
RPRA’s cost recovery target is required to support the delivery of its strategic priorities :

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.
- 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.
- 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 can be found in the 2023 Business Plan.

2023 RPRA cost recovery targets



- RPRA's 2023 cost recovery target is approx. $25.9 M
- A detailed budget is included in the 2023 Business Plan
- 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
Targets for RRCEA and EPA programs:			
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.
Total RRCEA and EPA programs target:	**$15.8 M**	**$24.2 M**	
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.
Total RPRA cost recovery target:	**$18.5 M**	**$25.9 M**	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
Total RRCEA and EPA programs	**$24.2 M**

Tires Program Costs

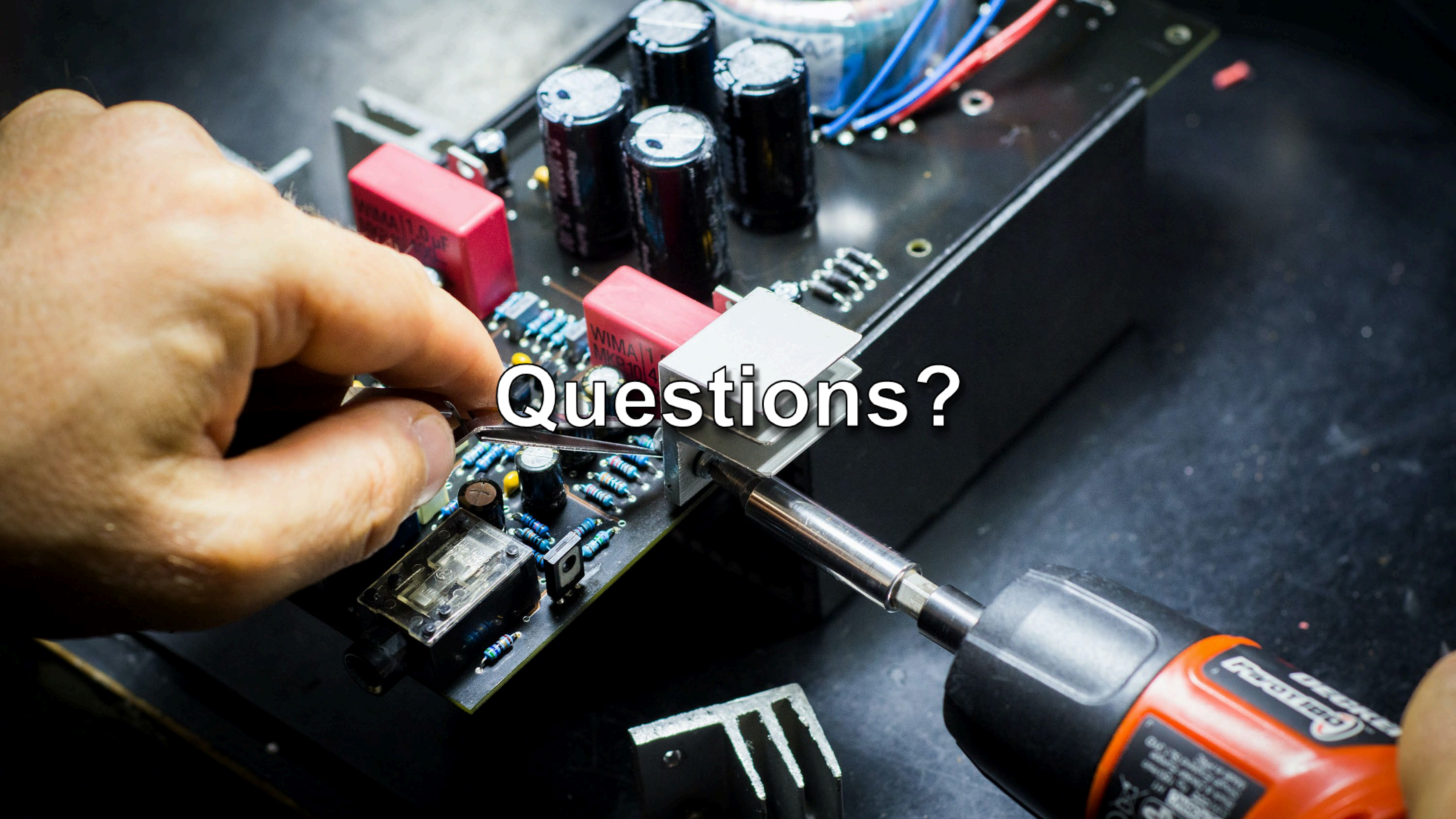
Tires registry and compliance program costs (estimates based on 2023 budget)	2023 (in millions)	Notes
1. Amortization	$0.3	Development costs for the Tires portal are amortized over 10 years; also includes an equal program share of registry foundation common costs
2. Interest	$0.07	Estimated annual interest payments on registry development costs which have been debt financed
3. Indirect and shared costs allocation	$1.8	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
4. Start-up costs and reserve contribution	0.12	Equal program share of recovery of RRCEA start up costs and allocation of contribution to operating reserve
Total costs to be recovered from Tire Producers in 2023	**$2.3**	

ITT/AV and Batteries Program Costs

ITT/AV and Batteries registry and compliance program costs (estimates based on 2023 budget)	2023 (in millions)	Notes
1. Amortization	$0.3	Development costs for the ITT/AV and Battery portals are amortized over 10 years; also includes an equal program share of registry foundation common costs
2. Interest	$0.09	Estimated annual interest payments on registry development costs which have been debt financed
3. Direct, indirect and shared costs allocation	$2.6	Direct costs include professional fees for procedure development; 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
4. Start-up costs and reserve contribution	0.17	Equal program share of recovery of RRCEA start up costs and allocation of contribution to operating reserve
Total costs to be recovered from ITT/AV and Battery Producers in 2023	**$3.2**	

Lighting Program Costs

Lighting registry and compliance program costs (estimates based on 2023 budget)	2023 (in millions)	Notes
1. Amortization	$0.13	Development costs for the Lighting portal are amortized over 10 years; also includes an equal program share of registry foundation common costs
2. Interest	$0.04	Estimated annual interest payments on registry development costs which have been debt financed
3. Indirect and shared costs allocation	$1.0	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
4. Start-up costs and reserve contribution	0.07	Equal program share of recovery of RRCEA start up costs and allocation of contribution to operating reserve
Total costs to be recovered from Lighting Producers in 2023	**$1.3**	


Questions?

Proposed 2023 Fee Model and Rates for Tires, ITT/AV and Batteries, and Lighting

Overview of proposed 2023 fee model for RRCEA programs

- RPRA is proposing to use the same fee model in 2023 that was used in 2022 and previous years: producers are assessed variable fees tied to material supply (units for tire producers, kgs for other RRCEA regulated producers), or flat fees under a material-specific quantity threshold. Registrants who are not required to report material supply are also assessed a flat fee.
- RPRA is proposing to increase the flat fee for small producers in RRCEA programs from $75 to $85 to reflect RPRA's budget growth. The flat fee has been set at $75 since it was first established in 2018.
- The proposed fee model is aligned with the government objective of holding producers responsible for the end-of-life of products and packaging they supply into the market.
- The proposed fee model is aligned with RPRA's General Fee-Setting Principles, found in the General Fee Setting Policy, including:
  - **Equity:** Protects small producers from excessive burden, ensures large producers pay fees that reflect the relative quantity of material they supply into the Ontario marketplace, and ensures that no producers have a competitive advantage on a per product basis.
  - **Simplicity and Predictability:** Per kg/unit variable fees are aligned with regulatory requirements for producers to report by weight/unit and enable revenue estimates based on estimates of future supply volumes.

Overview of proposed fee model for RRCEA programs (cont'd)

- As in previous years, fees for RRCEA programs are charged to RRCEA regulated producers. There are no fees for service providers or producer responsibility organizations (PROs).
- De minimis thresholds for all RRCEA programs for determining whether producers pay a flat fee or a variable fee remain the same as 2022.
- Variable fees for the Tires Program are based on number of tires supplied (aligned with the Tires Regulation, which requires producers to report the number of tires)
- Variable fees for HSP, Blue Box, ITT/AV, Batteries, and Lighting programs are based on the kilograms of material supplied (aligned with the regulations, which require material supply reporting in kilograms)
- Adjustments for 2022 surplus or deficit in each program will be assessed at year-end and carried through and applied to 2024 fee rates.
- As in 2020, 2021, and 2022, ITT/AV and Batteries program cost allocations are merged and assigned a single variable fee rate.

Proposed 2023 vs 2022 Variable Fee Rates

Program	2022 Base rate $/Kg	2022 Adjusted rate (considering surplus or deficit)	2023 Proposed base rate $/Kg	% Change in base rate 2022 – 2023	% Change adjusted rate to base rate 2022-2023	Notes
Tires	0.153 (per Tire)	0.141	0.176	15%	25%	2022 actual rate included a reduction due to a prior-year surplus
Batteries and ITT/AV	0.05	0.06	0.051	2%	-15%	2022 actual rate included an increase to recover a prior-year deficit
Lighting	0.22	N/A	0.250	14%	N/A	Fees charged for the first time in 2022; 2023 is the first full year of operations
HSP (Category A&B)	0.015	N/A	0.020	36%	N/A	2023 is first year of amortization and interest related to HSP portal costs, representing 21% of increase
Blue Box	0.0044	N/A	0.0056	27%	N/A	2023 is first year of amortization and interest related to BB portal costs, representing 7% of increase

Tires fees proposed for consultation

Material Group	Registrant	Proposed 2023 Fee
Tires	Producer: 0 to 999 tires supplied	$85 flat fee
	Producer: 1,000+ tires supplied	$0.176 per tire

- Fee structure is unchanged from 2022
- Tires 2022 base fee was $0.153 per tire, a 2021 surplus resulted in a lower actual fee in 2022
- The number of tires supplied is a rolling average of 2019, 2020 and 2021
- Rolling average supply volume estimated to remain consistent with 2021 reported supply, may change as 2022 reported supply is analyzed:
    - 225 small producers (<1,000 tires): 27,800 tires
    - 168 large producers (>= 1,000 tires): 12,900,000 tires

ITT/AV and Batteries fees proposed for consultation

Material Group	Registrant	Proposed 2023 fee
ITT/AV	Producer: 6360 Kg or less	$85 flat fee
	Producer: > 6360 Kg	$0.051 per Kg
Batteries	Producer: 6250 Kg or less	$85 flat fee
	Producers: >6250 Kg	$0.051 per Kg

- As in 2020, 2021 and 2022, cost recovery targets for ITT/AV and Batteries are combined
- Fee structure is unchanged from 2022
- 2022 base rate was $0.05 per kg – deficit from 2021 caused an increase to the actual fee charged in 2022
- The volume of Batteries and ITT/AV supplied are rolling averages of 2019, 2020 and 2021, net of the number of kg that the producer is permitted to count toward a reduction in the management requirement under the regulation

- Rolling average supply volume predicted in 2023 to remain consistent with 2021 reported supply, may change as 2022 reported supply is analyzed:

Batteries:

- 115 small producers (up to 6250 Kg): 97,800 Kg
- 45 large producers (>6250 Kg): 8,000,000 Kg

ITT/AV:

- 7 small producers (up to 6360 Kg): 17,900 Kg
- 160 large producers (>6360 Kg): 55,000,000 Kg

Lighting fees proposed for consultation

Material Group	Registrant	Proposed 2023 Fee
Lighting	Producer: 1166 Kg or less	$85 flat fee
	Producer: >1166 Kg	$0.250 per Kg

- Threshold of 1166 Kg separating small and large producers aligned with regulation
- Estimated rate translates to approx. 1 to 4 cents per bulb
- The volume of lighting supplied is the average of volume supplied in 2019, 2020 & 2021
- Lighting is a new program in 2022 – producers will register and report later this fall
- Supply volume predicted based on supply volume into the BC market, as reported by Product Care under the BC producer responsibility regulation and is unchanged from volume used to set 2022 fees.

  - 100 small producers (1166 Kg or less): 15,000 Kg
  - 95 large producers (> 1166 Kg): 5,000,000 Kg


Questions?


Help us improve
our webinars

Feedback

- If you have questions about the proposal or would like to discuss it in more detail, email us at consultations@rpra.ca
- Email your feedback to consultations@rpra.ca on or before November 10, 2022
- For more information on the consultation process, visit our website.