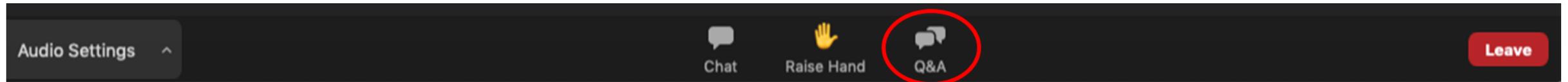


# Proposed 2023 Fees for producers of Blue Box materials and Hazardous and Special Products

October 21, 2022



# 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 hazardous and special products (HSP) and Blue Box materials.
- Proposed 2023 fees for all of RPRA’s RRCEA programs (Tires, Batteries, ITT/AV, HSP, 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](#), which can be found 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 Blue Box materials and hazardous and special products

- 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](mailto:consultations@rpra.ca) **on or before November 10.**
- 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.
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.

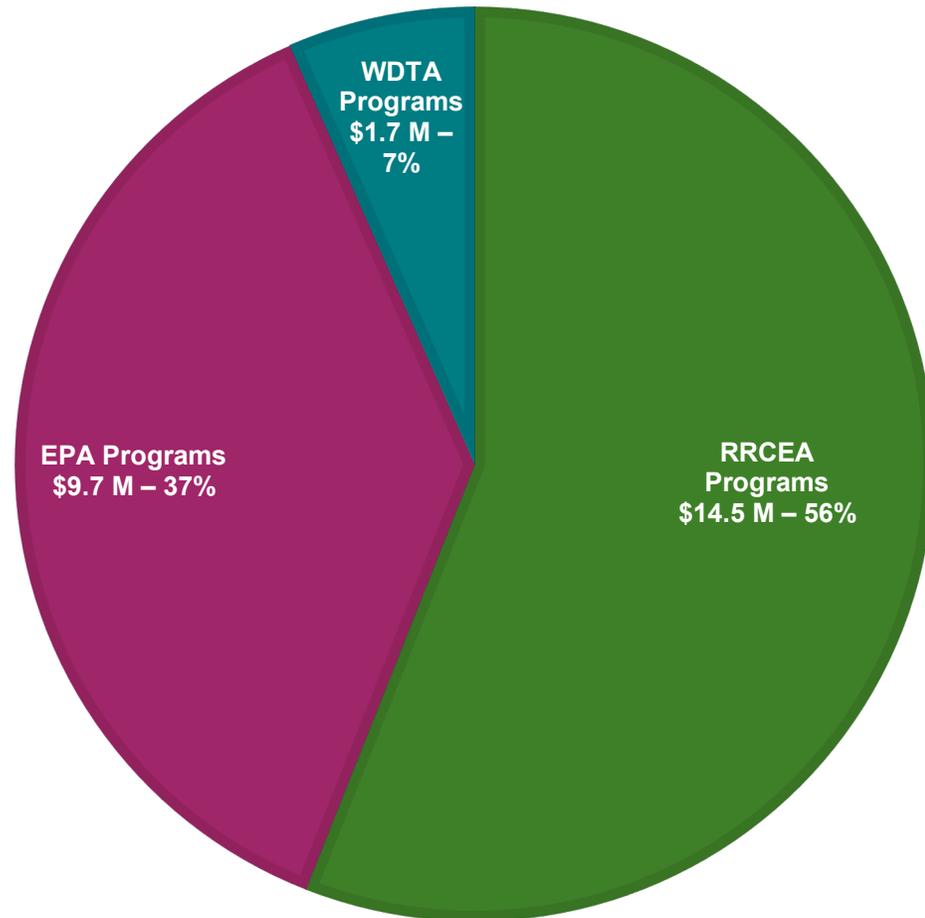
**4. Building an accountable, transparent and sustainable organization that achieves value for money**

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 is included 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
<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

RPRAs 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>

# HSP Program Costs

HSP registry and compliance program costs (estimates based on 2023 budget)	2023 (in millions)	Notes
1. Amortization	\$0.3	Development costs for the HSP portal are amortized over 10 years; also includes an equal program share of registry foundation common costs
2. Interest	0.15	Estimated annual interest payments on registry development costs which have been debt financed
3. Direct, indirect and shared costs allocation	1.9	Some direct costs for compliance; indirect costs include 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	0.13	Equal program share of recovery of RRCEA start up costs and allocation of contribution to operating reserve
<b>Total costs to be recovered from HSP Producers in 2023</b>	<b>2.5</b>	

# Blue Box Program Costs

Blue Box registry and compliance program costs (estimates based on 2023 budget)	2023 (in millions)	Notes
1. Amortization	\$0.3	Development costs for the Blue Box portal are amortized over 10 years; also includes an equal program share of registry foundation common costs
2. Interest	0.13	Estimated annual interest payments on registry development costs which have been debt financed
3. Direct, indirect and shared costs allocation	4.5	Some direct costs for compliance and FTEs; 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
3. Start-up costs and reserve contribution	0.27	Equal program share of recovery of RRCEA start up costs and allocation of contribution to operating reserve
<b>Total costs to be recovered from Blue Box Producers in 2023</b>	<b>5.2</b>	

A photograph showing three blue recycling bins on a lawn. The first bin on the left contains a brown paper bag with a red and white object inside. The second bin is empty. The third bin is overflowing with cardboard boxes and paper. To the right of the bins is a large stack of flattened cardboard boxes and two black plastic trash bags. The background shows a house and greenery. The text "Questions?" is overlaid in white with a black outline in the center of the image.

Questions?

# Proposed 2023 Fee Model and Rates for producers of HSP and Blue Box materials



# 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.
- As in 2021 and 2022, HSP categories A and B are grouped together because they have similar requirements under the regulation.
- As in 2021 and 2022, HSP categories C, D, and E are assigned a flat fees only, reflecting their unique program requirements. The small producer revenue threshold for these HSP producers remains the same as 2021 and 2022 (\$2 Million)

# 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
<b>Tires</b>	0.153 (per Tire)	0.141	0.176	15%	25%	2022 actual rate included a reduction due to a prior-year surplus
<b>Batteries and ITT/AV</b>	0.05	0.06	0.051	2%	-15%	2022 actual rate included an increase to recover a prior-year deficit
<b>Lighting</b>	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
<b>HSP (Category A&amp;B)</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
<b>Blue Box</b>	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

# HSP fees proposed for consultation

Material Group	Registrant	Proposed 2023 Fee
HSP Category A&B (non-refillable pressurized containers, oil filters; antifreeze, oil containers, paints and coatings, pesticides, solvents, refillable pressurized containers excluding propane)	Producer: up to 10,000 Kg	\$85 flat fee
	Producer: > 10,000 Kg	\$0.020 per Kg
HSP Category C (mercury-containing products)	Producer	\$7,500 flat fee
HSP Category D (Fertilizer)	Producer	\$1,000 flat fee
HSP Category E (Refillable Propane Containers)	Producer	\$1,000 flat fee
Category C, D and E	Producer with annual revenue in Ontario < \$ 2 Million	\$85 flat fee

- Fee structure is unchanged from 2022
- Flat fee rates for producers of categories C, D and E (mercury-containing devices, fertilizers, and refillable propane containers) are proposed to remain stable at 2022 rates. These material groups are treated differently because they have substantially fewer obligations than other RRCEA programs: no management, no or very limited collection system requirements, and no or very limited annual reporting requirements. There is still considerable uncertainty regarding the number of producers for these programs and how they will be operated on an ongoing basis. Given this uncertainty, and that these programs are still being implemented and producers registered, staff are not proposing a change to fee rates at this time.
- The number of Kg supplied reported in 2023 will be the average of 2020, 2021 and 2022 Kgs supplied.
- The supply data used to validate the estimated proposed 2023 fee was the average of 2018, 2019 and 2020 Kgs reported;
- Rolling average supply volume of A&B in 2023 predicted to remain consistent with 2022 predictions, but this may change as 2022 reporting is completed during the consultation period.
  - 50 small producers (up to 10,000 Kg): 427K Kg
  - 130 large producers (> 10,000 Kg): 120 M Kg
- The supply data used to calculate the proposed 2023 fee is the supply reported into the sectors identified for that material type in the 2021 rules for stewards under the Municipal Hazardous or Special Waste (MHSW) programs (consistent with 2022 fee structure)

# Blue Box fees proposed for consultation

Material Group	Registrant	Proposed 2023 Fee
Blue Box Materials	Producer: 50,000 Kg or less	\$85 flat fee
	Producer: > 50,000 Kg	\$0.0056 per Kg

- Fee structure is unchanged from 2022
- As of today, supply volume predicted to remain consistent with what was reported in 2021 (2020 supply was reported in 2021); prediction may change as 2022 reporting is completed during the consultation period
  - 800 small producers (up to 50,000 Kg): 9,000,000 Kg
  - 550 large producers (> 50,000 Kg): 913,449,590 Kg

A close-up photograph of a blue metal box, likely a ballot box, filled with crumpled brown paper. The box is open, and the paper is piled high inside. The word "Questions?" is overlaid in white text with a black outline in the center of the image. The background shows the blue metal structure of the box and a black handle on the left side.

**Questions?**

A close-up photograph of a person's hands typing on a silver laptop keyboard. The laptop screen is dark and mostly blank. A semi-transparent grey horizontal bar is overlaid across the middle of the image, containing white text. The background is blurred, showing what appears to be a window with light coming through. The person's hands are in the foreground, and a portion of their red sleeve is visible on the left side.

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# 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)
- Email your feedback to [consultations@rpra.ca](mailto:consultations@rpra.ca) on or before November 10, 2022
- For more information on the consultation process, visit our [website](#).