

Supplemental revisions to the revised proposed 2023 fees for producers of Hazardous and Special Products in material categories A and B

April 28, 2023



Introduction

During fall 2022, RPRA consulted on a 2023 fee proposal for all RRCEA programs (Tires, Batteries, ITT/AV, Blue Box, Lighting, and HSP).

Based on feedback received during the consultation and further analysis by RPRA staff, RPRA revised the proposal for 2023 RRCEA Program Fees for HSP producers for material categories A and B only, and sought feedback from producers of HSP materials from January 26 to March 13, 2023.

After considering feedback received during the winter consultation, RPRA is proposing two supplemental revisions to the fee model proposal posted in January.

The proposed supplemental revisions affect automotive fees only, and address concerns raised by automotive material producers.

The revisions and additional context for the proposed fees for producers of HSP categories A & B material are detailed in this supplement. View the [January proposal](#) for full details of the proposed fee model for HSP category A & B producers.

RPRA will accept feedback on the proposed revisions until May 19, 2023. All feedback will be considered in developing final HSP A & B fees, which will be posted before June 1, 2023.

Context for fee increase for automotive materials producers

1. Overall costs to administer the RRCEA are higher than costs to administer the legacy WDTA programs

- RPRA's costs to administer resource recovery programs under the RRCEA are higher than its costs to administer the legacy programs under the WDTA. This is true for all the of the legacy WDTA programs now transitioned to the RRCEA, including HSP. For example, under the RRCEA, RPRA is required to perform the following activities (among others) that were not required under the WDTA:
 - Registration for producers and service providers
 - Supply and performance reporting campaigns for producers and service providers
 - Verification and auditing of producer and service provider reports
 - Compliance and enforcement activities to ensure registration, reporting, and performance obligations are met
 - Develop and operate an electronic Registry to support registration and reporting activities and report publicly on results
 - Supporting producers in understanding and complying with the new regulatory framework

2. The HSP fee model used to set fees in 2021 and 2022 resulted in no fee increases for automotive materials producers during the transition from WDTA to RRCEA, unlike fees for other HSP materials

- Because RPRA uses a weight-based approach to set fee rates, producers of paints and coatings materials have ended up paying most of the HSP program fees to date. This means that automotive materials producers have paid a much smaller share of RPRA's total program fees than they did under the WDTA.
- While RRCEA program costs have gone up, automotive materials producers as a group have been charged less under the RRCEA than under the WDTA. In 2020, the last full year of operation of the legacy MHSW program, automotive materials stewards paid an estimated \$350,000 in fees to RPRA. For 2021, the first full year of the HSP program under the RRCEA, the RRCEA fee model allocated about \$325K to automotive producers; for 2022, it was ~\$338K; and in the initial fee model proposed for 2023 it was ~\$342K. In contrast, fees allocated to paints producers went from less than \$350K under the WDTA in 2020, to more than \$1MM in 2021.

Context for fee increase (cont'd)

The proposed revised HSP fee model balances the HSP fee burden among major material groups

- The revised fee model uses the number of producers to balance the fee burden among automotive materials producers and other producers in the HSP program. The number of producers is a reasonable indicator of effort expended by RPRA to support the program, in part because producer registration, reporting, verification and performance is at the heart of the producer responsibility regulatory framework under the RRCEA. This principle is already recognized in RPRA's current cost allocation model, where the total number of registrants in a program is used to allocate costs among the different RRCEA programs.
- Setting different fee rates for automotive materials producers also reflects how the HSP program is administered by RPRA. Automotive materials producers have different regulatory requirements, and their collection and management systems operate differently from the other material groups. These operational differences are why automotive materials producers report into a separate portal in the Registry.
- This table compares the proposed RRCEA HSP fees in 2023 to the estimated total fees paid by stewards in the legacy WDTA MHSW programs in 2020. Under the proposed revised model, costs for automotive materials producers are more consistent with those producers' historical share of RPRA costs.

Material grouping	2020 total estimated MHSW program fees*	2020 RPRA WDTA oversight fee	RPRA fee as a % of MHSW program fees	Initial 2023 RRCEA fee proposal (total estimated recovery)	As a % of MHSW fees	New 2023 RRCEA fee proposal (total estimated recovery)	As a % of MHSW fees
Automotive Materials	~\$21.8MM	\$356,080	1.63%	\$342,000	1.57%	\$1,271,552	5.83%
Paints, Coatings, and Solvents; Pesticides; Pressurized Containers	~\$20.7MM	\$340,397	1.64%	\$2,066,756	9.98%	\$1,228,448	5.93%

Concerns regarding fee burden on antifreeze producers

- During the consultation on the revised HSP fee proposal, stakeholders raised concerns that the proposed revised fee model resulted in antifreeze producers paying a large portion of the automotive producer fee, because antifreeze producers supply substantially more tonnage than oil filter and oil container producers, whose products are much lighter.
- Stakeholders have also said that the proposed estimated fee for antifreeze producers would be more than 60% of the total program cost for antifreeze collection and management, and a relatively large percent of the retail cost of antifreeze.
- RPRA notes that most of the producers reporting supplies of automotive materials supply more than one category of material (antifreeze, oil filters and oil containers), and most automotive material producers that supply antifreeze also supply oil filters or oil containers.
- RPRA also notes that there are roughly the same number of producers in each automotive material group.

Supplemental revision 1: divide automotive cost recovery equally

Given the similar number of producers in each category and the substantial overlap of producers among categories, one approach to addressing the concerns raised by antifreeze producers would be to balance the fee recovery among the automotive materials producers by dividing the cost recovery target equally among the three materials. This reflects the relative number of producers in each of the three sub-groups, and the importance of each group in program operations.

The table below compares the fee rates for automotive producers if the cost recovery target was allocated solely according to weight (the fee model proposed in January), and the fee rates for producers if the target was divided equally among the three materials.

Automotive Material Category	Estimated number of producers	Estimated KGs to be reported for fees in 2023	Estimated fee rate (weight-based allocation)*	Total approx. cost recovery using weight-based allocation	Approx. cost recovery if divided equally to three automotive material categories	Estimated fee rate (cost recovery target divided equally)
Antifreeze	52	16,900,000	\$0.047/kg	\$790,000	\$424,000	\$0.025/kg
Oil filters	46	5,700,000	\$0.047/kg	\$270,000	\$424,000	\$0.074/kg
Oil containers	54	4,500,000	\$0.047/kg	\$210,000	\$424,000	\$0.095/kg
TOTAL	152	27,100,000	N/A	\$1,270,000	\$1,270,000	N/A

*Note that estimated number of producers and supplied tonnage have been refined since January, resulting in a lower estimated fee rate for automotive materials than the rate shown in the January proposal. This estimate may continue to be refined before final fees are set.

Questions for feedback:

- Do you support splitting the cost recovery target for automotive producers equally between the three materials?
- Does this approach address concerns expressed about the fee charged to antifreeze producers under the January proposal relative to oil filters and oil containers?

Supplemental revision 2: Defer part of the cost recovery proposed for automotive materials producers for 2023 to 2024

- During the consultation on the revised HSP fee proposal, stakeholders raised concerns that the proposed year-over-year increase for automotive materials is unexpected and unplanned for, and may be difficult to manage.
- A portion of the proposed 2023 fees for automotive producers detailed in the previous slide (an estimated \$0.047/Kg fee rate) could potentially be deferred to 2024, with deficit recovery and financing costs built in.
- Because RPRA sets fees on a cost recovery basis, if fee increases are deferred, the HSP program would carry a deficit that would be recovered from automotive materials producers in subsequent years. The financing cost for this deficit would also be borne by automotive materials producers, as illustrated by the example below.
- The estimate fee rate for 2024 includes inflation and the financing cost of deferral, and is for illustrative purposes only. Actual 2024 fees may be higher, and will depend on the 2024 business planning process.

2023 Cost recovery target of **\$1.27 M** (fee rate of \$0.047/Kg)
 +
 Estimated financing cost of deferring part of the fee increase to 2024
 of **\$81,000**
 =
 Total Cost Recovery target for 2023 and 2024 of **\$1.35 M**

2023 Fee Rate (per Kg)	Estimated 2024 Fee Rate (per Kg)*
\$0.025	\$0.075 (\$0.025 + \$0.05*)

*Includes deferred amount plus estimated 2024 rate

Question for feedback:

- Would you support deferring the fee increase for all automotive producers?
- Would you support deferring a potential fee increase for oil filter and oil container producers (but not antifreeze producers) if supplemental revision 1 is implemented?

Next steps

- Submit questions and feedback to consultations@rpra.ca
- Feedback will be accepted until May 19
- All feedback submitted regarding this supplement and the Revised Proposed 2023 HSP Fees for Producers of HSP Categories A & B posted in January will be considered before final fees are set
- Final 2023 HSP fees for Categories A & B will be posted before June 1, 2023
- A consultation report will be published before June 1 summarizing all feedback received, and how RPRA considered that feedback