

General Fee Setting Policy and Tire Fees Proposal

Round Three Consultation

March 9, 2018



Webinar Interface

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Questions and Answers

Question : test
Answer pending

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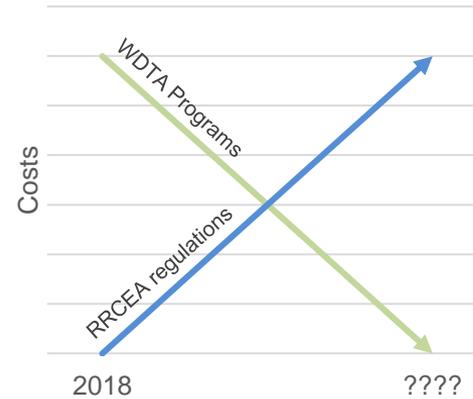
To ask a question at any time during the presentation or for technical assistance, type your question in the text box and press 'enter.'

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Background

- Authority is self-funded
- Authority may set and collect fees, costs or other charges to recover costs to exercise its mandate
 - Under WDTA, by recovering costs from industry funding organizations (IFOs) and industry stewardship organizations (ISOs)
 - Under RRCEA, by charging fees to registrants
- The fees charged by the Authority to registrants under the RRCEA do not cover the costs of collecting and managing the designated material

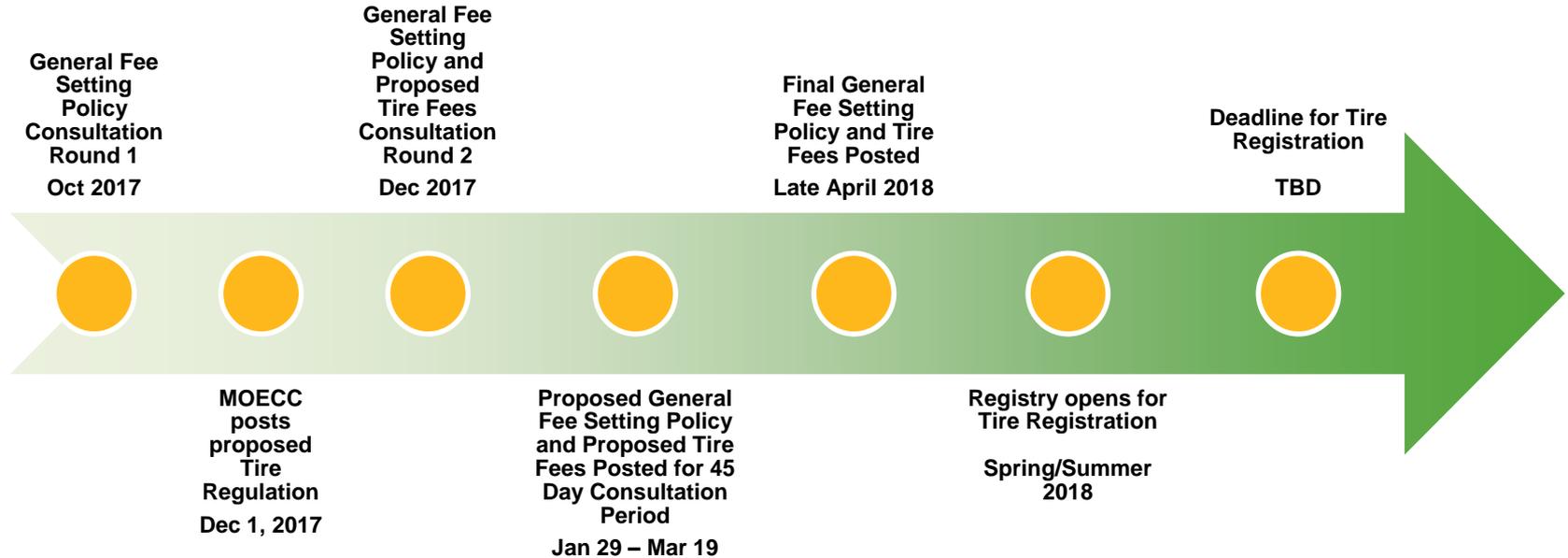


As programs regulated under the WDTA are wound up, costs will be shifted incrementally to the RRCEA

RPRA start up costs, including the Registry, are being amortized to spread costs equitably across parties obligated under the WDTA and RRCEA

Timeline

Development, Consultation and Implementation of General Fee Setting Policy and Tire Fees



Round 1 Consultation Review: questions posed

General Fee Setting Policy Principles, Categories and Review Process

Principles

- Cost-effective
- Transparent
- Predictable
- Equitable
- Minimal administrative burden
- No cross-subsidization

General Fee Categories

- Proposed fee categories, such as registration, audit or late fees
- Consideration of variable fees based on, for example, quantity supplied or collected, etc.
- The frequency of fee payments (e.g. installments)

Fee Review Process

- How often the Authority should review fees
- How often the Authority should review its General Fee Setting Policy
- What criteria should be used to review the Policy

Round 2 Consultation Review: questions posed

The allocation of costs and calculation of individual fees

Allocation of Costs by Material

- How RRCEA-related costs will be allocated
 - among designated material groups
 - based on RPRA's activities related to a material
 - based on number of registrants for a material

Allocation of Costs by Type of Registrant

- How differing compliance requirements by type of registrant should affect fees (e.g. register, report, collect and manage vs only register and report)
- Whether fees should be charged to some or all registrants

Calculation of Individual Fees

- Whether to charge:
 - Fixed Fee: all registrants within a type pay the same flat fee
 - Variable Fee: registrants within a type pay a fee based on a factor
 - Fixed Fee + Variable Fee: registrants within a type pay a fixed fee plus a variable fee

Questions on the background and rounds 1 & 2 consultation

RPRA General Fee Setting Policy

Objectives:

- Transparent fee setting process
- Fees, costs and other charges are reasonable, reflect costs incurred by the Authority and are fairly allocated by material and type of registrant
- Long-term financial sustainability of the Authority
- Fee predictability for regulated parties

RPRA General Fee Setting Policy

RPRA proposed six overarching principles:

1. All regulated parties share costs of regulatory oversight
2. Fees are apportioned on the basis of the Authority's registration and compliance effort (e.g. more compliance requirements for producers mean higher producer fees than service provider fees)
3. Fees are applied to each category (e.g. a producer who is also a collector will pay the fee for each category)
4. Fees apply to each material (e.g. a producer of tires and electronics will pay the fee for each designated material)
5. No proration—fees charged are for the calendar year
6. Fee amounts and methodology will be reviewed annually

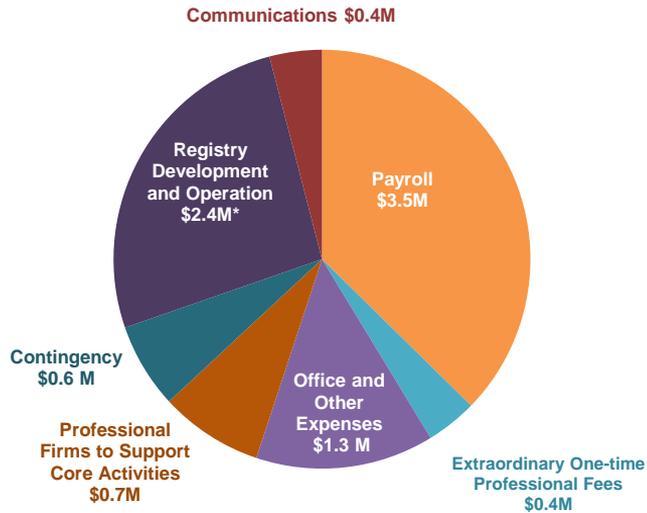
Consultation Feedback - General Fee Setting Policy

- Feedback: Stakeholders are generally supportive of the general fee setting policy objectives and principles
 - Proposed policy is based on the proposed objectives and principles
- Feedback: Some stakeholders feel that all participants should be required to pay fees while others feel that only producers should be required to pay fees
 - Proposed policy requires all participants to pay fees
- Feedback: Fee models should be developed for each material, based on the level of effort required to administer that material
 - Proposed policy incorporates this approach

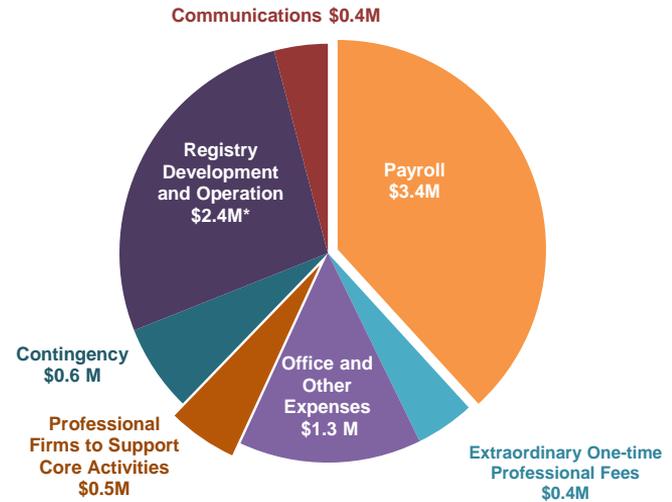
Questions on the proposed General Fee Setting Policy

2018 RPRA Budget

2018 Budget in Business Plan = \$9.2 M



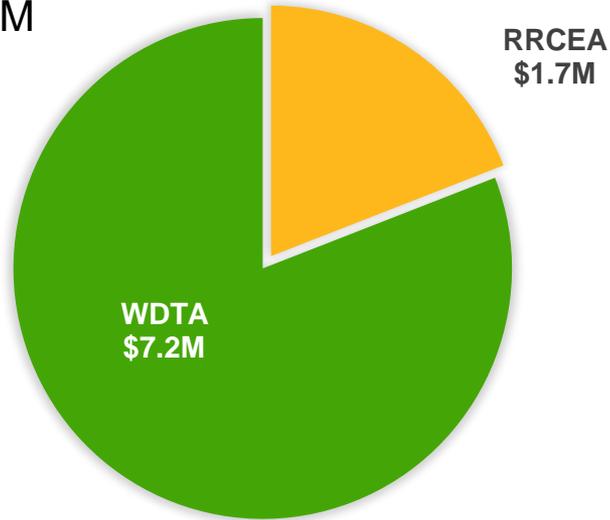
Revised 2018 Budget = \$8.9M



*Registry development costs include amortization and licensing

2018 Budget Allocated to RRCEA and WDTA

2018 Budget = \$8.9M



Consultation Feedback

Comments and questions received on RPRA's 2018 Budget and Allocation

- How are costs split between WDTA and RRCEA?

RPRA uses an allocation methodology based on level of effort and type of cost e.g.

- Datacall audits, related to program/IFO wind up = 100% WDTA
- Interest expense on Registry financing = 100% RRCEA
- Registry and compliance staff = shared WDTA and RRCEA

Questions on RPRA's 2018 budget and allocation to RRCEA and WDTA

Fee Setting Methodology

RPRRA proposed a two step approach for calculating fees

1. Allocate RRCEA expenses by material type and registrant
2. Select fee setting approach (fixed or variable)

Considerations when calculating fees

Step 1a: Allocate RRCEA expenses by material

RPRA costs are expected to be driven primarily by:

- The number of parties in a material group required to register
- Differing registration and compliance effort expected for two types of material groups:
 - producer responsibility (e.g. tires, Blue Box, mattresses)
 - generator responsibility (e.g. organics, construction, renovation and demolition)

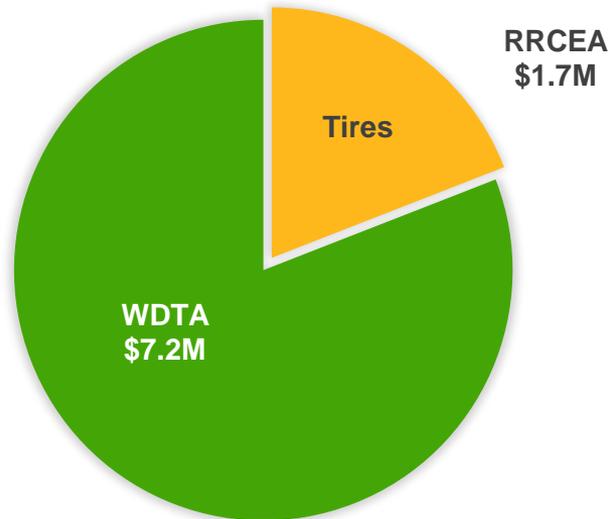
For 2018:

- Tires is a producer responsibility material and will be the only designated material under the RRCEA in 2018
- No generator responsibility programs

Proposed two step approach for calculating fees

Step 1a: Allocate RRCEA expenses by material

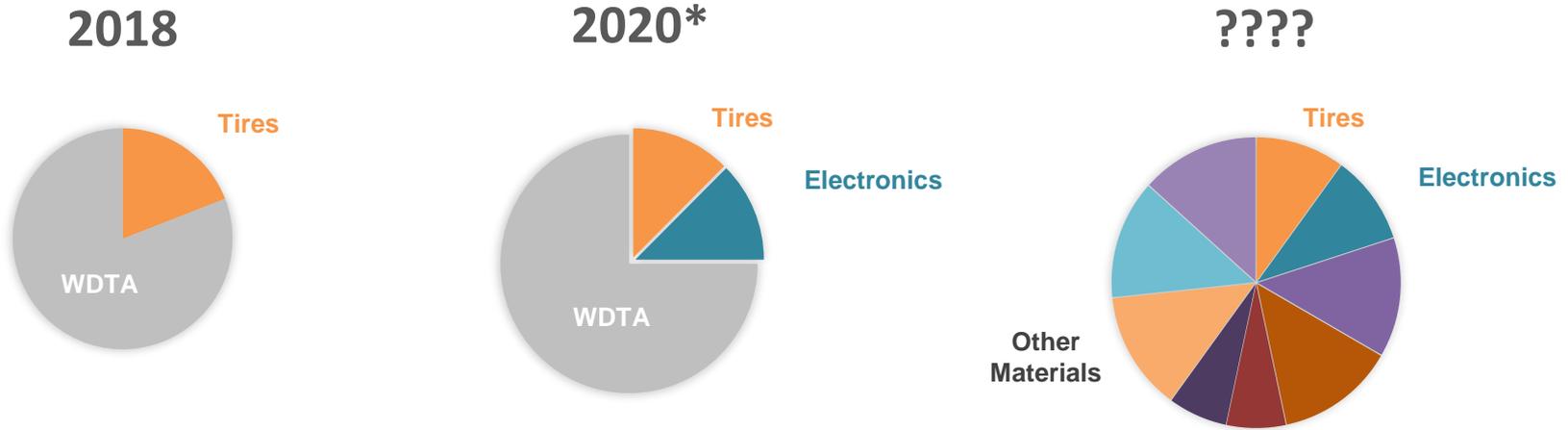
2018 Budget = \$8.9M



In 2018, tires is the only designated material under the RRCEA

In future - step 1a would include other materials

Step 1a: Allocate RRCEA expenses by material



*Waste Electrical and Electronic Equipment (WEEE) program will cease operations on June 30, 2020

Proposed two step approach for calculating fees

Step 1b: Allocate RRCEA expenses by registrant

To apportion costs on the basis of the Authority's registration and compliance effort.

For tires, fees are proposed to be split 75:25 between producers and other registrants

Compliance elements for registrants:

Producers	Other Registrants
Reporting	Reporting
Collection	
Management	
Promotion and Education	
Performance	

Cost recovery:

- tire producers are responsible for \$1.275M
- other registrants are responsible for \$0.425M

Proposed two step approach for calculating fees

Step 2: Select fee setting approach

	First year of new material (e.g. Tires = 2018)	Annual payments in Year 2 and beyond (e.g. Tires = in/after 2019)
Producer	Variable - \$/unit grouped into ranges	Variable - \$/unit grouped into ranges
PRO	Fixed	Fixed
Service Providers	Fixed (based on service provider category)	Variable = \$/unit

Consultation Feedback

Comments and questions received on the Fee Setting Methodology

- There is concern that tire registrants will be paying for start-up costs that should be paid by future designated materials
 - Registry costs are amortized
 - Phased hiring of Registry and Compliance Officers
- Stakeholders suggested using a weight-based system instead of the proposed unit-based system for producer fees
 - A weight-based system may be considered

Questions on the proposed Fee Setting Methodology

Proposed Tire Fees — Producers

Proposed blended approach to producer fees based on # of units supplied

Tires Supplied	Fee	Total
0-999	\$75	
1,000+	\$0.11/unit	
		\$1,275,000

Note: fee amounts may be adjusted based on final Tires Regulation

Definition of 'unit':



Unit = 1 tire

Proposed Tire Fees — Other Registrants

A fixed fee approach for non-producer registrants

Registrant	Fee	Total
PRO	\$5,000	
Collector	\$50	
Hauler	\$1,000	
Processor	\$2,000	
		\$425,000

Note: fee amounts may be adjusted based on final Tires Regulation

As reporting data becomes available RPRA will consider variable fees.

Payment Timelines

	Tires in 2018		Tires in 2019 and beyond	
Type of Registrant	At Registration	Fee Approach	At Reporting	Fee Approach
Producer	By June 30	Direct only	By March 31 each year starting in 2020	Direct ¹⁾ or Indirect through PRO
PRO	N/A	Direct PRO fee		Direct PRO fee Can pay producer and service provider fees
Service Provider	By September 30	Direct ²⁾ or Indirect through PRO		Direct ²⁾ or Indirect through PRO

1) Producers independent of PRO

2) Service providers independent of PRO

Note: Registration and reporting deadline dates subject to final Tires Regulation

Consultation Feedback

Comments and questions received on proposed Tire Fees

- Some stakeholders support a fixed fee, while others feel fees should be variable, based on the level of effort required to manage the registrant
 - As data becomes available through the reporting process variable fees for all categories of registrants will be considered
- There is concern that tire producers will pay double fees in 2018 (fees to OTS and fees to RPRA)
 - Fees paid to RPRA are associated with RRCEA obligation to register in 2018; fees paid to OTS are associated with WDTA obligation to operate Used Tires Program in 2018
 - RRCEA allocation has been reduced from \$2.8M to \$1.7M
 - Proposed Wind Up Plan PLT fee elimination period will reduce producers' fees to be paid to OTS

Consultation Feedback

Comments and questions received on proposed Tire Fees

- What happens if RPRA has a 2018 surplus or deficit?
 - Will be taken into account in setting future budget and fees
- Some stakeholders feel the fees for certain categories are too high
 - Consultation feedback is welcome until March 19

Questions

Next Steps

- Comments from these consultations are recorded, and will be summarized in a report and posted on our website rpra.ca
- Feedback can also be provided by email to consultations@rpra.ca
- The draft General Fee Setting Policy, Fee Setting Methodology and Tire Fees are available on our website for the 45-day consultation period from January 29 to March 19
- The final General Fee Setting Policy, Fee Setting Methodology and Tire Fees will be posted on our website at least 30 days prior to implementation