

# 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](mailto: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