

Message from the Chair

Without a doubt, 2010 was one of the most significant years in the history of the province of British Columbia. The pride and pageantry that accompanied the Winter Olympics and the dramatic changes that took place on the political front dominated news headlines and, for a short time at least, redefined the province's economy.

Nevertheless, the underlying state of that economy was unchanged. By late in the year it was apparent that we were still feeling the after effects of the worldwide recession that gripped most consumer product businesses. In our case, despite the economic boost provided by the Olympic Games and strong performances in some sectors, beverage sales still lagged behind pre-recession levels, which in turn affected both gross recovery numbers and our overall financial position.

In 2009 we took bold measures to strengthen our cash flow position in the face of lower revenues and commodity prices. In 2010, we focused on the organization's longer term financial health to ensure it would be better positioned to deal with the ups and downs of a recovering but still sensitive economy.

Accordingly, the Board of Directors established more stringent criteria for replenishing and maintaining operational reserves at appropriate levels over the next three years. After a detailed and careful analysis, this required a further adjustment to Container Recycling Fees. The Board believes this direction will provide greater stability and predictability for our stakeholders. We are grateful to our brand owners, retailers and other partners who supported the adjustments, which will enable us to continue to provide outstanding stewardship services for British Columbians well into the future.

What that future looks like is a major focus for the Board in 2011. As noted in last year's Annual Report, 'Extended Producer Responsibility' is now a mainstream component of the economic equation, especially in British Columbia where

it is enshrined in the 2004 Recycling Regulation. The practical impact of this commitment is that new products are being added to the regulation every year, and with them comes the expectation that producers will work in a coordinated fashion to discharge their various responsibilities.

This expectation puts tremendous pressure upon the existing collection infrastructure, within which Encorp's Return-It™ Depots, along with its administrative and logistics capabilities, are primary assets. In the year to come, Encorp and its partners will be thinking carefully about their role in future stewardship applications, whether as a service provider, licensor or designated stewardship agency.

Our primary obligation is to the brand owners and depot operators who are the engine of the beverage container stewardship program in British Columbia. But as other products come on stream, other stakeholders are taking an active interest in Encorp's operations as potential solutions to a wider array of stewardship commitments. As a Board of Directors, determining what is an appropriate role for Encorp within this environment is a critical question.

It is also a reflection of our success. Consumer research conducted in November and December 2010 revealed that 94% of British Columbians who visited Return-It™ Depots recently were satisfied with their experiences. This is a very solid level of customer satisfaction and it is a credit to the 171 depot operators throughout the province, as well as Encorp Pacific staff, who work together to deliver one of the most respected stewardship programs in North America.

Encorp continues to benefit from outstanding leadership at the Board level, as well as from the excellence of our staff. We are entering an exciting, yet challenging period of expanded stewardship in British Columbia, which could have a significant impact on our business operations in the future. It is reassuring to know that we have so many outstanding people with us on this journey.



Dan Wong
Board Chair

