

Encorp Pacific (Canada)

Beverage Stewardship Plan Amendment

Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution

*Full Consultation Summary Report
November 29, 2022*

MNP



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OVERVIEW

Background

Encorp Pacific (Canada) (Encorp), better known as Return-It, is the not-for-profit stewardship agency appointed by producers of packaged ready-to-drink beverages to fulfill their obligations under the *Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg. 449/2004)*. It operates a province-wide collection system to manage most used beverage containers for ready-to-drink beverages sold in British Columbia (BC).

Encorp completed public consultation on the Beverage Container Stewardship Plan (the plan) required under Section 6 of the Recycling Regulation. It was approved by the Ministry of Environment and Climate Change Strategy (the Ministry) on September 21, 2021. The approved plan replaces Encorp's previous plan, which was approved by the Ministry on November 20, 2014, and originally approved on July 19, 2007.

A condition of Encorp's approved plan is the requirement to make amendments to, and consult with affected, contracted service providers on Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution (attached as Appendix A-1). Encorp has now concluded this consultation with its contracted service providers, to which Section 9 of the plan applies. This document provides a summary of the consultation process and includes all feedback along with comments provided by the contracted service providers.

On the process that was followed, Encorp engaged contracted service providers for a 45-day period between September 27 and November 13, 2022. During this period, Encorp held four webinars specifically designed for contracted service providers to ask questions and offer feedback. Written feedback was also solicited care of a direct email address. Related documentation and reference material was/is posted for all to access at www.returnit.ca/section9 and at www.returnit.ca/beverageplan2020.

Consultations

As noted above, Encorp engaged contracted service providers for a 45-day period between September 27 and November 13, 2022, with four webinars¹ being held as forums for the posing of questions and offering of comments². Specifically, these webinars were held on:

- October 17, 2022
- October 20, 2022
- November 1, 2022
- November 8, 2022

Encorp also solicited written feedback through two direct email addresses: section9@returnit.ca and beverageplan2020@returnit.ca.

Consultation Reporting

Encorp engaged MNP, a major Canadian accounting and consulting firm, to support the consultation with contracted service providers on the amendment to *Section 9, Producers Paying the Cost of Obligated Material and Dispute Resolution Process*. This support included:

- Management of the webinars (invitations, registration, and support).
- Collection and compilation of feedback from the webinars and direct email.
- Preparation of this report that includes contracted service providers' feedback regarding the proposed amendment to *Section 9, Producers Paying the Cost of Obligated Material and Dispute Resolution Process*, as well as Encorp's responses.

Limitations

MNP has relied upon the completeness, accuracy, and fair presentation of all information and data obtained from Encorp and through the consultations. The accuracy and reliability of the findings and opinions expressed in this report are conditional upon the quality of this same information. As a result, MNP cautions readers regarding their reliance on the findings and disclaims any associated liability. Additionally, the findings and expressed opinions constitute judgments as of the date of the report and are subject to change without notice. MNP is under no obligation to advise of any such change brought to its attention which would alter those findings or opinions.

¹ The PowerPoint that was presented during the webinars is attached as Appendix B.

² Please note that "feedback" – used throughout report – includes all comments, questions, written responses, and input arising from webinars and written responses.

CONSULTATION FRAMEWORK

Invitations to Participate in Webinars and Provide Written Feedback

1. Invitations to Participate in Webinars³

Encorp invited 236 contracted service providers to attend the webinars⁴. The invitees received two initial emails from Encorp (on September 26 and October 3, 2022) advising that consultations would be undertaken. They then received a formal invitation from MNP (registrations.bc@mnp.ca) on October 6, 2022, to register for one or more of the webinars.

Notices were also posted on Encorp’s website and depot dashboards. Reminders to register were then sent to invitees who had not yet responded.

Registrants were sent a confirmation through Zoom within 24 hours of registering. Following this, they received a reminder email two business days before the webinar.
2. Invitations to Provide Written Feedback⁵

Encorp invited 236 contracted service providers to provide written feedback on the proposed amendment to *Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process*.

Contracted service providers received this email from Encorp on September 26, 2022.

Webinar Attendees⁶

A total of 72 contracted service providers registered for the webinars. Of those, a total of 47 contracted service providers attended the webinars; 20 contracted service providers attended multiple webinars.

Webinar	Registered	Attended	Did Not Attend
October 17, 2022	34	26	8
October 20, 2022	32	25	7
November 1, 2022	32	21	11
November 8, 2022	23	14	9

Representatives from the Ministry of Environment and Climate Change Strategy, Encorp and MNP also attended the webinars, either as attendees, presenters, or hosts.

The following tables outline the contracted service providers and Ministry, Encorp and MNP representatives who attended each webinar.

1. October 17, 2022 Webinar

Organization	Type ⁷	Attendees
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Lawrence Engelsman
Columbia Bottle Depot – Kelowna <i>Kelowna</i>	D	Clare Cassan
		Drew Cassan
		Doug Andrews
Courtenay Return-It Depot <i>Courtenay</i>	D	Emily Kim

³ The invitation to participate in webinars is attached as Appendix C.

⁴ The list of invitees is attached as Appendix G.

⁵ The invitations to provide written feedback is attached as Appendix D.

⁶ A list of registration and attendance is attached as Appendix H.

⁷ Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry), Encorp (Encorp), MNP (MNP).



Organization	Type ⁷	Attendees
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Yang Hun (Mike) Choi
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park
Fraser Lake Bottle Depot <i>Fraser Lake</i>	D	Kyeongho Lee
Interior Freight & Bottle Depot <i>Vernon</i>	D	Jay Aarsen
J&C Bottle Depot <i>Penticton</i>	D	Jong Jin (John) Lee
Mount Pleasant Return-It Depot <i>Vancouver</i>	D	Andrew Lee
North Shore Bottle Depot <i>North Vancouver</i>	D	Daesig Han
PG Recycling & Return-It Centre <i>Prince George</i>	D	Austin Kim
PoCo Return-It <i>Port Coquitlam</i>	D	Samuel Choi
Powell Street Return-It Depot <i>Vancouver</i>	D	Nojin Lim
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting
Salmo Return-It Depot <i>Salmo</i>	D	Meagan Salekin
Scott 72 Bottle & Return-It Depot <i>Surrey</i>	D	Martin Kim
Semiahmoo Bottle Depot <i>Surrey</i>	D	Heimin Lee
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myjung Jin (Janet) Lee
Valemount Recycling Centre <i>Valemount</i>	D	Youngil Kim
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim
Willowbrook Recycling (WRI) <i>Langley</i>	D	Savannah Paine
Winfield Return-It Centre <i>Lake Country</i>	D	Philip Ahn

Organization	Type ⁷	Attendees
Transporter <i>Lower Mainland</i>	T	Michael Pearce
Vanguard <i>Delta</i>	T	Jamie Giroux
BC Ministry of Environment and Climate Change Strategy	M	Roberto Melfi
		Robert Au
		Matthew Maloney
Encorp	Encorp	Cindy Coutts (Co-host)
		Sandy Sigmund (Co-host)
		Chris Campbell
		John Nixon
		Leticia Manzanares
		Sheri Hamm
		Jagprit (Priti) Gill
		Krysten Beck
		Jeroen Zuijdervelt
		Ed Walsh
		Esme Friesen
MNP	MNP	Maggie McInnes
		Jasmina Burns
		Moira Louw
		Justin Noble

2. October 20, 2022 Webinar

Organization	Type ⁸	Attendees
Boucherie Self Storage & Bottle Depot <i>West Kelowna</i>	D	Young Nam
Bulkley Valley Bottle Depot <i>Smithers</i>	D	Judy Hofsink
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Lawrence Engelsman
Columbia Bottle Depot - Kelowna <i>Kelowna</i>	D	Cara Heck

⁸ Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry)



Organization	Type ⁸	Attendees
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Yang Hun Choi
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park
Guilford Bottle Depot <i>Surrey</i>	D	Kulbir Rana
Haney Bottle Depot <i>Maple Ridge</i>	D	Anita Yuen
Junction Bottle Depot <i>Ladysmith</i>	D	Sang Take Kim
Mission Recycle Centre <i>Mission</i>	D	Chung-Se Kim
Mount Pleasant Return-It <i>Vancouver</i>	D	Andrew Lee
Nelsons Leafs Bottle Depot <i>Nelson</i>	D	Greg St. George
North Shore Bottle Depot <i>North Vancouver</i>	D	Daesig Han
PG Recycling & Return-It Centre <i>Prince George</i>	D	Austin Kim
Port McNeil Return-It Depot <i>Port McNeil</i>	D	Courtenay Lawrence
Powell Street Return-It Depot <i>Vancouver</i>	D	Nojin Lim
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting
Revelstoke Bottle Depot <i>Revelstoke</i>	D	Khan Aziz Barna
Scott 72 Bottle & Return-It Depot <i>Surrey</i>	D	Phil Kim
Summerland Bottle Depot <i>Summerland</i>	D	James Song
The Bottle Depot (Glanford) <i>Victoria</i>	D	D’Arcy Hipwell
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myjung Jin (Janet) Lee
Valemount Recycling Centre <i>Valemount</i>	D	Youngil Kim

Organization	Type ⁸	Attendees
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim
Vanguard <i>Delta</i>	T	Jamie Giroux
BC Ministry of Environment and Climate Change Strategy	M	Roberto Melfi
		Michael Wadeson
Encorp	Encorp	Cindy Coutts (Co-host)
		Sandy Sigmund (Co-host)
		Chris Campbell
		Leticia Manzanares
		Sheri Hamm
		Jagprit (Priti) Gill
		Esme Friesen
		Ed Walsh
		Sharon Marshall
		Steve Rutherford
		Jacob Jay
MNP	MNP	Maggie McInnes
		Justin Noble

3. November 1, 2022 Webinar

Organization	Type	Attendee
Columbia Bottle Recycling <i>Creston</i>	D	Cara Heck
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Mike (Yang Hun) Choi
Denman Island Bottle Depot <i>Denman Island</i>	D	Mike Nestor
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park
Fraser Lake Bottle Depot <i>Fraser Lake</i>	D	Kyeongho Lee
GRIPS <i>Pender Harbour</i>	D	Anna Venalainen
Mount Pleasant Return-It Depot <i>Vancouver</i>	D	Andrew Lee



Organization	Type	Attendee
Powell Street Return-It Depot <i>Vancouver</i>	D	Nojin Lim
Regional Recycling - Nanaimo <i>Nanaimo</i>	D	Paul Shorting
Scott Road Bottle Depot <i>Surrey</i>	D	Kulbir Rana
Semiahmoo Bottle Depot <i>Surrey</i>	D	Heimin Lee
Sicamous Return-It Depot <i>Sicamous</i>	D	Jason Kim
Sunset Coast Bottle Depot <i>Powell River</i>	D	Sang Jun (Tony) Park
The Bottle Depot (Glanford) <i>Victoria</i>	D	D'Arcy Hipwell
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myung Jin (Janet) Lee
Venture Bottle Depot <i>Lumby</i>	D	Deb Fenwick
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim
Winnfield Return-It Centre <i>Lake Country</i>	D	Philip Ahn
Vitreous Glass <i>Airdrie, Alberta</i>	T	Darcy Forbes
Emterra <i>Surrey</i>	P	Manuel (Sonny) Duque
Vanguard <i>Delta</i>	T	Jamie Giroux
BC Ministry of Environment and Climate Change Strategy	M	Roberto Melfi
		Michael Wadeson
Encorp	Encorp	Cindy Coutts (Co-host)
		Sandy Sigmund (Co-host)
		Chris Campbell
		Sheri Hamm
		Esme Friesen
		Doug Merrier
		Jereon Zujidervelt

Organization	Type	Attendee
		Yuliia Izmailova
MNP	MNP	Maggie McInnes
		Justin Noble
		Moira Louw

4. November 8, 2022 Webinar

Organization	Type	Attendee(s)
Boucherie Self Storage & Bottle Depot <i>West Kelowna</i>	D	Young Nam
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Lawrence Engelsman
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Mike (Yang Hun) Choi
Columbia Bottle Depot - Kelowna <i>Kelowna</i>	D	Cara Heck
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park
Go Green Bottle Depot & Recycling <i>Vancouver</i>	D	Stanley Wong
Interior Freight & Bottle Depot <i>Vernon</i>	D	Jay Aarsen
Regional Recycling – Abbotsford <i>Abbotsford</i>	D	Rod Lotzkar
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting
The Bottle Depot (Glanford) <i>Victoria</i>	D	D’Arcy Hipwell
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myung Jin (Janet) Lee
Willowbrook Recycling (WRI) <i>Langley</i>	D	Savannah Paine
Vanguard <i>Delta</i>	T	Jamie Giroux
Rellish Transport Services <i>Armstrong</i>	T	Rob Ellis
BC Ministry of Environment and Climate Change Strategy	M	Matthew Maloney
		Katrina Forrest

Organization	Type	Attendee(s)
Encorp	Encorp	Cindy Coutts (Co-host)
		Sandy Sigmund (Co-host)
		Chris Campbell
		John Nixon
		Sheri Hamm
		Jagprit (Priti) Gill
		Jereon Zujidervelt
		Esme Friesen
		Ed Walsh
		Jacob Jeby
		Vince Spronken
MNP	MNP	Jasmina Burns
		Justin Noble
		Moira Louw

Written Feedback Respondents⁹

One contracted service provider and one association provided written feedback, as listed below:

Organization	Type	Author(s)
Coquitlam Return-It Depot	D	Janice Song
BC Bottle and Recycling Depot Association (BCBRDA)	Other	Cara Heck, BCBRDA Board Chair

Webinar Presentation¹⁰

Encorp provided an overview of the proposed amendment to *Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process* and then facilitated a Q&A session that provided an opportunity for contracted service providers to ask questions and provide feedback. Encorp responded to the feedback during the webinars.

CONSULTATION FEEDBACK AND THEMES

Overview

Feedback from the webinars and written responses was reviewed and themed by MNP. Encorp provided immediate verbal responses to feedback received during the webinars, and email responses to the written feedback.

Themes from Webinars and Written Feedback

The section titled *Encorp Responses to Questions and Comments from Consultations* presents all the questions and comments obtained through the consultations, as well as Encorp’s responses. It has been organized according to themes that emerged from the feedback obtained. A summary of the themes, and the number of questions and comments received, is outlined below.

⁹ Written submissions are included in Appendix H.

¹⁰ The webinar presentation is attached as Appendix B.



Please note that because some commentary received was not related to the actual Section 9 process and methodology within the amendment which the consultation was for, feedback has been separated into the following two tables:

- Feedback Related to Section 9 Amendment (Process and Methodology).
- Feedback Unrelated to Section 9 Amendment (Process and Methodology).

Feedback Related to Section 9 Amendment (Process and Methodology)

Themes	Number of Questions/ Comments
1. Brewer Distribution Licence Program	-
2. Consultation Process – Input from Depots	2
3. Depot Financial Study	30
3.1 Depot Financial Study – Access to Data	3
3.2 Depot Financial Study – Depot Participation	11
3.3 Depot Financial Study – Findings	1
3.4 Depot Financial Study – Methodology	15
3.5 Depot Financial Study – Producers Paying Full Cost	-
3.6 Depot Financial Study – Other	-
3. Depot Handling Fees	12
4.1 Depot Handling Fees – Access to Data	1
4.2 Depot Handling Fees – Aligning with Other Programs	2
4.3 Depot Handling Fees – Inflation Rates	1
4.4 Depot Handling Fees – Labour Costs	2
4.5 Depot Handling Fees – Other	6
5. Express	1
5.1 Express – Costs of Excluded Beverage Containers	1
5.2 Express – Labour Costs	-
5.3 Express – Other	-
6. Encorp Communication Frequency	1
7. Other	4
7.1 Other – Access to Data	-
7.2 Other – Costs of Excluded Beverage Containers	-
7.3 Other – Costs of Simplified Sorts	-
7.4 Other – Customer Service	1
7.5 Other – Dispute Resolution	1
7.6 Other – Methodology	1
7.7 Other – Missing Bags	-
7.8 Other – Participation in Consultation	-
7.9 Other – Territorial Commitments	1
7.10 Other – Total Cost of Collection and Handling	-
8. Question about Webinar	2
9. Recovery Rate Targets	1
10. Regulation	4
10.1 Regulation – Guidance Document	5
10.2 Regulation – Other	-



Themes	Number of Questions/ Comments
11. Transporters and Processors	2
Total:	60

Feedback Unrelated to Section 9 Amendment (Process and Methodology)

Themes	Number of Questions/ Comments
1. Brewer Distribution Licence Program	2
2. Consultation Process – Input from Depots	-
3. Depot Financial Study	8
3.1 Depot Financial Study – Access to Data	1
3.2 Depot Financial Study – Depot Participation	4
3.3 Depot Financial Study – Findings	1
3.4 Depot Financial Study – Methodology	-
3.5 Depot Financial Study – Producers Paying Full Cost	1
3.6 Depot Financial Study – Other	1
3. Depot Handling Fees	4
4.1 Depot Handling Fees – Access to Data	-
4.2 Depot Handling Fees – Aligning with Other Programs	-
4.3 Depot Handling Fees – Inflation Rates	-
4.4 Depot Handling Fees – Labour Costs	-
4.5 Depot Handling Fees – Other	4
5. Express	6
5.1 Express – Costs of Excluded Beverage Containers	2
5.2 Express – Labour Costs	4
5.3 Express – Other	-
6. Encorp Communication Frequency	1
7. Other	5
7.1 Other – Access to Data	-
7.2 Other – Costs of Excluded Beverage Containers	1
7.3 Other – Costs of Simplified Sorts	1
7.4 Other – Customer Service	-
7.5 Other – Dispute Resolution	-
7.6 Other – Methodology	-
7.7 Other – Missing Bags	1
7.8 Other – Participation in Consultation	1
7.9 Other – Territorial Commitments	-
7.10 Other – Total Cost of Collection and Handling	1
8. Question about Webinar	-
9. Recovery Rate Targets	1
10. Regulation	1
10.1 Regulation – Guidance Document	-

Themes	Number of Questions/ Comments
10.2 Regulation – Other	1
11. Transporters and Processors	-
Total:	28

MNP SUMMARY OF CONSULTATION

To ensure contracted service providers throughout the province had equal opportunity to comment on the proposed amendment to *Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process*, Encorp looked at ways to remove barriers to consultation participation. The combination of the multi-webinar format with real-time Q&A as well as the dedicated email for written submissions provided all contracted service providers with multiple opportunities to lend their voices in a meaningful and transparent manner.

During the consultation period, contracted service providers asked 60 questions related to the proposed amendment to *Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process*. They also asked 28 questions unrelated to the proposed amendment. Encorp staff responded to all 88 questions.

Many of the questions and comments related to the proposed amendment focused on the Depot Financial Study (30 comments/questions) and depot handling fees (12 comments/questions). Encorp clarified the process of selecting the third-party consultant to undertake the Depot Financial Study; their independent development of the methodology; the anonymity of the depots participating in the study; the resulting determination of depot handling fees; and Encorp’s continued commitment to providing all depots with the resulting aggregated, anonymized financial study.

Other questions and comments related to the proposed amendment focused on:

- The Express program (one comment/question);
- Frequency of Encorp’s communication with contracted service providers (one comment/question);
- Customer service (one comment/question);
- Dispute resolution (one comment/question);
- Methodology (one comment/question);
- Territorial commitments (one comment/question);
- The webinar (two comments/questions);
- Recovery rate targets (one comment/question);
- Regulation (four comments/questions); and
- Transporters and processors (two comments/questions).

It is MNP’s understanding that, based on the feedback from the contracted service providers, Encorp revised the proposed amendment to *Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process*.

ENCORP RESPONSES TO QUESTIONS AND COMMENTS FROM CONSULTATIONS

Feedback Related to Section 9 Amendment (Process and Methodology)

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
1. Brewer Distribution Licence Program			
2. Consultation Process – Input from Depots			
Depots have provided a lot of written feedback in 2021 and 2022 to Encorp. Consultation is about accepting input, not just answering questions, and then explaining to stakeholders what input was integrated and what was not, and why and why not. My question is: What input Encorp has accepted from Depots and used to make changes through this consultation process? All I've heard Encorp say is this is the way that we've always done it and this is the way that we will continue to do it.	Randy Park Edmonds Return-It Depot	<p>I think you will see that, through consultation, we are listening. The fact that the consultant hired to run the base financial study is now selecting the depots for the sample, is a good example of Encorp changing the process because of feedback from the depot population to ensure confidentiality of information, and to ensure that Encorp does not know who is participating in the sample. These changes were made because there was concern that if Encorp knew this, it could use or misuse that information. That is a good example of us listening to depots.</p> <p>The consultation is also about presenting the methodology; we do not know how to make it any more transparent to you. We cannot have a competitive process. This is what we can do. We can commit to reviewing that every five years or if there is a material overall change in operating scenarios. If you have specific suggestions, comments, or questions about how we can make it more transparent, we really want to hear that.</p>	November 8 th Webinar
During the last webinar, Cindy stated that Encorp doesn't intend to change anything in its approach to producers paying their full cost. In other words, Encorp's amended Section 9 has simply better described the steps that it took to set fees. If this is the case, what is the purpose of the consultation?	Janet Lee Ucluelet Bottle Depot	See above.	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
3. Depot Financial Study			
3.1 Depot Financial Study – Access to Data			
Is this 'general data' available to depots or organizations representing them in order to confirm that the figures and methodologies are truly accurate?	Savannah Paine Willowbrook Recycling (WRI)	Most of the information that is used throughout the handling fee methodology process is made available to the depots. We contract with the depots, so the information comes back to them. A piece of information that is not shared with the depots is the financial information sent in by each depot participating in the sample (because Encorp does not see the data of individual depots). However, the aggregated information is shared with the depots. The assumptions, whether around volume in the future or costs in the future, are shared with the depots. So, the answer to your question is "yes", other than we do not share any proprietary or confidential information that one depot has provided, with all the depots.	October 17 th Webinar
Step 3 of the amended Section 9 speaks about Encorp using the KPMG Study to perform further forecasted analysis of Depot costs. Encorp states that this analysis was provided to Depots. When and how was it provided to Depots? This forecast analysis is critical to understanding how Encorp arrived at its new handling fees.	Cara Heck Columbia Bottle Recycling	This is the methodology as it is set out. This aggregated, anonymized financial study has always been presented to depots. Following this webinar, I can find the exact date and presentation where it was provided. We are committed to providing that financial study and all the assumptions that go into the future forecasting. Both on the revenue side and the cost side. On the revenue side, we are looking at container volumes, population growth, and container return per capita. On the cost side, as you saw in the document and in the webinar, we are looking at all the major costs associated with operating a depot. All the assumptions that we make during that forecasting element are shared with depots. The only information that is not shared is the individual participating depots information in the representative sample because, of course, that is confidential information.	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		<p><i>Follow Up:</i></p> <p><i>The KPMG financial study information was provided to depots in handling fee Meeting # 4 on September 16, 2021 and again in Meeting # 7 on November 23, 2021.</i></p> <p><i>The factors used to calculate future depot financial performance were presented to depots in Meeting # 5 on September 29, 2021 and in a meeting # 6 on October 28, 2021 where an open discussion on handling fee inputs and assumptions was held. When presenting the offer to depots in Meeting # 7 on November 23, 2021 and Meeting # 8 on November 30, 2021, Encorp communicated that the financial projections based on these factors and the proposed handling fees determined that the go forward profitability would maintain the baseline shown in the independent financial study. Further, it was communicated that the go forward profitability would grow year over year during the 5-year handling fee period for an average depot. Lastly it was communicated that the goal of ensuring handling fee % increases exceed volume % increases was met based on our financial study.</i></p>	
The bottom line is that Encorp has never provided verifiable data that supports its determination of the fees it has concluded it will price-set to pay Depots.	Cara Heck Columbia Bottle Recycling	The aggregated anonymized depot financial study was shared with the depots. All the assumptions used to perform the forecasting were shared. The return provided to the depots as a result of the forecasting of revenues and costs, which exceeds the Industry Canada return for its peer industry category, was shared with the depots.	Written Feedback
3.2 Depot Financial Study – Depot Participation			
Encorp only sampled 16 depots across BC to determine an average handling fee rate (i.e., one rate for all depots) that it offered to all Return-It Depots. By law, Encorp is required to pay the actual full costs of managing its materials regardless of where	Savannah Paine Willowbrook Recycling (WRI)	During the last handling fee there were 17 depots that participated. Please note that there were 125 depots invited to participate. We want to emphasize here that the number of depots that participate in the process is critical. The more that participate, the closer we get to that goal of having the average statistics from the sample match the entire province.	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
the material is collected to its service providers on a one-to-one basis, not the average cost across the province where some depots are paid fairly, and others are not. How does Encorp's methodology ensure that depots with higher local costs are being paid their full costs?		<p>Again, it is impractical to include all depots in the study, so we have that statistical sample.</p> <p>We have taken a sample and come up with an aggregated anonymized financial study that gives us an average to work on. The interesting element of this is that once the average is determined and the handling fees are established, depots have the opportunity through creation of efficiencies to reduce their costs and earn higher revenues. We also make sure that the sample of depots who participate in the financial study represents all the regions in British Columbia and all the sizes based on the number of containers handled by the depots across the province.</p>	
The regulation says Encorp must pay producers' full cost. Given the viability in Depots, how can a maximum sample of 24 of more than 160 Depots provide reliability? Especially given that Encorp's unconvincing approach to consultation meant it could only convince 17 Depots to participate.	Paul Shorting Regional Recycling - Nanaimo	<p>Thank you for that question. When we set and establish a methodology, one that has been used over time, it is important to have a sample of depots. It is impossible to gather data from 162 depots, so the goal is to have a representative sample of those depots form part of the financial study. That sample is representative of not only different regions, but also of depots of different sizes and depots providing a variety of services. The goal of the representative sample is that the volume of material handled by the sample mirrors the whole entire population of depots.</p> <p>That information is aggregated into a financial study that is used to represent the depot population. The goal is to have that sample mirror the entire population. That allows for a representation and while there are nuances from depot to depot, we look at that average sample as an indication of the depot population in general based on representing regions, volumes, and different services.</p> <p>Here is where I put an ask out to you. We are very interested in working with you and collaborating. Depots bring in 95% of all used beverage containers in British Columbia, so you are an integral part of our program. We need you and you need us. We need to work together collaboratively. The more robust the sample, the more representative it is</p>	November 1 st Webinar



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		going to be. We provide a small stipend to those who participate, and we would encourage as many of you to participate to have your voices and your businesses heard.	
KPMG's study must be representative of the full Depot network to be able to reflect producers' full costs. In Encorp's consultation response from 2021, it explicitly indicates that KPMG was "not contracted to determine whether the sample size was statistically representative of the Depot population." How can Encorp accept KPMG's study as its foundation for Section 9 if it is not indicative of the entire Depot system?	Nojin Lim Powell Street Return-It Depot	It is impractical for Encorp to work with gathering financial data from 162 depots. Part of the methodology is selecting a subset of depots that represents the entire depot population. The goal of the sample set is to have a sample that represents different regions, different service elements, and different container volumes. The sample should be very representative of the average volume of containers handled by all the depots. Having the independent consultant select and work with the depots based on those criteria provides the sample size that represents the entire depot population. In a world where contracts did not have protected territories, we could have a competitive bidding process. We cannot do that here, because again, you are establishing businesses, we are supporting your businesses; we are providing you, in many cases, with protected territories and zones within which to operate, which means we cannot have a competitive process. We have to have a fair fee handling setting methodology that is a little bit similar to setting utility rates, where it is very transparent, very open, and provides a reasonable return to depots.	November 1 st Webinar
Encorp keeps suggesting that all Depots had the option to participate in KPMG's study. If that is the case, why does KPMG's study say the maximum participants were capped at 24?	Paul Shorting Regional Recycling - Nanaimo	It is impractical to include all depots in the sample. It would take too long; we would be perpetually in a position of analyzing data. The purpose of selecting a sample of all the depots that are eligible, so excluding those who handle 1.5 million containers or less, is to solicit participation. I think it was even in your earlier question, you noted that there was not higher participation in the sample size. We invited in the last go around 125 depots to participate. We want participation so that the third-party independent auditing consultant can select from those who are eligible to be part of the sample, can select the sample that is most representative of the entire depot population. In that we cannot use all depots, the more	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		that are willing to participate, the better representation we are going to have.	
<p>Did anyone at Encorp scrutinize KPMG's Depot sample for its study before giving the green light for KPMG to proceed? There is no way it can be reflective of actual system costs with a sample of 24 Depots, there is simply too much variability in the size (i.e., volume) and geography of Depots.</p> <p>Let's break this down in a couple of ways:</p> <ol style="list-style-type: none"> 1. KPMG's sample volume of 6.2 million exceeds the average Depot volume of 5.6 million. 2. 58% of BC's population is in the Lower Mainland; 44% of depots are located there, and 35% of the sample population are Lower Mainland Depots. This alone is indicative of the diversity. 3. Not all Depots were allowed to participate, as Encorp keeps suggesting was the case. KPMG set the maximum at 24. <p>30 small Depots were excluded because they are too small.</p>	<p>Savannah Paine Willowbrook Recycling (WRI)</p>	<p>First, you asked if anyone scrutinized the depot sample population. Just to remind you, part of the tasks that the consultant undertakes is the depot selection because that was a request from the depot community. The consultant is given the broad parameters on representation of different geographies and different volumes, and the consultant makes the actual selection of the depots. I do not have the figures in front of me right now, but in the last financial study that was done, the average volume of containers handled by the sample was very close to the average number of containers handled by the entire depot population in British Columbia.</p> <p>In a way, that is answering all your questions. A sample is never 100% representative of the entire population, but the sample size was selected in order to have that broad representation because it is impractical to include all depots in the analysis.</p> <p>You are correct in that small depots handling less than 1.5 million containers, and with revenues less than 75,000 dollars, were excluded from the sample. This is because they receive additional grants and financial support to operate, mostly in more remote locations with lower volumes. Outside of that one exclusion, all other depots were invited to participate.</p> <p>We really encourage you to participate when the invitation is extended, because the more depots that participate and put their names forward, the more representative the sample with which the consultant can work.</p>	<p>November 8th Webinar</p>
<p>FYI operators are having issues getting online. Given that representative participation is so critical to an accurate, valid cost study and both KPMG and Encorp knew that Depot participation was low early</p>	<p>Paul Shorting Regional Recycling – Nanaimo</p>	<p>What did Encorp do to encourage participation; the consultant had the parameters to select the depots to participate in the study, and the consultant was very persistent and followed up with all eligible depots so everyone other than the small depots that received grants was encouraged to participate in the sample. It took longer than anticipated to</p>	<p>November 8th Webinar</p>

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<p>on, can you tell us what Encorp did to address Depots concerns to try to improve participation? Among Depots explicit concerns were the fact that we didn't receive terms of engagement, didn't have an opportunity to provide input into the design phase of consultation, and, based on previous breeches of confidential and proprietary business information, needed more concrete mitigation tactics – and not just generic NDAs without procedural steps and implications for information breeches - to protect our business information.</p>		<p>encourage depots to be part of the process. The reason the consultant was responsible for selecting the sample size, again, was at the recommendation of the depots – to ensure anonymity, data security, and protection of sensitive business information. I think there was ample time to participate in the design of the consultation during the last go around.</p> <p>We are talking here about the handling fee methodology that Encorp has used in the past and is intending to use for the future. Your question is specifically about the last process, but there were in fact eight separate webinars on that process throughout the entire year, on the methodology and the process. In fact, two of the eight webinars were added at the request of the depots. I think there was ample ability to participate and ask questions on the process. The actual RFP document provided to the consultant was not shared with the depot population; however, it contains everything that you see here in this methodology. There is nothing hidden; it is a completely transparent process.</p>	
<p>There has been a lot of criticism of the limitations and exclusions of KPMG's study. The study outright says that it is not intended to make projections of the future. Encorp has said in its consultation summary document that KPMG was not contracted to determine whether the Depot sample size was statistically representative of the Depot population. How can Encorp use this study as its basis for an average Depot? Isn't the onus on Encorp to ensure that it achieves a statistically relevant sample?</p>	<p>Savannah Paine Willowbrook Recycling (WRI)</p>	<p>The goal of the selection of the sample size is that we get representation regionally, representation size-wise according to numbers of beverage containers handled, and of services offered. Again, Express is included in the study. Having a third-party consultant undertake the study is important to get the base scenario. It is intended to be a baseline. KPMG, or any other consultant that is hired to run this process, is not engaged to do future forecasting. They are hired to provide us with that anonymized, aggregate financial study that represents the sample depot. Encorp then takes that base data and does the forecasting along with you through the consultation process. All those assumptions that are used to model future revenues as far as population growth, container growth, sales of containers, the addition of new containers, costs, are shared and reviewed with you.</p> <p>The second part, again, comes back to the depot sample being representative of the entire depot population. It is impractical to include all depots in the study, so a sample is necessary, and it needs to be</p>	<p>November 8th Webinar</p>

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		representative as I have said a couple of times, of those three major elements: services provided, size, and geography. In the last go around, those three elements were very close to the total depot population.	
You indicated smaller depots are not included in the depot sample due to the fact that they receive grants to help sustain them. When was the last time the grant amount was reassessed to ensure it is sufficient? And, if so, what process was used?	Cara Heck Columbia Bottle Depot - Kelowna	<p>I will have to get back to you on that. I do not have that information on hand. I do know that we have depots, for example, that come off the grant process because they are growing, which is a good thing. But I will have to commit to getting back to you on the answer to when that was last reviewed.</p> <p><i>Follow Up: The presence grant value was last reviewed in 2014 when it was increased it from \$900 to \$1,000/month. The presence grant was imposed by the arbitration award in 1999 and there were no prescribed rules for future increases. Presence grants are not required under the DLAs, ADLAs, and MSAs. Only a small portion of depots receive full value of the presence grant. Encorp is the only program that offers presence grants to small volume depots in addition to the unit-based handling fees, which are being reviewed every five years. Depots also receive handling fees for other program material added to the system after 1999 (i.e., PPP, EOLE, batteries, lighting) that provide additional sources of revenue to all depots including small ones.</i></p>	November 8 th Webinar
Encorp’s methodology is definitively lacking in a firm commitment or acceptable process to ensure Depots would have confidence that they would have input into any future changes to Encorp’s payment plans (e.g., if a new pilot were to be suggested, minimum wage was increased, or inflation continued to skyrocket) prior to the next EPR Plan review.	Cara Heck BCBRDA	Considering your comment, we once again reviewed the proposed amendment. Encorp’s handling fee methodology is clear, transparent and lays out the explicit steps for determining handling fees (see above). Encorp commits to reviewing the handling fees at least every five years, within 12 months of the introduction of a new beverage container to Schedule 1, or when there is a material change to overall circumstances impacting the handling fees.	Written Feedback



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
Lack of representative depot participation in the financial study.	Cara Heck BCBRDA	The sample is selected with the goal to have the overall average number of containers handled by the sample match as closely as possible to the overall depot average. This has been achieved in the past. In addition, the depot sample is selected by a third-party independent consultant and is representative of depot geography, size and services provided.	Written Feedback
<p>The BCBRDA and Depots repeatedly requested the “Terms of Engagement” for the KPMG study (i.e., scope of study, an understanding of why Encorp was requesting non-Encorp data, how data was to be used, and confirmation that no individual Depot data, which is commercially sensitive, would be released to Encorp).</p> <p>Encorp alone prescribed all attributes of the study and how the data would be used, including limiting the number of Depots to be selected to a maximum of 24. Despite repeated requests, the KPMG study Terms of Reference and Scope of Work were never disclosed to Depots, and the full report has never been made public.</p> <p>As a consequence of Encorp’s failure to work with Depots, only 17 Depots (of the Encorp determined minimum number of 24 Depots required) agreed to participate.</p>	Cara Heck BCBRDA	<p>The comment about the terms of engagement for the consultant to do the Depot Cost Study deals with the past process. The scope of work provided to the independent consultant mirrors the Section 9 document Producers Paying the Cost of Obligated Materials. The document is very clear that the data collected will be used to complete the financial study, which provides an aggregated average depot return. Non-Encorp data is required to ensure that Encorp is not paying the cost of other obligated materials programs. Any data is sent to the third-party consultant under NDA and aggregated anonymously. Encorp does not know which individual depots provide data.</p> <p>Following the request by the depots to keep the data supplied to the Depot Cost Study consultant confidential, the process was changed, and no information supplied by individual depots was given to Encorp or other depots by the consultant, including the identity of the depots that participated in the study.</p> <p>Depots were repeatedly encouraged to participate in the study.</p> <p>It is not practical to undertake a Depot Financial Study including all 162 depots, so a sample of depots representing geography, size and service was determined.</p> <p>As outlined our in methodology, Encorp will continue to encourage depots to participate in future Depot Cost Studies and will maintain the commitment to preserve confidential depot information in the hands of the consultant only.</p>	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
3.3 Depot Financial Study – Findings			
I know Encorp wants us to focus on questions, but I do have a comment. I've read through all of Encorp's 2021 presentations to Depots again and slide 8 in presentation #8 very clearly states that two "key factors" in establishing handling fees are projected depot efficiency gains due to simplified sorts and handling fees paid by BDL on aluminum cans. The Propel study is an incredibly flawed study that makes projections that are easily refutable. Aligning fees to BDL is price setting, plain and simple. And, on top of this, other Depots have already mentioned that Encorp has not shared how it used these studies in its financial model to do forecasting. I honestly don't know how anyone is expected to look at the information that Encorp has presented in its amended Section 9 or its supporting files and make heads or tails of it. We're consulting on how Encorp described its methodology when we should be walking through and providing input on a thorough analysis of how Encorp arrived at its handling fees.	Paul Shorting Regional Recycling – Nanaimo	I hear what you are saying. Although the actual spreadsheet is not shared, all the assumptions that went into the spreadsheet were provided and there was a lot of back and forth on those assumptions. As I mentioned before, the methodology was used to come up with the range of fees that ended up being part of the simplified sort contract. The tie to BDL was a request to have important depot partners work with another program to add more fairness and more transparency to stewardship across British Columbia. I will look at that slide, but I appreciate the comment and want to come back again to the methodology as it is set out here. What I think I hear from you is you would like to see the actual spreadsheet moving forward. Again, it does not change any of the information, but I hear the comment, thank you.	November 8 th Webinar
3.4 Depot Financial Study – Methodology			
To provide meaningful feedback on Encorp's amended Section 9, I found it necessary to review the meetings, reports,	Clare Cassan	Encorp is responsible for paying the cost of our obligated materials which includes the collection, transport, processing, and marketing around the recycling of used beverage containers in British Columbia.	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<p>and presentations from 2021. Encorp states in Section 9 that it completed a depot financial study, performed by an independent consultant to assess actual reasonable depot costs. This independent study was performed by KPMG. Can you help me understand how the findings from the KPMG study support the conclusion that the system is properly funded? To be explicit, I can't draw the line of sight from this study to what Encorp is saying is producers paying their full cost.</p>	<p>Columbia Bottle Depot - Kelowna</p>	<p>Because we cannot use a competitive process, we must come up with a methodology that is transparent and fair, somewhat like what you see in utility rate setting. The method that you see us propose here we think gets us to that point. So once the sample of depots has provided financial information, that sample provides the consultant (you are correct, the last round it was KPMG), with an average depot return based on current information.</p> <p>The link perhaps that you are missing here is that we take the base, which is what the consultant comes up with, and then we forecast both revenues and costs. That forecasting is done by looking at new containers that will be collected and at volume projections based on statistical estimates of population growth that are put out by the BC government. And then we look at costs, future costs, so costs associated with those new beverage containers and how they are going up based on the CPI as put out by the federal government. We take that base then we forecast revenues and we forecast costs and we look to see if the handling fee that is currently in place still provides that reasonable return. If it does not, those handling fees will be adjusted to ensure that that average return, that reasonable return, is provided to depots in new handling fees.</p>	
<p>Encorp has based its handling fees on projected recovery rates. However, Encorp has never, based on their annual reports, achieved those rates. Is there a plan to compensate depots if the recovery rates aren't met?</p>	<p>Cara Heck Columbia Bottle Depot - Kelowna</p>	<p>The handling fee methodology is a way to look at future projections of revenues and costs, and of course there are many elements of the revenue and there are several elements of the cost. If revenues are lower than anticipated, due to lower beverage container estimates, then obviously the costs will be also lower than if the beverage container recovery rate had been higher. So, we've got those checks and balances in place. If revenues are not as high due to beverage container sales, that means lower costs. If we just take a moment and look at results for 2022, in our forecast we used an 8% estimate increase in volume and our volume is 13% ahead of the estimates, so estimates are never perfect but we're working to look at estimating as best as possible and matching them to provide a reasonable rate of return. The commitment is</p>	<p>October 20th Webinar</p>

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		that if there is a material change in operations then we will review handling fees.	
The Propel study suggests that moving to a smaller sort reduces operator time by 22.6%. This, along with quotes from Depots, are framed in a way that would suggest that there are significant labour savings from the smaller sort. What about accounting for all the other work performed at the Depot to fulfill program obligations, such as shipping, cleaning, maintenance, bookkeeping, etc.?	Cara Heck Columbia Bottle Recycling	<p>The Propel study, you are correct, did show a savings of almost 23% moving from a full 28 sort to a simplified sort. I think that, in that study, it looked at direct labour to handle the containers. We have got the data, we have got the study, that suggested that there were significant savings to moving to a simplified sort. That is one element of running a depot.</p> <p>All those costs are captured in the financial study. If we look at a variety of costs, it is in the actual document; we look at all the costs, and all the costs that you mentioned are included in that model. Whether it is insurance costs, your rent, your labour, your telecommunications cost, all those costs of running a depot are included in the financial study.</p>	November 1 st Webinar
KPMG's allocation of Depot costs between Encorp's beverage program and other programs is arbitrary. It is explicitly noted that they have not been verified yet they appear to perform a critical role in determining how costs should be allocated between the beverage program and others. Again, how can Encorp accept KPMG's study as its foundation for Section 9 if it is not accurate and verified?	Nojin Lim Powell Street Return-It Depot	<p>Good question. In conducting the study, the purpose is to come up with a base financial model that isolates the costs for depots of handling used beverage containers in British Columbia. We know that depots as independent operators may have many lines of business. In the undertaking of the study, there is a way to isolate the costs associated with Encorp's stewardship plan related work, and other activities that a depot operates.</p> <p>The third-party consultant asked questions not only about what is specific to used beverage containers, but square footage that is used for other programs, and labour that is used for other programs, because one of the key tenets of Encorp's stewardship plan is that there is no cross-subsidization between beverage containers in Encorp's program and other potential programs.</p> <p>These are all good questions, and they are also reflective of how Encorp has always conducted its fee handling methodology. What is different is the amount of detail that has been laid out in this new document. Nothing has changed in the way that Encorp is setting the methodology, but our goal in our stewardship plan is to work with and collaborate with depots,</p>	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		it is to be transparent and fair. By making this document much longer with much more detail, we provide you with all the information that you need to understand how these handling fees have been set and will be set in the future.	
If small volume Depots are part of the Depot network and KPMG's study is supposed to be representative of the Depot network, then why are they excluded?	Heimin Lee Semiahmoo Bottle Depot	Small volume depots are excluded because they receive additional compensation from Encorp and are looked at differently than the general population of depots and compensated based on services provided in very rural areas or small areas where a depot is necessary to collect beverage containers but if they collect under 1.5 million beverage containers, then they are excluded for the study because they are taken care of elsewhere.	November 1 st Webinar
Can you clear up a point of confusion, please? Depots have always been told that Express was not included in the KPMG study. During the last webinar, you mentioned that Express IS part of the KPMG study because some of the Depots included in the study offer Express. This makes a big difference to how we review Section 9 so we need 100 per cent clarity on this. Will you commit to follow up with me, and all Depots, by end of day tomorrow with the date and time, document type, and distribution method that Encorp used to confirm that Express is reflected in the KPMG study so we can consider this information in our Section 9 input to Encorp by the November 13, 2022 deadline?	Paul Shorting Regional Recycling – Nanaimo	<p>We have had this question throughout the consultation. First, to clarify, KPMG was the consultant hired for the last go around. For every financial study we undertake, we put a request for proposal (RFP) out for a consulting company, and we pick the best consulting company that responds to the requirements of the RFP. Last time, it was KPMG.</p> <p>Yes, you are correct, Express is included in the financial study. The goal of selecting a sample of depots to participate in the financial study is to have a representation of regions across British Columbia, depot size based on volumes, and the variety of activities that are undertaken at depots.</p> <p>Depots that have Express were included in the KPMG study; I am confirming that to you today.</p>	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<p>One issue that depots face is rising costs. Since we do not sell products, we cannot adjust prices levels and are heavily dependent on handling fees to keep up with price increases.</p> <p>The multi step decision process that gathers and analysis data helps create an equitable environment that both satisfies Encorp and the depot operators. The five-year review of handling fees is a great method to ensure that depot operations remain sustainable in the coming future.</p> <p>Furthermore, the RFP study done by an external source is a good idea, as it allows for a third party to make a fair analysis of the current financial situations. With the global societal and economical turbulence, we currently are experiencing, we are unsure how the day-to-day operations may change and hope for an adaption to any form of adversity that may arise. The new amendment is one of the solutions for adaptation in a changing environment.</p>	<p>Janice Song Coquitlam Return-It Depot</p>	<p>Thank you for your input and support of the Section 9 amendment.</p>	<p>Written Feedback</p>
<p>Encorp's Section 9 does not offer a reasonable, valid, or even logical path to either fair or defendable handling fees.</p>	<p>Cara Heck BCBRDA</p>	<p>Encorp's proposed amendment to Section 9 was written to ensure a reasonable, valid, logical step by step path to fair and defendable handling fees. In light of your comment, we once again reviewed the proposed amendment. These four steps are followed in a very logical sequence. The details of each step are laid out clearly in the document:</p> <ol style="list-style-type: none"> 1. Conduct a handling fee consultation process to provide the contracted depot stakeholders with an opportunity to voice their 	<p>Written Feedback</p>

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		<p>expectations, and understand, participate in, and provide input and feedback into the process.</p> <ol style="list-style-type: none">2. Complete a depot financial study performed by an independent consultant to assess actual reasonable depot costs to collect and handle obligated materials based on a representative sample of depots (which looks at actual costs of the different inputs into the operating costs of the sample depots and the depots current revenues). This establishes a baseline average depot reasonable profit margin.3. Develop a forecast of depot revenue and costs for the next term (typically five (5) years) and calculate handling fees over that term (to provide reasonable handling fees for depots). This forecast is based on the depot financial study and forecasted revenues related to the collection and handling of Encorp used beverage containers including container volume projections, other macro-economic indicators, and projected changes over the term that are anticipated to impact depot revenues and costs. The result of the process is a handling fee proposal that covers the projected depot operating costs and provides a reasonable profit margin for an efficient¹ depot that is meeting operating procedures and standards and does not require subsidization of the depot for its other business lines.4. Process depot contract amendments to reflect the new handling fees. <p>Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.</p>	



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
More definitive assurances that their commercial confidential business information will be protected.	Cara Heck BCBRDA	Encorp, through an RFP, selects an independent third-party accounting consultant from a pool of globally recognized, reputable, and leading firms. In 2021 KPMG was selected. The reputation of these firms as professional and competent accounting audit and consulting companies is generally accepted globally. Further, depots participating in the study sign an NDA with the consulting company.	Written Feedback
Further, based on its own admission, Encorp did not set out to ‘determine the full costs collecting containers through its Depot network’, it simply decided that it was not going to pay Depots a higher rate than BRCCC/BDL for similar containers.	Cara Heck BCBRDA	This is incorrect. The handling fee methodology was followed, and the results were presented to the depots. Contracts included a reference to fees set by BRCCC/BDL for increasing rates only. The handling fees determined by Encorp, specifically for aluminum beverage containers were 73% higher than BRCCC/BDL. At no time in any contract did Encorp state that its handling fees would be reduced to match those of BRCCC/BDL.	Written Feedback
Small volume Depots should be included in the study as they are part of the Depot network. (Their initial presence grant was set over 20 years ago and should be updated).	Cara Heck BCBRDA	Depots handling less than 1.5 million containers per year are excluded from the study as they receive additional financial support from Encorp in the form of Presence Grants. Encorp’s CEO, Cindy Coutts, has committed to review the presence grant process and amounts.	Written Feedback
In determining what that cost consists of, it is reasonable for Encorp or their contractor to make adjustments that remove unreasonable costs from the system; however, Encorp is attempting to ignore reasonable costs incurred by cherry picking which Depots are eligible to participate in the study.	Cara Heck BCBRDA	The statement that depots are ‘cherry picked’ is incorrect. Encorp is committed to ensuring that the independent third-party consultant choose the depots. Encorp does not participate in the process. The depots asked Encorp to not be involved in the selection process for the depot financial study, so Encorp included the depot selection in the scope of work for the independent consultant. At no time does Encorp know the identity of the depots who participated in the study. The stipend paid to depots for participating is paid by Encorp to the third-party consultant, who then releases it to the depots.	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
The Recycling Regulation Guide (p.20) states: <i>The Ministry has set expectations for good performance measures.</i> These same standards should apply to the work performed on system cost studies.	Cara Heck BCBRDA	Encorp believes the Ministry's expectations for good performance measures have been and will continue to be met on all system cost studies.	Written Feedback
<p>From KPMG's study (p. 20)</p> <p><i>"In order to allocate costs among Encorp UBCs and those related to handling other products / stewards, questions in the survey solicited allocation percentages for four key categories."</i></p> <p><i>"Depots were asked what percentage of time and/or resource is typically dedicated to processing Encorp UBCs. An average of the average and median of responses was applied to the aggregated costs."</i></p> <p>KPMG's study (p.9) indicates that Depots participating in "other" programs, which would include programs administered by Encorp, are doing so at a significant loss because the cost of collection (as determined by KPMG) far exceeds the handling commissions received relative to these programs.</p>	Cara Heck BCBRDA	<p>This approach is aimed at providing information on cost and revenues of depots that serve non-beverage stewardship programs. These other programs are served at the discretion of the depots, not Encorp. Encorp does not want to subsidize them if depot costs for them exceed the fees paid by other stewards.</p> <p>Five depots participate in the review of the questionnaire sent to the sample of depots in the financial study and were comfortable with this question.</p>	Written Feedback
Based on the available information, we believe the KPMG study represents about 50% of the process that Encorp used to calculate new handling fees and the	Cara Heck BCBRDA	The KPMG study (The Depot Cost Study in 2021) looked at actual cost in depots and this information formed the baseline for establishing the new handling fees. As is outlined in the text of Section 9, the next step is to project the potential increase in depot costs above the baseline by	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<p>missing (i.e., not provided) forecast analysis represents the rest. <u>The refusal to provide the forecast methodology is a significant deficiency in the Section 9 methodology proposed.</u></p> <p>Future cost studies must use a sample that is representative of the total system, and Depots must be privy to the forecast analysis to be challenge the forecast for its validity.</p>		<p>looking at projections of the four key components of depot costs (wages and benefits; rents and occupancy costs; equipment costs; and office administration and other costs). These projections, based on recognized national and local indices, are added to the baseline. The resulting fees are tabulated with projected container volumes to see if they result in a 15% rate of return. If not, the proposed handling fees will be adjusted. This forecast methodology is outlined in the Section 9 text. All assumptions used for the purposes of forecasting are shared with the depots (and were shared in 2021 – references to specific page numbers at specific consultations were provided as feedback in the webinar consultation responses).</p>	
3.5 Depot Financial Study – Producers Paying Full Cost			
3.6 Depot Financial Study – Other			
4. Depot Handling Fees			
4.1 Depot Handling Fees – Access to Data			
<p>After hearing so far, I have a question. Is there additional information or analysis that was presented to the Ministry about how Encorp arrived at handling fees? It just feels like a huge piece of Encorp’s work to take all the information that it collected – no matter how flawed the studies are – and analyze it and come up with forecasting to arrive at handling fees.</p> <p>Another Depot asked about when this was distributed to Depots. I am wondering more</p>	<p>Young Nam Boucherie Self Storage & Bottle Depot</p>	<p>First, government gets the same information. The amended Section 9 document is the document that will be submitted to government. Nothing has changed between what you see and what the Ministry sees. We have similar meetings with the Ministry to go over this document and methodology, so it should be the same information. As far as receiving information, Encorp communicates through many different channels and it goes out to all our stakeholders. All the presentations made in the last handling fee consultation are in fact available to you through the access you have online. If you have trouble finding that information, please contact me offline and we can give you instructions to that. Both you and the Ministry have access to that information. I believe there are two participants from the Ministry online today, and there have been</p>	<p>November 8th Webinar</p>



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
explicitly – Is government getting different information than we are trying to understand Encorp’s approach? Because I can’t make heads or tails of what Depots have been provided.		participants from the Ministry online through all four of the webinars, hearing all the same questions and answers that you are hearing. There is no difference in information coming to depots and to the Ministry.	
4.2 Depot Handling Fees – Aligning with Other Programs			
Encorp’s handling fee process referenced aligning fees to other programs as a key factor from start to finish, including when offers were being made to Depots in November and October. Section 9 doesn’t mention this at all. Why is this omitted when it was such a substantial focus?	Lawrence Engelsman Chilliwack Bottle Depot	This methodology stands on its own. It is a handling fee methodology that, again, is very transparent. We cannot make it any more transparent than it is. The only information that we do not share is the confidential information that comes in from the depots who participate in the financial study, understandably. Encorp’s handling fee methodology is followed and we commit to continuing to follow that into the future. In the last consultation, the methodology was followed. There was also a suggestion and a link to other stewardship plans’ fees, which was independent of the actual handling fee methodology. If you recall, there was a range of fees that were proposed, particularly for aluminum beverage cans, that had been developed through the methodology to ensure a reasonable return to the depots. Aside from that, and after that, there was a desire to connect that handling fee to another program in order to try and harmonize the fees and make fees fair between programs. But I need to stress that the range that is proposed is a range that was developed through this methodology. As I have said previously, if that connection is offensive in any way, we can remove it from the contract.	November 8 th Webinar
Encorp sets requirements for Depots that other PROs, including BRCCC/BDL, do not: i.e., Encorp’s Return-It Depots are required to meet Depot Operating Standards... <ul style="list-style-type: none"> advertise, 	Cara Heck BCBRDA	The Depot Operating Standards have evolved over the years. They were originally developed in response to the continuous and extensive consumer research done by Encorp. Consumers have told Encorp that they do not like going to depots that are not relatively clean places to return containers. The standards give depots a set of guidelines to be welcoming facilities offering a positive consumer experience. Over the	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<ul style="list-style-type: none"> accept the processing of additional non-beverage container material streams at Encorp's discretion (e.g., textiles, EPRA), load Encorp trucks... <p>It simply takes longer and uses more space to manage Encorp cans than to manage BRCCC/BDL cans, and Encorp has more requirements about the standards for Depot buildings. As a result, Encorp should have to pay more for these requirements.</p>		<p>years Encorp provided loans to help depots improve the consumer experience, that were ultimately forgiven if standards were upheld over time. These improvements help increase customer satisfaction and container recovery.</p> <p>The requirement to advertise was removed in 2017. Encorp is solely responsible for marketing and advertisement and in 2021 had a budget of \$4 million.</p> <p>Participation in non-beverage streams is completely voluntary at the discretion of depots, not Encorp.</p> <p>The textile program ended in the summer of 2022.</p> <p>Helping with loading of trucks is a way to reduce the time required to complete pick-ups.</p> <p>The reference to the difference between managing Encorp cans and BRCCC/BDL cans does not justify Encorp paying 77% more for the same cans.</p>	
4.3 Depot Handling Fees – Inflation Rates			
Will the recent increased inflation rates be captured?	Tony Park Sunset Coast Bottle Depot	<p>When we set the methodology, and when we run through the methodology, costs are forecast. We wish we had a crystal ball. All those costs are looked at. Inflation was an integral part of the model and was forecast. Inflation, admittedly, has been higher than what we had forecast. On the converse side, sales are also higher, recovery and return rates are much higher than forecast. There are many elements to looking at costs and revenues and we are continually monitoring those. Our commitment to depot owners is that within 12 months of a new beverage container coming onto the market or a material change in the scenarios, we will review handling fees. We are monitoring inflation very closely, as well as other elements of the forecasting model.</p>	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
4.4 Depot Handling Fees – Labour Costs			
The minimum wage increased significantly compared to 6 years ago. Encorp's fee proposal last year doesn't seem to capture this minimum wage increase, especially when the depot's main cost is labour. How is this dealt with?	Tony Park Sunset Coast Bottle Depot	In our forecasting model, in our base model that we establish, with the third-party consultant and working with a sample of depots, we are looking at actual costs. We are looking at your actual labour costs. As your labour costs increase, we look at actual labour cost. Then of course there is a forecasting element to that, and as I said before, forecasting is not an exact science. We capture your actual labour rates not minimum wage rates.	November 1 st Webinar
I know a lot of depots are being run by families. When there is an increased volume of Express return, I've heard stories that family members who help after business hours to sort through those materials (sometimes till 10pm). Are these factors captured in these studies?	Tony Park Sunset Coast Bottle Depot	Yes, they are. The study is looking at the aggregated, anonymized base costs for depots who meet operating standards in a point of time. The questionnaire and the data that is provided by the representative sample of depots, looks at total labour costs. Whether family members are working during the day or during the night is a labour cost that will be captured through this study.	November 1 st Webinar
4.5 Depot Handling Fees – Other			
Under the current contract, Encorp would never forecast that the Province would institute an Employer Health Tax, huge increases in property taxes, huge wage increases, etc., yet Encorp never reviewed the handling fees for fairness during the contract. Why not?	Doug Andrews Columbia Bottle Depot - Kelowna	Some of those were predicted in the last handling fee process. For example, the health tax was included in the forecast of future costs. And again, we are forecasting, so nobody has a crystal ball. We are forecasting based on best information available through very reputable sources of information. Be they Statistics Canada or the CPI. What we have committed to you, is that we will review the handling fees at minimum once every five years or when there are material changes that impact handling fees. Note though that there are both positives and negatives, so we do appreciate that some costs were not forecasted to the same level they are now. But note as well that in 2022, volumes are up higher than we had forecasted in that modelling. Volumes are 12.9%	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		<p>versus what we forecast at 8%. Revenue also on average is up 16% across the province.</p> <p>Some forecasts go up, some forecasts go down. If there is a long-term material change, from what is in the document, we commit to taking another look. In addition, some of the other innovative things that Encorp is doing to help reduce costs across the province, through the depot system, is for example the introduction of the simplified sort. So effectively, sorts were reduced from 28 to 8, and that has a net impact of reducing labour costs within the depots.</p>	
What is reasonable rate of return and how is it assessed?	Sam Choi PoCo Return-It	We look to several sources of information. First, during the last handling fee setting process in 2020, which was implemented in 2021, that aggregated average financial statement that was shared with all the depots was very transparent and showed an average rate of return in that process of 15%. We also look to several sources of information. One is from Industry Canada through Stats Canada, which is the average profit and loss return for the waste industry. We use the North America Industry Code (NAICS) 5621, which is waste collection, and look at the statistics there. We are looking at what has been reasonable in the past, and what is reasonable across the entire industry to set a reasonable return rate.	October 17 th Webinar
Encorp uses forecasted volumes, including for milk, to set handling fees yet Encorp hasn't been achieving its forecasted volumes – or the goals that it sets for itself. How have you accounted for this in Section 9?	Janet Lee Ucluelet Bottle Depot	<p>As some of you have participated in the other webinars have heard me say, I wish I had a crystal ball. Forecasting is always very difficult. Some things you get right, some things you get wrong. Some things you get right in one direction, some things you get wrong in the other direction. Encorp has always taken a very conservative approach to the assumptions it makes.</p> <p>For example, in the last handling fee process that was undertaken, volumes of beverage containers were assumed to grow at an 8% rate. In fact, year to date, 2022, volumes are up just under 14%. There is an area where volumes of containers are much higher than we forecasted.</p>	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		In terms of inflation, we also took a very conservative approach at the time, but I do not think anyone knew the extent of what this hopefully short period of time is throwing at us from an inflationary perspective. That has gone in the other direction. We are looking at the entire system and saying that, if there is a material change where those forecasts are so off that has a material impact on the entire system, we will review it. Remember, though, that when we do that, we are looking at assumptions going in all directions. We do not always get it right, but we commit to reviewing if there is a material change overall.	
BCBRDA Recommendation: 1. As an interim measure, Encorp provide an interim increase to correct its 2022 underpayment of DLA/ADLA Depots by back-paying these Depots the current fee structure to January 1, 2022.	Cara Heck BCBRDA	Thank you for proposing a recommendation. We have reviewed it and determined that depots had the opportunity to maintain their old contracts at their old rates and sort levels, or sign onto new contracts with new rates at new sort levels. 112 depots signed on to the new contracts. All depots had the opportunity and were never forced one way or the other.	Written Feedback
BCBRDA Recommendation: 2. Commit to resetting its handling fee process, with the assistance of an independent third party agreed to by both the Depots and Encorp, paid for by Encorp, and supported by the Ministry with an aim to establish a fair process to determine what the fair handling fees should have been for 2022 -2027. This would establish a reasonable and cooperative method to determine handling fees in a monopoly system and would ensure	Cara Heck BCBRDA	Thank you for proposing a recommendation. We have reviewed it and determined that the handling fee process was undertaken fully in 2021. The methodology was followed, with the assistance of an independent third-party. Encorp commits to reviewing handling fees every five years, within 12 months of a new beverage container being added to Schedule 1, or when an overall material change occurs. Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
Encorp achieves its Section 9 approval without dispute.		Encorp does not represent a monopsony organization for depots. As the BCBRDA points out on page one of its submission “depots service other EPR plan holders to provide British Columbians with the benefit and convenience of one-stop, seamless, recycling opportunities.”	
5. Express			
5.1 Express – Costs of Excluded Beverage Containers			
Not sure if this question is appropriate. Why are beer cans included in the express programs? We're not even getting paid 0.001 cent for it and more that 60% are beer cans. Any plans for that? Encorp is not paying the full cost for us working for express.	Janet Lee Ucluelet Bottle Depot	<p>We can comment on the containers that Encorp is responsible for. As you know, Express is providing consumers with the ability to fill bags with used beverage containers when they come in through the program. When they come in through the program, Encorp pays depots a sorting fee whether they are beer cans or other beverage containers.</p> <p>Sorry, I am incorrect on that. Encorp does not pay sorting fees on beer containers. I just want to make sure I am not providing you with incorrect information. We are committed to finding new and creative ways to bring higher rates of return to materials. I cannot comment on the beer program because it is a different stewardship program, and if I have further information, we will provide written response to you in the follow-up to this session.</p> <p>Currently, Encorp pays a handling fee for any Return-It express materials flowing through the depot. So that is the same handling fee as if the container came into the depot from a residence or a business, and on top of that, for Encorp beverage containers, Encorp is paying a sorting fee for Express containers. We feel that is the full cost of handling those beverage containers.</p>	October 17 th Webinar
5.2 Express – Labour Costs			
5.3 Express – Other			



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
I would like to ask how Express sorting fee was set. Is Express sorting fee part of Section 9 process? Even with an employee who can sort fast, there is no way that person can sort fast enough to even pay for good portion of min wage. If Express program is needed to boost collection rate, shouldn't this be part of Producer Paying full cost by paying a reasonable Express sorting fee?	Tony Park Sunset Coast Bottle Depot	In the methodology that we have outlined here, depots are selected to be part of the representative sample based on regional elements, volume elements, and service elements. Express is included in those service elements, so Express is part of this methodology, number one. Number two, Express is an integral part of what consumers in B.C. are looking for. So Express is something that is increasing our recovery rate in British Columbia. Express handling fees, sorting fees, were established. And in, as you recall, January 1 st of 2022 for those who participated in simplified sorts, Express handling fees were increased by 50%. So, Express sorting fees are part of the study, and are part of total compensation to depots.	November 1 st Webinar
6. Encorp Communication Frequency			
BCBRDA Recommendation: 3. As there has been a distinct polarization between Encorp and Depots, re-establish the Council of Depot Operators (CODO) and include non-Depot members on the committee for stakeholder oversight, including a Ministry observer and other stakeholder observers. CODO should have membership from BCBRDA, KARMA, urban, and rural Depots, and it should be a forum for true engagement - not simply one-way communication. Depots should be provided with a decision-making role on Depot-related outcomes (e.g., a role in determining the	Cara Heck BCBRDA	Thank you for proposing a recommendation. We have reviewed it and hear clearly that contracted depots want more direct and two-way communication opportunities with Encorp. Encorp commits to establishing a Depot Forum whose mandate will be an open and ongoing dialogue with depots to share common issues, challenges, and strategies to meet the Recycling Regulation requirements in BC relating to used beverage containers.	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
Scope of Work for future handling fee setting processes, setting terms of agreement for pilot projects, etc.)			
7. Other			
7.1 Other – Access to Data			
7.2 Other – Costs of Excluded Beverage Containers			
7.3 Other – Costs of Simplified Sorts			
7.4 Other – Customer Service			
Encorp Depot Operating Standards	Cara Heck BCBRDA	Operating Standards were brought in to improve the cleanliness, health, and safety of customers while at Return-It depots and to improve the depot experience for consumers. This results in more customers and higher recovery. The marketing and promotion requirements were removed in 2017.	Written Feedback
7.5 Other – Dispute Resolution			
In its recent contracts (MSAs and CSAs), Encorp has not committed to providing a fair rate of return for depots and it has provided contracts for no more than six months to a few years. The factor has nullified depots' ability to legally or practically dispute the fees Encorp offers. Depots only choice is to 'take the contracts as offered or leave the contracts' which would put them out of business. The BC government has said on multiple occasions that it does not become	Paul Shorting Regional Recycling - Nanaimo	Again, I want to reiterate that depots are very valued partners to Encorp. 95% of all used beverage containers that are returned in the province come through depots. We need you and you need us. This is a symbiotic relationship where we want to work together. We want to listen to what you have to say. There are no take-it or leave-it contracts that we offer to depots. We want you to be contracted. In several cases, when new contracts have been offered with new concepts, like simplified sorts, depots were given the option to accept a new contract or maintain their old contract. Our goal is not to put depots out of business, our goal is to enhance our relationship with our depots.	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
involved in contract disputed and that depots should trigger the dispute resolution clause. Can Encorp explain how it believes the approved dispute resolution commitment in its stewardship plan applied to depots ability to dispute the fairness of the fees Encorp in take-it or leave-it contracts?		<p>Dispute resolution exists in contracts so that when disputes arise between the contracted parties, there is a method to approach resolving those disputes. Should a dispute occur, and rarely has it ever occurred, that dispute mechanism is put in place to ensure that there is a way to look at the clauses in the contract and how they are working between the two parties. What we are presenting today is the handling fee methodology in order to provide the information as part of our stewardship plan that shows that we as Encorp are paying the costs of the obligated materials.</p> <p>If you do not feel that process that we have put forward is transparent or sufficient, those are the suggestions we would like to hear. The dispute resolution is really around how to manage disputes arising from the contract terms. Before we get to dispute resolution techniques, we would really like to foster an environment moving forward where we work with you. You have many points of contact with Encorp, starting with the regional operational managers, and when you have issues or concerns, we would stress that you work with them. We have many ways to resolve issues on a daily and ongoing basis. However, should there, and again very rarely, be a dispute with the terms in the contract, the dispute resolution process is documented in the contract so that both parties are protected.</p>	
7.6 Other – Methodology			
Encorp’s methodology is definitively neither transparent nor detailed enough to enable the BCBRDA nor our member Depots to determine how Encorp set fees.	Cara Heck BCBRDA	<p>Considering your comment, we once again reviewed the proposed amendment. The methodology is clear, transparent and lays out the explicit steps in determining how handling fees are set. There are four clear steps, noted here, and expanded upon greatly in the document:</p> <ol style="list-style-type: none">1. Conduct a handling fee consultation process to provide the contracted depot stakeholders with an opportunity to voice their expectations, and understand, participate in, and provide input and feedback into the process.	Written Feedback



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		<div><div><div>2. Complete a depot financial study performed by an independent consultant to assess actual reasonable depot costs to collect and handle obligated materials (based on a representative sample of depots which looks at actual costs of the different inputs into the operating costs of the sample depots and the depots current revenues). This establishes a baseline average (depot reasonable) profit margin.</div><div>3. Develop a forecast of depot revenue and costs for the next term (typically five (5) years) and calculate handling fees over that term to provide reasonable handling fees for depots. This forecast is based on the depot financial study and forecasted revenues related to the collection and handling of Encorp used beverage containers including container volume projections, other macro-economic indicators, and projected changes over the term that are anticipated to impact depot revenues and costs. The result of the process is a handling fee proposal that covers the projected depot operating costs and provides a reasonable profit margin for an efficient¹ depot that is meeting operating procedures and standards and does not require subsidization of the depot for its other business lines.</div><div>4. Process depot contract amendments to reflect the new handling fees.</div></div><div>Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.</div></div>	
7.7 Other – Missing Bags			



Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
7.8 Other – Participation in Consultation			
7.9 Other – Territorial Commitments			
In the writings provided to us all, there is mention of Geographical commitments within the contracts to which protects the depots, transporters, processors of having regions to draw income from. Does this apply to all areas of the program? The Section 9 is stating a 5-year plan does this apply to the transporters and processors as it's unclear in the writings provided.	Rob Ellis Relish Transport Services	The geographical commitments I think you are referring to are territories within contracts with the depots. This does not apply to transporters or processors. Encorp's five-year Stewardship Plan describes how it will meet its obligation to collect, transport, process, and market the recovery of beverage containers in the province. The commitment to review handling fees for depots, which is once every five years or when there is a material change, refers just to depot fees. Because transporters and processors have a more competitive bidding process, the terms of those contracts follow competitive market conditions and is in no way related to what you see here on depot handling fees.	November 8 th Webinar
7.10 Other – Total Cost of Collection and Handling			
8. Question about Webinar			
Where can I download the presentation deck?	Phil Kim Scott 72 Bottle & Return-It Depot	That is a very good question, we do not have that up on our website now. I think we can put the presentation deck on our website under the URL you see on the screen www.returnit.ca/section9 . Please give me until tomorrow morning to post that on our site. The presentation is a summary of the exact amended Section 9 document. So, you'll see the presentation and the document on the website tomorrow. <i>Follow up: The presentation deck was posted on the website at 4:30am on October 21, 2022.</i>	October 20 th Webinar
Just wondering why there is not a role call at the start of these Q&A sessions, and will	Paul Shorting Regional Recycling - Nanaimo	Yes absolutely, the record of the webinars will have all participants from all different elements whether it is depots, Encorp, consultants, or the Ministry. The questions that are being asked will be documented with names and the answers being transcribed as I am speaking to you. All	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
you disclose who is on this call from Depots / Encorp and MOECCS (the Ministry)?		that detail will form part of the summary document that will be submitted to the Ministry at the end of November. The people who registered are also noted even if they were unable to attend this session.	
9. Recovery Rate Targets			
Revenue forecasting calculation errors. The most obvious and substantial flaw is that Encorp's projection of Depot revenue is inaccurate. Encorp's 2021 Stewardship Plan (p. 29) targeted a recovery rate of 80.0% in 2021 and 2022, 81.7% in 2023, 82.6% in 2024, and 83.6% in 2025. In 2021, Encorp only achieved a recovery rate of 75.9%, which resulted in 72.01 million fewer containers collected than was forecasted (95% of which would be through the Depot system). This equates to an average shortfall of \$3.42 million of Depot handling fee revenue.	Cara Heck BCBRDA	Forecasting uses forecasted rates based on population growth and other trends, not the plan recovery rates (which are stretch targets). BCBRDA's use of only the targeted recovery rate as the basis of revenue rather than the actual recovery in number of units is incorrect. Over the past three years, COVID had a real impact on Encorp's recovery rate. The number of units recovered went up considerably. In 2020, COVID resulted in several months when depots closed or operated at reduced hours or limited customers at the depots at one time. In the meantime, in 2020, 2021 and 2022, consumers shifted to consuming at home rather than in restaurants which resulted in growth in containers sales at unprecedented rates. Encorp projected an 8% increase in the number of containers recovered, but by the end of September 2022, the actual recovery was up almost 14%. Consequently, depot revenues have gone up dramatically in 2022 and are up by 17.3%, more than the originally forecasted 9% increase in our forecasting models.	Written Feedback
10. Regulation			
9.1 Regulation – Guidance Document			
We cannot agree that Section 9 offers greater clarity or transparency.	Cara Heck BCBRDA	The proposed amendment to Section 9 was written to ensure more clarity and detail regarding the handling fee methodology. In light of your comment, we once again reviewed the proposed amendment and	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		compared it to the previous version to ensure that it does offer greater clarity and transparency.	
The guidance is wholly explicit that the methodology should not contain a range of variables that may be considered or insufficient justification for compensation offered.	Cara Heck BCBRDA	<p>The Guidance Recycling Regulation, Producers Paying the Cost of Managing Obligated Materials requires that the methodology should justify the compensation offered. Encorp concludes that the methodology presented here fully justifies the compensation offered. Further, the following paragraph of the guidance document states “the plan itself need only contain the general methodology, basis of compensation, and opportunities for ongoing stakeholder input. Specific collector rate structures need not be provided”. Encorp’s documented methodology goes over and above the requirement by providing much more than a general methodology.</p> <p>Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.</p>	Written Feedback
Encorp has not met its legal requirements to ensure producers are paying the full cost of the collection of its designated materials across its Depot collection network, as required by the <i>Recycling Regulation</i> and described in its guidance documents.	Cara Heck BCBRDA	<p>In light of your comment, we once again reviewed the proposed amendment to ensure that Encorp has followed all the requirements in the regulation and guidance documents. The nine-page methodology outlines in detail each step used by Encorp to establish handling fees. Many of the steps have been developed with input from the depots over the years (i.e., having the third-party consultant pick the depots for the sample).</p> <p>If you feel we have not met a specific requirement, we would appreciate you outlining that requirement.</p>	Written Feedback

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
Assertions that regulatory protocol was not followed for Section 9 submission and consultation.	Cara Heck BCBRDA	Encorp has verified that each protocol specified by the regulation and guidance was followed.	Written Feedback
9.2 Regulation – Other			
11. Transporters and Processors			
You said RFPs are used to establish rates for service providers other than depots. However, some of the service providers are long term. How are rates addressed on an ongoing basis and adjusted accordingly?	Clare Cassan Columbia Bottle Depot - Kelowna	RFPs are established for service providers. Contracts have fixed terms or fixed agreements, with abilities to extend them over time to be evergreen. Encorp manages all these commercial contracts with all its service providers, other than the depots, in a regular business to business methodology.	October 17 th Webinar
I understand the broad need for this webinar, a large part of this entire process is the transportation of all materials from depots to processing facilities. Why have the transporters not [been] given the same opportunity to have discussions about the system or provide input? The transportation contractors also don't have the availability of a 12-month review. Curious as to why now it is considered to be "competitive market bidding process" when the past 28 years has been based on performance. You make mention of the depots being very important, understandably so. Are the Transportation contractors important? Are the Processors important?	Rob Ellis Rellish Transport Services	Please let me reiterate that all of us are working together to deliver results that allow us to meet obligations that exist in British Columbia due to regulation. Regulations are in place which mandate that used beverage containers are collected, transported, and processed in British Columbia. Encorp works with the producers to put forward a Stewardship Plan that is approved by the Ministry of Environment and Climate Change Strategy. We rely on all our business partners. Collectors, through the depots, transporters that move the material into the depots in some cases as well as out of the depots to the processors, and the processors themselves. All of you are very important stakeholders in the whole network. We could not do it without you, and I do not think you can do it without our involvement as well. If we can take a step back and say we need to be working together to deliver this, within the processing and transport stakeholder groups, we do have as transparent a selection process as possible. When Encorp's contracts with processors and transporters are ending, we can issue RFPs, we can receive submissions, and we can evaluate those submissions based on all the	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		merits. That means that the process is very competitive. I think the discussion ends up around the handling fee methodology with the depots because we do not have that competitive environment, so we must come up with a methodology that is transparent and fair and recognizes that depots in many cases have protected territories. Yes, of course you are very important and continue to be important in the used beverage container stewardship program in British Columbia.	



Feedback Unrelated to Section 9 Amendment (Process and Methodology)

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
1. Brewer Distribution Licence Program			
If the basis is formed by information from KPMG, how did we end up with a fee offer based on what BDL is paying depots for cans?	Clare Cassan Columbia Bottle Depot - Kelowna	I can only comment at this point on the handling fee that Encorp pays to depots for the handling of beverage containers including aluminum cans. KPMG comes up with the reasonable financial model and then when we add the revenue forecast and the cost forecast, our main goal is to ensure that depots have a reasonable rate of return. I cannot comment on whether that is similar or dissimilar to what BDL offers.	October 17 th Webinar
You encourage depots to work with BDL/BRCCC to get handling fees for Express product from their program. However, BDL says it is not a program they initiated, and they don't feel they should have to cover the added costs. Do you think Encorp has some responsibility for a program they created? Or a responsibility to work with BDL/BRCCC to sort this out?	Cara Heck Columbia Bottle Recycling	I hear your frustration. We share your frustration. We are working hopefully collaboratively with you; we are seeking to work very collaboratively with all our stewardship agency partners to come up with robust solutions that make stewardship in British Columbia better. I hear you; we all hear you at Encorp, we are working to resolve that frustration.	November 1 st Webinar
2. Consultation Process – Input from Depots			
3. Depot Financial Study			
3.1 Depot Financial Study – Access to Data			
I'd like to ask another question about the intent of the consultation. I keep hearing Encorp tell us to re-read the amended Section 9 because they've been much clearer about "the way they went about it". The eight 2021	Cara Heck Columbia Bottle Depot - Kelowna	If you look back through the eight consultations in 2021, you will see that the financial model was presented, which was the result of the KPMG financial modelling process. That is right there in the actual documents for the webinars and the consultations that occurred. Subsequent to that, all of the assumptions that were used in the forecasting, whether that was for revenues or costs, were all shared in sequence. You will see all those assumptions in those documents (and I will commit to referring you to the exact pages of	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<p>presentations describe inputs into Encorp's financial model and forecasting but I still can't find any evidence that this was distributed to Depots. During the last webinar, you didn't have an answer to this question. Will you commit to follow up with all Depots by end of day tomorrow with the date and time, document type, and distribution method that Encorp used to share the financial model and forecasting that it used to set handling fees before the end of the consultation period so we can consider this information in our Section 9 input to Encorp by the November 13, 2022 deadline?</p>		<p>the documents), whether it was what inflation rate was used or whether it was assumptions about population growth or minimum wages. The actual Excel spreadsheet that matched the assumptions with the sample depot study was not put in those consultations, but all of the assumptions and all of the base information from the KPMG study was shared. Yes, I will commit to giving you the references and the page numbers by the end of the day tomorrow.</p> <p><i>Follow Up:</i></p> <p><i>At 5:21 p.m. on November 9 an e-mail was sent to all Depots with the following response.</i></p> <p><i>"At Encorp's Webinar #4, regarding Section 9, Producer Pays the Cost of Obligated Material and Dispute Resolution, held on November 8, 2022 at 5 p.m. PT a question was asked with a request to respond by the end of business day on November 9 to all depots.</i></p> <p><i>Question:</i></p> <p><i>I'd like to ask another question about the intent of the consultation. I keep hearing Encorp tell us to re-read the amended Section 9 because they've been much clearer about "the way they went about it". The eight 2021 presentations describe inputs into Encorp's financial model and forecasting but I still can't find any evidence that this was distributed to Depots. During the last webinar, you didn't have an answer to this question. Will you commit to follow up with all Depots by the end of day tomorrow with the date and time, document type, and distribution method that Encorp used to share the financial model and forecasting that it used to set handling fees before the end of consultation period so we can consider this information in our Section 9 input to Encorp by the November 13, 2022 deadline?</i></p> <p><i>Answer:</i></p> <p><i>The financial model was developed by KPMG, with input from depots from the consultation session held on March 11, 2021, followed by further consultation and presentations on June 22, 2021, August 5, 2021, September 16, 2021, September 29, 2021, October 28, 2021, November 23, 2021, November 30, 2021. The dates of all the presentations, and the agendas for each presentation are included on slide 6 of the</i></p>	

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel																										
		<p>November 23, 2021 presentation. The presentations from all 8 webinars can be found on the depot dashboard. Here are the original posting dates:</p> <p>Handling Fee Document</p> <table><thead><tr><th></th><th>Posted Date</th></tr></thead><tbody><tr><td>Scope of Handling Fee Review 2021</td><td>3/18/2021</td></tr><tr><td>Handling Fee Meeting # 1 - March 11th 2021</td><td>3/18/2021</td></tr><tr><td>Handling Fee Meeting # 1 - March 11th 2021 - Meeting Minutes</td><td>3/18/2021</td></tr><tr><td>Handling Fee Meeting # 2 - June 22 2021</td><td>6/23/2021</td></tr><tr><td>Handling Fee Meeting # 3 - Aug 5 2021</td><td>8/5/2021</td></tr><tr><td>Handling Fee Meeting #4 - September 16 2021</td><td>9/16/2021</td></tr><tr><td>Handling Fee Meeting # 5 - September 29 2021</td><td>10/1/2021</td></tr><tr><td>Handling Fee Meeting #6 - October 28, 2022 Costing Model Discussion</td><td>10/29/2021</td></tr><tr><td>Handling Fee Meeting #7 - November 23, 2021</td><td>11/23/2021</td></tr><tr><td>Handling Fee Meeting #8 - November 30, 2021</td><td>11/30/2021</td></tr><tr><td>Propel Report - Webinar Presentation - September 2021</td><td>10/1/2021</td></tr><tr><td>Propel Report - Full Presentation - September 2021</td><td>10/1/2021</td></tr></tbody></table>		Posted Date	Scope of Handling Fee Review 2021	3/18/2021	Handling Fee Meeting # 1 - March 11th 2021	3/18/2021	Handling Fee Meeting # 1 - March 11th 2021 - Meeting Minutes	3/18/2021	Handling Fee Meeting # 2 - June 22 2021	6/23/2021	Handling Fee Meeting # 3 - Aug 5 2021	8/5/2021	Handling Fee Meeting #4 - September 16 2021	9/16/2021	Handling Fee Meeting # 5 - September 29 2021	10/1/2021	Handling Fee Meeting #6 - October 28, 2022 Costing Model Discussion	10/29/2021	Handling Fee Meeting #7 - November 23, 2021	11/23/2021	Handling Fee Meeting #8 - November 30, 2021	11/30/2021	Propel Report - Webinar Presentation - September 2021	10/1/2021	Propel Report - Full Presentation - September 2021	10/1/2021	
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Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		<p><i>KPMG 2021 Handling Fee Review - Final Report - October 1, 2021 10/1/2021</i></p> <ul style="list-style-type: none"> ▪ <i>In presentation #7, on November 23, 2021, on page 7 you will find the KPMG Report Summary Income Statement (the base Financial Study conducted by an independent consultant).</i> ▪ <i>Assumptions about forecasting volumes can be found as follows (for presentations with no page numbers page 1 follows the title page):</i> <ul style="list-style-type: none"> ○ <i>CPI Statistics are found in the October 28, 2021 presentation on pages 8, 9, and 10.</i> ○ <i>Depot Volume assumptions September 29, 2021 presentation on pages 8, 10</i> ○ <i>Population Change assumptions September 29, 2021 presentation on page 22</i> ○ <i>Diversion from retail assumptions August 5, 2021 presentation on page 17</i> ○ <i>Addition of milk assumptions September 29, 2021 presentation page 18</i> ○ <i>Labour Costs assumptions September 29 presentation pages 19, 20, 21</i> ○ <i>CPI assumptions October 28, 2021 pages 8, 9, 10</i> ○ <i>Simplified sorts assumptions September 29, 2021 Propel Study and November 23 pages 8, 9, 10"</i> 	
3.2 Depot Financial Study – Depot Participation			
What is the process in choosing the depots for the study? Why didn't all 125 depots participate? If the depots didn't feel safe to share their valuable financial information, is Encorp willing to re-look at this issue and include	Savannah Paine Willowbrook Recycling (WRI)	The process in choosing depots for the study is that a sample is required to represent the full group of depots in the province. We look at taking that sample based on regional representation and size of depot. We use a third-party accounting consultant who will choose the depots, and all the information that is provided to the third-party accounting organization is kept confidential at that organization. Encorp never sees any of that data	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
more depots after ensuring security of their data?		<p>other than in an aggregated form where all the information is put together to come up with the average of all the depots.</p> <p>There is a Non-Disclosure Agreement involved so that the data that you provide to the consultant is kept confidential and not shared outside of the consultant. The consultants picked are major accounting companies. The last one that was used was KPMG and their reputation is based on them keeping this type of information confidential. So ultimately, Encorp does not see any of that data other than in its aggregated form, which we then use to look at the future forecasting and the changing of the handling fees. If there are suggestions that you have on how to make that feel safer for you in the future, we'd be more than happy to look at those suggestions.</p> <p>In addition, the consultant chooses the depots. Again, the stipend that we offer to depots comes from Encorp through the consultant back out to the depots, so there is no way that we know which depots participated in the process.</p>	
How many depots participated in the financial study?	Doug Andrews Columbia Bottle Depot - Kelowna	The independent consultant attempts in the financial study to find a representative sample of depots, and that is done by looking at both regional participation and size of depot. We cannot use all the depots in that there are 162 depots as part of our very important depot collection network, so the sample is set. The goal of the sample is to have the average number of containers handled by the subset of the sample, match the average number of containers throughout the province. So that will vary from handling fee methodology in one instance to the next.	October 17 th Webinar
The Shultz arbitration in 1999 recommended additional work to increase the number of Depots for future handling fees studies. What work has happened over the past 23 years and how much has Depot participation increased because of it?	Heimin Lee Semiahmoo Bottle Depot	<p>What we are presenting here is the methodology that has been used and is going to be used in the future, in more detail. What we would really like to hear from depots through this consultation is if there were elements to this fee handling methodology that would make it fairer and more transparent process. We believe, in this moment, that there is no more transparency that we can provide. Again, the only information that we do not provide is individual depot financial performance.</p> <p>I think that in the last round in the fee handling process, depots were invited to participate many times. In fact, 125 depots were invited. We can encourage you to be part of this process. You are an integral part of our stewardship plan. We want to work with you. The more that would like to participate, the more representative that sample is. If there are</p>	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		elements that prevent you from wanting to participate, those are the issues we would like to hear about. You sign an NDA with the third-party consultant, a major accounting firm. None of that information would be shared with Encorp. If there are other elements that would make you more comfortable to participate in that process, please write in those suggestions or make those suggestions today, because we would encourage more participation.	
If you go back to Encorp's very first presentation for the Handling Fee study scope on March 11, 2021, it says, "Depot participation in the depot financial study is critical to the process." At the last meeting, a Depot asked what has been done since the 1999 arbitrator found that Encorp needs to do more to encourage Depot participation. You couldn't answer this. Can you answer it today?	Jay Aarsen Interior Freight & Bottle Depot	<p>1999 was 23 years ago, a long way back in history. The encouragement of depots to participate in the depot study is important. I spoke about it a little bit earlier this evening. For example, having the consultant choose the depots for the study and choose the depots to participate in the questionnaire review, was aimed at providing a level of comfort that the depots wanted to see. This was to ensure the information submitted as part of that consultation was kept confidential. Signing an NDA is another step that is important in the protection of that information. The consulting companies that Encorp is working with are globally reputable, and they want to protect their background and reputation as much as it is important for Encorp and as much as it is important for depots. As to March 11th, 2021, I do not have that at my fingertips so I will have to look at that and get back to you.</p> <p><i>Follow Up: The purpose of the March 11, 2021 presentation to all depots was to kick off the Handling Fee Process for the next five- year term as the previously established fee term was expiring. The presentation, ultimately one of 8 presentations and consultations meant to engage depots had an agenda providing background, Terms of Reference, Objectives of the Handling Fee Review Process, Approach, Depot Financial Study, Tentative Work Schedule, Questions and Discussion. I think you will find that this kick off, followed by 7 other consultations provides and encourages Depot participation in the process. The process took the better part of a year to establish a transparent and fair offer to Depots.</i></p> <p><i>Encorp encouraged as many depots as possible to participate in the study and KPMG confirmed that they had sent invitations to 120+ depots and followed up regularly to encourage participation. To provide more assurance to depots that the information they provide as part of the financial study is confidential, both the selection of the depots in the sample and the depots selected to review the questionnaire was transferred to the third-</i></p>	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
		<p>party consultant. Encorp is blind to participants in the study. Even the stipend is forwarded to the consultant who then distributes it to the participating depots.</p> <p>In addition, Encorp offers a stipend to all depots that agreed to participate in the study.</p>	
3.3 Depot Financial Study – Findings			
KPMG's findings indicate that Depots participating in "other" programs, which would include programs administered by Encorp, are doing so at a significant loss because the cost of collection far exceed the handling commissions received relative to these programs. Encorp very clearly says it won't subsidize other stewards' programs. Doesn't this make it absolutely critical that the KPMG's allocation of Depot's costs between Encorp's beverage program and other programs is accurate?	Jay Aarsen Interior Freight & Bottle Depot	<p>Yes. This is why the consultant works very hard to understand depot operations before they start, through interviews and questions. When the questionnaire to collect data is developed, the consultant goes back to a select five depots to refine that questionnaire. The consultant chooses which five to consult. When the data comes in, the data is then reviewed again with depots to ensure that interpretations and capturing of the data has been done correctly. All of that is done to ensure that the data collected is accurate and representative.</p> <p>Encorp does not want to subsidize other programs. That data is verified and reverified and the consultant asks questions about it to make sure that it is captured correctly, because as you say, it is critical.</p>	November 8 th Webinar
3.4 Depot Financial Study – Methodology			
3.5 Depot Financial Study – Producers Paying Full Cost			
Encorp's Section 9 points to its KPMG Study, which has its own issues, as foundational to establishing costs. However, it clearly states in its November 2021 PowerPoint to Depots that its offer is tied to BDL/BRCCC's	Randy Park Edmonds Return-It Depot & Nojin Lim	That is a good question. What Encorp has done in the last round of fee setting, is to go through this process that I have just described, and that is outlined in the document. The reasonable return was developed for all the different beverage containers based on this methodology. In that presentation and indeed in simplified sort contracts, we have established the fee based on this methodology. What was also added in was a minimum fee and a maximum fee, which you are right, was tied to the BDL aluminum can rate. However, that is mostly protection for you, so we set the fee given reasonable return, but also allow for a tying of those rates should BDL's rate come into that range. As you know,	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
pricing. How does this reflect producers' paying their full cost?	Powell Street Return-It Depot	it is quite a bit lower, so you are always guaranteed the minimum. If this is a real concern, we can eliminate that from your contract. There is no issue. We can take out the tying to the BDL rate and have the range that was developed through the methodology presented in the contract.	
3.6 Depot Financial Study – Other			
How will this study be different from the KPMG one?	Phil Kim Scott 72 Bottle & Return-It Depot	What we are talking about today is not a study, it is a methodology. And the methodology is being put out there to show you how we set handling fees. The KPMG study is an integral part of that methodology. The KPMG study is used (again not always KPMG, it could be any national professional accounting firm) to determine the baseline financials for the average efficient depot. And that base is then used for the forecasting of revenues and costs into the future. Really the critical point here is to make sure as many depots as possible participate in that third party independent study so that we get a robust representation of the entire depot community.	October 20 th Webinar
4. Depot Handling Fees			
4.1 Depot Handling Fees – Access to Data			
4.2 Depot Handling Fees – Aligning with Other Programs			
4.3 Depot Handling Fees – Inflation Rates			
4.4 Depot Handling Fees – Labour Costs			
4.5 Depot Handling Fees – Other			
Given that Encorp has admitted in past consultation that it did not pay depots fairly for the Express Pilot and would not provide retroactive payments, how have these unpaid	Lawrence Engelsman Chilliwack Bottle Depot	I cannot comment on past consultations. What we have set out here is a methodology that is much fuller than you have ever seen before and the intent here is to make sure this methodology is transparent and fair for all depots. So, as we go through this process in the future, according to this methodology,	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
costs been accounted for in Encorp's go-forward price-set handling fee offer?		<p>your samples, and the sample size we take to come up with the average depot reasonable rate of return, includes all the activities that depots undertake for Encorp and includes Express.</p> <p>Encorp is really committed to working with depot partners. Again, 95% of volumes of used beverage containers come in through the depot network and you are very important partners for us. When it was clear that an adjustment needed to be made to the Express sorting fee, it was made and in fact it was increased by 50% in January 2022.</p> <p><i>Follow up: The indication that Encorp admitted in a past consultation that it did not pay depots fairly for the Express Pilot is an inaccurate statement. The message to depots, which needs to be taken in context, was that Encorp gained learnings from a short pilot program and adjusted Express handling fees.</i></p>	
Handling fees and sorting fees that Encorp is paying is too low.	Janet Lee Ucluelet Bottle Depot	We thank you for that comment and we have heard it. If there is a change in the methodology that we have presented to you that you feel will provide a different result, we would be more than pleased to look at those suggestions.	October 17 th Webinar
Alberta's handling fee for full sorting like Express is nine cents for glass, four and a half cents for pop cans, and six cents for beer cans. Don't you think its not right for us to do all the work for 0.6 cents and nothing for beer cans? Its also not fair for customers who comes and sorts themselves. Why is Encorp trying to lower that handling fee? Encorp is the only one that lowering the price down in BC.	Myung Jin Lee Ucluelet Bottle Depot	Thank you for your question. The Alberta program and regulations are very different from the BC regulations with different drivers and targets. So, its very difficult to compare what is happening in Alberta versus what is happening in British Columbia. Encorp is not lowering fees and I'll give you two examples: as of January 1st of 2022, the sorting fee for express was increased by 50%. In addition, in the summer of this year, after the introduction of milk containers the handling fees were reviewed and in fact increased. So that would be two examples of where Encorp is increasing handling fees. Beer is part of a different stewardship program, and we would suggest that you work with the beer stewardship program if you have complaints about compensation provided by them. Encorp is responsible for compensation for Encorp beverage contains and we provide not only the handling fee, but a sorting data fee of 0.6 cents per container for Express volume that comes in for Encorp beverage containers.	October 20 th Webinar
In reference to cans, if the price of an Encorp aluminum from the last consultation process is set at a rate of	Vince Spronken Island Return-It	In the handling fee methodology, we come up with a reasonable return to the depots. The range that was developed for aluminum cans allowed for that reasonable return to be met. It was put in there as a range so that, if fees that were provided by other stewardship	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
3.54, then how could Encorp come up with a rate that decreases the aluminum rate in the future? All costs increase across the board for depots and in order for me to believe Encorp is paying the full costs of handling containers, there should be no decrease on any containers. Especially with what was just mentioned on inflation.		programs were increased, there would also be an increase to Encorp's depot partners. The methodology was accurate and provided a reasonable return over that range of aluminum cans.	
5. Express			
5.1 Express – Costs of Excluded Beverage Containers			
Regarding Express, there are large amounts of other containers such as creamers which are not considered part of the program. These items come in on the shirrtails of your program, but depots are absorbing the costs for their removal. It is costly when a depot isn't affiliated with RecycleBC. Has Encorp thought of ways to cover the depots' expenses related to this issue? Such as special partnerships with companies such as Emterra? Or raising the handling fees to cover this?	Savannah Paine Willowbrook Recycling (WRI)	Encorp is as frustrated as you are right now with some of the definitions of beverage containers. I believe we have some of our Ministry of Environment and Climate Change Strategy colleagues on the line who are hopefully listening as well. Unfortunately, we all work in a regulatory environment, and the regulation has set interpretations as to what beverage containers are included in the program in British Columbia, and what are not included. We would need first of all to see a change in the regulation which is not something within Encorp's ability to do. You have put forward some other suggestions. Let us take those suggestions and think on them.	October 17 th Webinar
It is great to hear you are working co-operatively with the other stewardship programs. However, in the meantime	Cara Heck	Thank you for your question. I hear your frustration and I think it is a question that we need to consider. I can tell you that we are working on it, we do not have an immediate solution. We understand that this is a frustration for you.	October 20 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
depots are continuing to fund the sorting of the BDL containers in the Express program, which was created by Encorp. No parameters were set excluding the BDL containers from the program. How should these costs be covered until an agreement can be established with the other stewardship program?	Columbia Bottle Depot - Kelowna		
5.2 Express – Labour Costs			
Express sorting fee and simplified sorting doesn't really increase anything. It increases only our labour work. Do you really appreciate our work?	Janet Lee Ucluelet Bottle Depot	I can absolutely say we appreciate your work. 95% of all used beverage containers coming through in the province of BC come through depots, and you are valued members of our organization. You are valued service providers. We have data and feedback that suggests that simplified sorts was welcomed by most depots. We have feedback from consumers in BC who love the Express program, and we feel that that is one way that we can increase the volumes that come back to meet our high recovery rate aspirations. And note that the majority of beverage containers that come in through the Express program are routed to depots, so Express is not taking business away from any depots. Again, we are working together to try and get those increased recovery rates. It would be interesting if you wanted to run a trial. I do not believe you are actually operating on simplified sorts, so it would be interesting to try it and to talk to some of your other depot colleagues who are on simplified sorts, because the majority of them have found it to be quite beneficial.	October 17 th Webinar
Everyone wants to get paid \$20/hour minimum these days doing not too much work. Do you know Encorp is paying us basically \$2/hour to do express? And we do this all day, all night, all weekend. Some depots are getting TOMRA but that cannot be done for all the depots. Would you like	Janet Lee Ucluelet Bottle Depot	The methodology as it is outlined here looks at a current snapshot of revenues and costs and a reasonable return to depots. It then looks at future forecasting for revenues and costs and maintains a handling fee that provides a reasonable return to depots. There are many different elements that make up those revenues and those costs. The reference points for reasonable return are, and you have seen them in the last fee handling methodology process, you saw return rates of 15% and we also look to Industry Canada's statistics that they publish for the waste industry, under the North America Industry code for the waste industry. The key is to provide that fair return. Express is something that is	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
<p>to get paid \$2 too? Have all the wages decreased for Encorp employees? Some depots are getting TOMRA but that cannot be done for all the depots.</p>		<p>convenient for consumers in British Columbia. We have some stretch targets to meet collectively to increase the return rate in British Columbia in our stewardship plan by 2024. We are looking at an 83.6% return rate. Express is one way we are going to reach that stretch target. We have some Ministry folks on the line, and one of the elements of Express is that containers that come in that are beer containers are not provided a sorting fee, and we would urge you to work with BDL, BRCCC to make sure you are getting appropriate compensation for materials that are not part of Encorp's program. What I can speak to today is Encorp's program, and through this methodology that we have used in the past and will use in the future, we are setting a reasonable return for all the services provided to depots.</p> <p><i>Additional information:</i></p> <p><i>Encorp analyzed the assertion that a depot is paid \$2/hour to process express. Encorp analysed this assertion using real Express volumes and bags counted YTD in 2022 using the Encorp handling fees, Encorp sorting fees, and BDL handling fees.</i></p> <p><i>The analysis determined the following rates depending on whether a depot is on full sorts (similar to depot who asked this question) or simplified sorts based on the higher number of bags counted per hour for depots on simplified sorts:</i></p> <p><i>Full sort depot: \$45.37 per hour in total revenue.</i></p> <p><i>Simple sort depot: \$64.59 per hour in total revenue.</i></p> <p><i>Encorp would be happy to analyze and discuss any depot's specific situation based on their actual data upon request through the depot's designated Regional Operations Manager.</i></p>	
<p>I see that Encorp is recommending simplified sorting with less handling fee because of less work (full sorting is not too difficult anyways). How about Express with double-handling fee because of doubled work, doubled time & doubled garbage? Simplified</p>	<p>Janet Lee Ucluelet Bottle Depot</p>	<p>I like that you have got some suggestions in your question, thank you for that. Simplified sorting was introduced to try to eliminate some of the work in sorting materials. Moving from 28 sorts to eight sorts is a savings of time. We have a study that number one showed a savings of labour of about 23%, as well, many of the depots who use simplified sorting, which they are very supportive of, have found that it is providing a lot of benefits to their depots. I am not sure that you are on simplified sorts, and again, it is an option. We do not force depots to participate in programs unless they are ready to, but I would really</p>	<p>November 1st Webinar</p>

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
sorting is fine, full sorting is no problem and express is a great idea. However, everything has a problem. Express customers shouldn't get full refund.		<p>encourage you to speak to some of your colleagues to look at the benefits around simplified sorting. Simplified sorting is also a tool used to, as we move forward, look at modernizing and enhancing our program in British Columbia. If we can have simplified sorts, and I think again, if you speak to some depots who do have automated equipment, it adds a beneficial element there. I encourage you to look at some of the data behind simplified sorts.</p> <p>Encorp is committed at this point, and committed through regulation, to providing deposit refunds to the citizens of British Columbia who pay the deposit. I think what we are trying to collectively do is make it easier for citizens of British Columbia to return used beverage containers and as we look at the fee setting methodology, and include Express in the overall financial study, we capture the cost of operating the Express program. In addition, you will know, that for those on simplified sorts, the Express sorting fee was increased by 50% in January of 2022.</p>	
<p>No. I know how it is and it won't work for our depot.</p> <p>The sizes matter for the bag to fill up.</p>	<p>Janet Lee Ucluelet Bottle Depot</p>	<p>That is a good question and I do not have an answer at this point. We have taken your question and will provide an answer to you in the summary document.</p> <p><i>Additional information: This question is specific to a single depot operation and Encorp's Regional Operation Manager has followed up to provide specific operational information.</i></p>	November 1 st Webinar
5.3 Express – Other			
6. Encorp Communication Frequency			
Does Encorp have any plan to hold any offline seminar/info session like in the past? Recycle BC has done one recently.	<p>Randy Park Edmonds Return-It Depot</p>	<p>Thank you for that. It is a lot of feedback that I have been receiving. I am new to Encorp, about three months now, and I have heard several requests for more communication, more frequently, and it is absolutely something we will be looking at. You are very important partners for us. We want to make sure that any kind of forum we put together is collaborative and constructive, and non-combative, and we hear you and we will be looking at that.</p>	November 1 st Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
7. Other			
7.1 Other – Access to Data			
7.2 Other – Costs of Excluded Beverage Containers			
At least, beers cans should be exempt until there is a good negotiation with BDL for them to use our labour. Would it be hard for you to announce that beer cans will not be refunded through Express until further notice and do something with BDL first? Meanwhile, we can take it as a donation if there are any for our garbage.	Myung Jin Lee Ucluelet Bottle Depot	Thank you for the question and there are a few elements to that. I like the question because it also proposes some solutions which is always very helpful for us. In British Columbia, Encorp is responsible for certain beverage containers, the non-beer, non-alcohol beverage containers. There's a different stewardship agent, BDL, BRCCC, that is responsible for beer and refillable, glass beverage containers. We are separate entities, and we can appreciate that the beer containers coming through the Express program can be a frustration. What we are trying to do is reach our stretch target goals as outlined in our stewardship plan to recover more beverage containers in BC. So, to put out a message that tells the consumer to not return beverage containers may not be the route we need to go. But we hear your question and share some of your frustrations and are trying to work very cooperatively with the other stewardship programs so we can all attain our recovery goals.	October 20 th Webinar
7.3 Other – Costs of Simplified Sorts			
Simplified sorts do not decrease labour costs. The mega bags fill up faster, so employees swap out the bags more often.	Doug Andrews Columbia Bottle Depot - Kelowna	We have done some studies as well, and the studies have come back to show that on average, the introduction of simplified sorts reduced costs by about 23%. We do have data supporting this. However, if you feel this is not correct, as depots you are our partners, then we would like to work with you in the future to make sure that we are all on the same page as we move forward so that we can meet those lofty recovery goals that we have set out. We do have feedback from many depots that simplified sorts have made life much simpler. If you have particular questions or concerns, please approach your regional operational manager. They are your first line of contact with Encorp. We will try to work with you to resolve the issues.	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
7.4 Other – Customer Service			
7.5 Other – Dispute Resolution			
7.6 Other – Methodology			
7.7 Other – Missing Bags			
How many reports does Encorp get for missing bags compare to all the credits unlabelled Express bags we put towards Encorp?	Myung Jin Lee Ucluelet Bottle Depot	<p>That is a very good and very detailed question, and I do not have that data at my fingertips, but we have recorded your question and will respond to it in the written summary consultation report.</p> <p><i>Follow up: Across the express system, missing bags account for a small fraction of the large volume of bags processed which total over 2.5 million bags YTD in 2022. A common reason for a bag to be deemed “missing” is an inability to identify the bag due to a damaged or missing label, meaning it cannot be attributed to the specific customer. These unidentifiable bags are counted, and the deposits are placed in a special reserve account and tied to the counting location to segregate these deposit values.</i></p> <p><i>When Encorp’s customer service team receives an inquiry from customers who have not received their deposit credits in a timely fashion or suspect their bag is missing, they investigate and attempt to match those to bags placed in the reserve account by date and depot. They then deduct the deposit balance from the reserve account when providing the customer with a deposit credit. All funds in this account are segregated and held in reserve to be paid to Express customers.</i></p> <p><i>In addition, Encorp has been piloting a ‘scan at drop-off’ program at 10 depots where customers are required to verify their drop-off by scanning in thereby allowing Encorp to track an individual bag more closely as it moves through the system.</i></p>	October 20 th Webinar
7.8 Other – Participation in Consultation			
When I look at the Handling Fee meetings from last year, Encorp said	Randy Park	Encorp has contracts with service providers. Service providers are the depots, and depots are really important to Encorp. You are going to hear me say this over and over again.	November 8 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
over and over again that it wouldn't allow groups or associations to participate. Our association had to get the Ministry involved to address this, which was a real point of conflict given that DLA contracts outright recognize the BCBDRDA as a stakeholder. I just want to be clear that Encorp is accepting, recognizing, and responding to feedback from our BC Bottle and Recycling Depot Association as part of this consultation and not disregarding it, as it intended to do in 2021. Can you please verify that the BCBDRDA is a recognized stakeholder in this consultation process?	Edmonds Return-It Depot	<p>Ninety-five percent (95%) of the beverage containers that come in through the program in British Columbia, come in through our depot partners. We want to work with you in a fair and transparent way to meet the stretch targets that have been developed as part of the Stewardship Plan that has been put forward and approved by the Ministry.</p> <p>Traditionally, Encorp has not recognized the BCBDRDA, because:</p> <ol style="list-style-type: none"> 1. We do not know who the BCBDRDA represents; 2. There are multiple organizations that represent depots, so we need to be fair and transparent and accessible to all; and 3. Our contracts are directly with depots. <p>I have had a goal in the last two months, to try and get out and start seeing as many depots as possible, and I have heard that what the depots would like is more opportunity to have dialogue with Encorp. I can tell you that we intend to rectify this and have more frequent dialogue with depots.</p>	
7.9 Other – Territorial Commitments			
7.10 Other – Total Cost of Collection and Handling			
In trying to prepare myself for this first webinar, I took a look at some of Encorp's financial information. The Encorp annual reports show handling commissions paid in 2019, 2020, and 2021 as \$54.2 million, \$61.2 million, and \$57.6 million respectively. Why did the jump by 13% and then drop by 6%? I've tried to work through some different drivers for this and I can't reconcile these numbers. Having this	Jay Aarsen Interior Freight & Bottle Depot	<p>We do not have those numbers at our fingertips or a ready response for you today. However, we will commit to responding following this webinar. Of course, this webinar is recorded, and the information will be in our summary report.</p> <p><i>Follow Up: In Encorp Pacific's Annual reports for 2019 and 2020 you will see data under the category "Handling Fees." This data includes handling fees not only paid for beverage containers, but also handling fees paid for other programs such as EPRA and MARR, and for other items related to collection such as the Star Program and presence grants. In 2021, Encorp Pacific changed the title of this category from "Handling Fees" to "Collection Fees" to more accurately represent the information reported. Isolating handling fees paid to depots for beverage containers only the data is as follows: 2019 \$44.7million, 2020</i></p>	October 17 th Webinar

Question/Comment	Individual (Organization)	Encorp Response	Communication Channel
understanding would help me better assess the amended Section 9 and supporting documents to provide some meaningful feedback.		<i>\$47.0 million and 2021 \$49.7 million. Please also note the 2020 figures include the beer collection pilot handling fees.</i>	
8. Question about Webinar			
9. Recovery Rate Targets			
Future volumes estimated are based on Encorp meeting its return rate estimate. However, Encorp has never met its target in the past. What makes Encorp think it is going to meet its targets this time?	Doug Andrews Columbia Bottle Depot - Kelowna	The key here, and part of our requirement is, that we have continuous improvement goals and both the Government of BC and Encorp have a desire to see used beverage container return rates improve in the future. The stewardship plan that was approved in September 2021 has some targets for beverage container returns. By 2024 we're looking at a return rate of 83.6%. This is a stretch target, but this is the goal that Encorp has committed to. It is up to Encorp working with its partners, the depots and all our service providers are very important partners, to look at creative ways to meet those future targets.	October 17 th Webinar
10. Regulation			
9.1 Regulation – Guidance Document			
9.2 Regulation – Other			
How can depots support a change in the regulation and container included in the program?	Savannah Paine Willowbrook Recycling (WRI)	Like anyone, as citizens of British Columbia and as workers in different organizations, if we want to see changes to regulations, we need to engage with the BC government. I would encourage you to engage with the government and provide information and data to particularly the Ministry of the Environment and Climate Change Strategy if you would like to see changes to the used beverage container regulation.	October 17 th Webinar
11. Transporters and Processors			

APPENDICES

- A *Amendment to Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process*
- B Webinar Presentation
- C Invitations to Participate in Webinars
- D Invitations to Provide Written Feedback
- E Depot and Transporter Dashboards
- F Themes from Webinars and Written Feedback
- G Invitees
- H Registrants and Attendees
- I Webinar Transcriptions with Encorp Responses
- J Written Feedback with Encorp Responses

Appendix A: Amendment to Section 9, Producers Paying the Cost of Obligated Materials and Dispute Resolution Process

The Section 9 document provided in this summary report is the version provided to contracted service providers for the consultation period. Once the consultation was completed, all input and feedback were carefully considered and Encorp made some changes to reflect the valuable input and feedback provided. The amended Section 9 document is posted on the website for reference (www.returnit.ca/section9) and included in the submission package sent to the Ministry.

Section 9 Producers Paying the Cost of Obligated Material & Dispute Resolution Process

Section 9A: Producers Paying the Cost of Obligated Material

Financial Incentive and Payment Methodology and Process

In 2022 Encorp Pacific (Canada) expects to collect and recycle 1.4 billion beverage containers, about 95% of which will be returned by consumers through its network of 162 redemption facilities, (80 of which also provide Express service to consumers), 12 Return-It Express & Go unmanned facilities and two Express Plus locations. Encorp is paying the cost to manage these obligated materials by paying handling fees to the depots, processing fees to processors, freight rates to transporters, and marketing expenses to inform consumers. This section describes the methodology used to set rates paid to depots, processors, and transporters. (Encorp pays all marketing expenses.)

The process to establish the rates paid to transporters and processors is relatively simple. A detailed statement of the required work, services and scheduling requirements is developed for the general area to be served by the contractor and then qualified suppliers are offered the opportunity to submit a bid for the contract. Service providers are chosen based on the total merit of the offers submitted in a competitive market and contracts are established.

Currently Encorp is contracted with 38 trucking firms that provide transport services, picking up beverage containers from redemption facilities, delivering them to 15 different processors throughout British Columbia and/or to Encorp's Quality Assurance/Count Centre facility.

Encorp also covers the transportation costs to move the container commodities from processors to the ultimate recycling plants and these arrangements are made with the recyclers.

This competitive process cannot be conducted in establishing handling fees with depots since individual licence agreements for most depots include an exclusive territory in which Encorp cannot license another depot. As a result, Encorp cannot initiate a competitive bid process for depot services within the exclusive territory. Encorp may only contract with the depot owner that holds the exclusive territory license. Further, many of the depots conduct business unrelated to the collection of used beverage containers for delivery to Encorp. Encorp is not required to, nor should it, be subsidizing these depots for their other lines of business.

Therefore, Encorp must use a different methodology to determine appropriate handling fees.

General Overview of Depot Handling Fee Methodology

The basis of compensation to depots is via the payment of handling fees from Encorp to the depot. The process for establishing Depot handling fees for collection of used beverage containers managed by Encorp involves the following steps:

1. Conduct a handling fee consultation process to provide the contracted depot stakeholders with an opportunity to voice their expectations, and understand, participate in, and provide input and feedback into the process.
2. Complete a depot financial study performed by an independent consultant to assess actual reasonable depot costs to collect and handle obligated materials based on a representative sample of depots which looks at actual costs of the different inputs into the operating costs of the sample depots and the depots current revenues. This establishes a baseline average depot reasonable profit margin.
3. Develop a forecast of depot revenue and costs for the next term (typically five (5) years) and calculate handling fees over that term to provide reasonable handling fees for depots. This forecast is based on the depot financial study and forecasted revenues related to the collection and handling of Encorp used beverage containers including container volume projections, other macro-economic indicators, and projected changes over the term that are anticipated to impact depot revenues and costs. The result of the process is a handling fee proposal that covers the projected depot operating costs and provides a reasonable profit margin for an efficient¹ depot that is meeting operating procedures and standards and does not require subsidization of the depot for its other business lines.
4. Process depot contract amendments to reflect the new handling fees.

Methodology and Process Detail

1. Handling Fee Consultation Process

The handling fee consultation involves a series of communications and meetings to review methodology and information throughout the process of determining new handling fees for the next 5-year term. All depots, regardless of whether they participate in the depot financial study portion of the process, are invited to attend these meetings, and ask questions (verbally or written) either during the meeting or as follow-up questions to Encorp management, the independent consultant, or Encorp's team of Regional Operations Managers².

At these meetings, Encorp presents a detailed outline of the proposed methodology to determine new handling fees and asks for feedback. In addition, Encorp also presents detailed anonymized statistical data from the previous 5-year handling fee period on depot container volume growth, depot handling fee growth, other financial support payments provided by Encorp to the depots (such as loans, technology investments and presence grants), depot financial forecasts and economic indices, and results of third-party studies. Material presented in each of these meetings is posted and made available to depots to download, review, and provide additional feedback. All feedback received by Encorp is recorded

¹ Efficient is defined as a depot that is meeting operating procedures in a manner representative of the average depot operator. For example, a depot operating in a space that is twice as large as a depot handling the same number of containers would be considered inefficient.

² Regional Operations Managers ("ROMs") are full-time dedicated employee liaisons between Encorp and Return-It Depots.

verbatim, reviewed and considered, and adjustments are made to the handling fee review process as necessary.

As part of the consultation process, Encorp reviews the Depot Operating Standards which form part of depot contracts. Depot operating standards are designed to ensure adequate customer service standards are met, ensure consumers have adequate access to recycling of obligated materials in their communities, ensure facilities are healthy, clean, and safe, and provide standardization of depot operations. Encorp considers feedback from depots on any proposed changes to the operating standards during the consultation process itself to determine any necessary amendments to Depot Operating Standards. Encorp then considers the impact those changes may have on operating costs and factors that into handling fee calculations.

2. Depot Financial Study

The depot financial study is an integral part of the handling fee review process. To initiate the depot financial study, Encorp issues a Request for Proposal (RFP) to several independent accounting firms/consultants.

The objective of the depot financial study is to assess the financial performance of an average depot that is meeting depot operating procedures and standards for delivering contracted services to Encorp based on the actual costs incurred by depots during the most recent fiscal year. This is done by selecting a subset of depots representing a cross-section of depot profiles and producing an aggregated Profit and Loss statement for an average depot.³

The Depot Financial Study also examines other activities undertaken by depots, including business unrelated to the collection of Encorp obligated material. Revenues and costs from those activities are segregated for comparison with Encorp program related revenues and costs to ensure handling fees are set with the objective of there being no cross-subsidization between Encorp's and other extended producer responsibility plans.

2.1 Scope of Services for the Financial Study

Depot Selection Process

In 2021, the selection of depots to participate in the depot financial study was included in the scope of the independent consultant's engagement for the first time. This change was a result of the feedback provided by the depots during the 2021 handling fee consultation process where depots indicated they preferred that Encorp did not manage the selection of depots to maintain anonymity. Encorp provides a stipend to participating depots to acknowledge the time and commitment required to participate in the study and the stipend was administered by the independent consultant.

The independent consultants are required to sign a non-disclosure agreement ("NDA") with Encorp and with all participating depots. After the NDA is executed, Encorp provides the independent consultant with a list of all depots showing their container volumes and locations across the province as well as contact

³ Express operating in depots are included in the financial study. Express and GO are unmanned, not operated by depots and are not included in the financial study.

information for depot owner / operators. The list also provides the independent consultant with depot participation in other Encorp programs, such as Express, to ensure depots of different profiles are included in the study. The engagement scope included the independent consultant selecting depots for the study, with the goal to obtain a sufficient cross-section of depots in terms of geography, program participation (i.e., Express) and container volume, to generate accurate and representative results, as well as to protect participant anonymity. The goal is to have the average volume of containers handled by the depots participating in the study as close as possible to the average volume of containers for all depots.

Depots with volume under 1.5 million units per year (under approximately \$75,000 in revenue per year) are excluded from the study as they receive additional financial compensation for their services in the form of a presence grant paid each quarter. The amount an individual depot receives as a presence grant is on a sliding scale that reflects the actual number of containers the depot collects. Those low-volume depots represent 16% of depots and are primarily located in rural areas of BC.

Removing these small depots from the selection criteria reduces the population of eligible depots to 138 depots. To obtain a representative cross-section of depots, it is hoped that all depots selected for the study by the independent consultants participate in the study. If all those invited elect to participate, the result of this analysis provides a better representation of depot costs.⁴

Data Gathering Process

In the data gathering process the independent consultant develops an understanding of current depot operations, including key macro-factors that influence the cost of operations, through written submissions from, and interviews with, participating depot owner / operators.

The independent consultant develops a questionnaire to solicit key financial information, such as consolidated and segregated actual unit volumes (Encorp volume versus BRCCC volume), actual sales revenue, actual operating expenses and other expenses associated with beverage containers managed by Encorp and other programs. Five (5) of the participating depots, chosen by the independent consultant as being generally representative of the overall sample of participating depots, are consulted by the independent consultant to refine the questionnaire via one-hour meetings before distributing the questionnaire to all participating depots.⁵

⁴ In the last handling fee setting process in 2021, 125 out of 138 eligible depots were invited to participate in the study by the third-party independent consultant, KPMG. 17 depots agreed to participate in the study. The more depots that participate in the study, the more representative the resulting data will be.

⁵ Input from depots in a past consultation indicated that the depots preferred that the independent consultant choose the 5 depots representing the overall sample of participating depots so Encorp has adopted this methodology.

Data is then collected from the depots. The independent consultant reviews and summarizes the data collected, including consolidated and segregated volumes of beverage containers, sales revenues, operating expenses, and other costs, but not including goodwill. The questionnaire data is validated against information provided in each depot's financial statements. Finally, data is normalized to account for differences among depots such as physical depot size and proportion of space dedicated to Encorp's beverage program, and variations in premise costs. The data analysis, validation, and normalization are performed by the independent consultant using methods chosen at their own discretion.

Stakeholder Engagement

During this phase of the depot financial study, the independent consultant reviews the financial findings with the participating depots to confirm that the independent consultant's interpretation of the data is correct and consistent with the actual depot operations.

Review and Finalization

This phase involves finalizing the financial report, including the Aggregated Income Statement for an average depot, and presenting the results to all depot stakeholders. The statement helps Encorp evaluate the profit margins and financial performance of depots under the then current handling fee structure.

At the end of the independent consultant's engagement, the final report and Aggregated Income Statement based on depots' historical data is used by Encorp to develop forward looking financial projections and calculate appropriate handling fees for the next 5-year term that provide a reasonable profit margin. Refer to Figure 1 below for a template of the Income Statement format. Assumptions regarding macroeconomic factors used to project revenue and costs are described in more detail in section 3 below and are shared with contracted Depots during the process.

Summary Income Statement (Based on Participating Depot Average)						
Encorp			Other			Total
Revenue		% Total Revenue			% Total Revenue	
Handling Fees - Encorp UBC	XXXXX	%		-		XXXXX
Other Programs			XXXXX		%	XXXXX
Total	XXXXX	%	XXXXX		%	XXXXX
Expenses		% Revenue	% of total expenses		% Total Expenses	
Wages and Benefits	XXXXX	%	%	XXXXX	%	#VALUE!
Rents and Occupancy Costs	XXXXX	%	%	XXXXX	%	#VALUE!
Equipment Costs	XXXXX	%	%	XXXXX	%	#VALUE!
Office, Administration and Other Costs	XXXXX	%	%	XXXXX	%	#VALUE!
Total	XXXXX	%	%	XXXXX	%	#VALUE!
		% of Rev			% of Rev	
Earnings Before Taxes	XXXXX	%		XXXXX	%	XXXXX
Income Taxes	XXXXX			XXXXX		XXXXX
Net Earnings	XXXXX			XXXXX		XXXXX

Figure 1: Income Statement Template

3. Projection of Revenue and Costs for the Next Term to Determine a New Set of Handling Fees

The final report and Aggregated Income Statement prepared by the independent consultant is used as a key input into forecasting depot revenue and costs over the next handling fee period and ultimately, to determine a new set of handling fees for all depots.

3.1 Expense Projection

Depot Expenses are broken down into four components:

- Wages and Benefits
- Rents and Occupancy Costs
- Equipment Costs
- Office, Administration, and Other Costs⁶

Wages and Benefits

The wages and benefit costs are determined by an analysis of how many employees a depot would need based on the depot's volume of containers. An average annual increase in wages and salaries in BC over the past 5 years and analysis of projections of labour market wage costs for similar work, including changes to the provincial minimum wage, are used to project wage increases for the next term.

If any additional benefits are introduced by the provincial government, they are added as a new cost to the financial model. A recent example is the 5 days sick leave benefit.

Rents and Occupancy Costs

Most depots either own their property or have a long-term lease arrangement with pre-determined rental rates. Therefore, a CPI forecast of space costs using forecasts from Statistics Canada, BC Stats and/or major financial institutions is used to project increases in rent and occupancy costs for depots. Actual increases experienced over the previous five-year period may provide some indication of local trends.

Equipment Costs

Generally, handling used beverage containers does not require a lot of equipment, particularly with simplified sorts. Reducing the number of sorts from 28 to 8 means that large numbers of containers are placed into mega-bags that are provided by Encorp.

The most important piece of equipment required by a depot is the Point of Return (POR) cash register system. This system records the containers by type as they are received by depot staff from the consumers. This equipment is provided by Encorp with the number of units available to a depot based on the number of containers it collects. If the depot wants more units than what would be allotted based on its container volume, the depot is free to purchase additional units. The depots share with Encorp the

⁶ Other cost include, but are not limited to insurance, phone, computing & internet, professional fees and discretionary depot marketing.

maintenance costs for this equipment. Encorp provides the equipment necessary for Express in the depots and subsidizes the cost of supplies, such as labels.

Encorp considers whether there are any operational changes to procedures for handling Encorp containers, that require additional equipment expenditures and, if so, factors these into cost projections. A CPI forecast from Statistics Canada, BC Stats and/or major financial institutions is also used to project increases in annual equipment costs for depots.

The introduction of simplified sorts, which cut the number of sorts from 28 to 8, provides depots with an opportunity to operate with fewer staff at a time when staff shortages are a significant operational issue. Depots place containers into fewer mega-bags so they can provide more efficient service to customers.

Some larger depots have chosen to invest in depot automation technology (automated sorting, counting and reverse vending machines (RVMs)) which has shown to provide cost certainty and the ability to gain further savings of operational costs. To assist depots in deploying automation technology Encorp offers an interest free loan for a portion of automation costs, which is repayable over a two-year term via offset deductions.

Office, Administration, and Other Costs

A CPI forecast using forecasts from Statistics Canada, BC Stats and/or major financial institutions is used to project increases in office, administration, and other costs. Encorp considers other factors that may result in specific cost increases and, where applicable, factors those into cost projections.

The requirement that depots must allocate a small amount to local marketing activities and advertising was removed in 2017. However, Encorp has increased its marketing budget to about \$4 million per year for a variety of marketing activities, including traditional television and radio advertising along with newer platforms, special promotions and innovative initiatives intended to motivate consumers to bring their containers to redemption facilities.

3.2 Revenue Projection

Once costs have been projected as described above, the revenue estimates start with projections of depots' future container volume. Encorp uses various estimates including Statistics Canada BC population growth forecast, per capita return rates, the addition of new containers to the deposit refund system (i.e., milk and milk substitutes) to project future sales figures as well as considers container volume increases needed to meet the recovery rate targets for the next five years. Depots are an important service provider for Encorp, collecting 93% to 95% of the containers returned each year in the areas they operate, most with territorial exclusivity from other depots.

The estimated volume is then multiplied by the current handling fee to determine the future revenue per year for an average depot. The resulting figure is assessed against the projected operating costs as established in 3.1 to ensure that the rates provide a reasonable return to efficient depots meeting operating procedures and standards, and meet the costs of managing the obligated materials, without subsidization. If not, new handling fees are altered to ensure that a reasonable return to efficient depots is established.

3.3 New Handling Fee Rates

If the projected future costs of the average efficient depots multiplied by the current handling fees paid by Encorp to the depots does not provide a reasonable return to the depot, the financial model incorporating the forecasted depot volume and costs is updated with new handling fee rates. In this way the new handling fees for the next 5-year term are established and tested to ensure that the projected revenue is sufficient to cover the costs and provide a reasonable gross margin to the depots that are meeting operating procedures and standards over the next term, without subsidization of depots' other lines of business.

The handling fees for the next 5 years term are presented to the depots and depots are offered an opportunity to ask questions regarding the factors used in determining the handling fees. The Depot Financial Study is made available to the depots so they can compare their own results with those identified by the study. The projections of key future costs that are used to develop the proposed fees are also shared with depots along with projected revenue, coverage of costs and gross profit margin.

3.4 Contract Amendments to Reflect the New Handling Fees

At the conclusion of the handling fee review process, the Depot Agreements are amended to include the new Handling Fee Schedule and offered for execution to individual depots to coincide with the end of the previous fee schedule.

3.5 Handling Fee Review Commitment

Encorp commits to reviewing handling fees at least once every five years. In addition, handling fees will be reviewed within 12 months after the addition or deletion of a new obligated beverage container category or other material change to depot operations.⁷

Conclusion

The methodology and process outlined in this revised Section 9 of the Stewardship Plan describes how Encorp meets the compliance requirements within the Producer Paying the Cost of Obligated Material Guidance document.

Section 9B: Dispute Resolution Process

All Encorp depot, transport and processing contracts include dispute resolution terms that permit either party to initiate a dispute resolution process in respect of disputes covered by the agreement. That process provides for, on notice of a dispute being filed by either party, a mandatory meeting to negotiate a resolution and, in the absence of resolution, mediation through a mutually appointed mediator or, failing that, arbitration.

⁷ For example, Encorp reviewed handling fees in August 2022, 6 months after the introduction of milk and milk substitutes to reassess the handling fees which resulted in a handling fee increase to the depots who chose to participate in simplified sorts.

Both the negotiation and mediation between the parties will be confidential. If the parties fail to resolve the dispute by mediation, either party may request the dispute go to arbitration before a mutually acceptable arbitrator or an arbitrator appointed by the Vancouver International Arbitration Centre.

While not specified in the Regulation, Encorp has established procedures for managing complaints or concerns on the part of customers, local governments, retailers, and non-commercial stakeholders. Of particular note, Encorp employs a team of Regional Operations Managers whose primary role is to support depots and work to address any day-to-day operational or contractual issues.

Appendix B: Webinar Presentation



Encorp Pacific Canada

Section 9, Producers Paying the Cost of Obligated Material & Dispute Resolution

Contracted Service Provider Consultation Webinar

NOTE: THIS WEBINAR IS BEING RECORDED

Presentation Overview



- **Webinar Instructions - note webinar is being recorded**
- **Why This Consultation**
- **Section 9**
 - Update on Amendments
 - Fee Setting Methodology and Process
- **Consultation Input Information**
- **Questions and Answers**
- **Closing**

Webinar Instruction



• CHAT MESSAGES

- If you have Zoom related questions or issues, please type them into the **Chat** function and one of the hosts will respond
 - We will do our best to help you fully participate in the session
 - If you have difficulty accessing the Chat function or it is not working for you, please call [REDACTED]



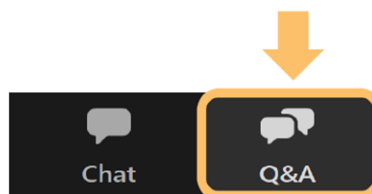
3

Webinar Instruction



• CONSULTATION QUESTIONS

- Throughout the presentation, feel free to ask consultation related questions by clicking the **Q&A icon** at the bottom of your screen.
- Questions will be answered at the end of the presentation.



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Webinar Instruction



• CONSULTATION QUESTIONS

- Please type your question in the dialog box that appears and then click **Send**
- For consultation tracking purposes, all respondents' names and questions are included in the Q&A

• Questions will be addressed at the end of the presentation

- If possible, please cite the slide number the question refers to



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Why This Consultation



- Encorp's Stewardship Plan was approved by the MOECCS on September 1, 2021 subject to updating the process and methodology described in Section 9, Producers Paying the Cost of Obligated Material & Dispute Resolution Process.
- Section 9 has now been updated and made available to impacted stakeholders.
- Encorp is now undertaking consultation to solicit questions and comments from impacted contracted service providers.
- The consultation began on Sept 27th and will conclude on November 13th, 2022.

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Section 9 Update



- In 2022 Encorp expects to collect 1.2 billion used beverage containers.
- Approximately 92% will be collected through contracts with independent depots.
- Sorted beverage containers are then transported and processed by independent service providers.
- Encorp pays the independent transportation companies and processors through a competitive market bidding process.
- This bidding process cannot be used for establishing payment to depots since licensing with depots is location based for customer convenience and can include some exclusive territory rights.

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Depot Handling Fee Methodology



1. Conduct handling fee stakeholder process to ensure depot owners and operators understand and participate in the process.
2. Complete a depot financial study (independent third-party consultant) to establish a current average reasonable return.
3. Develop a forecast of depot costs and revenues using projected container volumes and mixes, macro-economic factors, and other changes expected to impact revenues and costs.
4. Present a depot handling fee that provides depots with reasonable return.

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1. Conduct Handling Fee Stakeholder Process



- Series of communications and meetings to review handling fee methodology for next 5-year term.
- All depots invited and encouraged to participate – the more participation the more robust the process.
- Encorp presents detailed outline of methodology and asks for feedback
- Encorp provides detailed, aggregated and anonymized statistical data from the previous 5-year period.
- Includes a review of Depot Operating Standards.
- All feedback is recorded and considered.

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2. Complete a Depot Financial Study



- To assess the financial performance of an average depot that meets the depot operating procedures and standards for delivering contracted services to Encorp based on the actual costs incurred by depots during the most recent fiscal year.
- Independent 3rd party accounting consultant is chosen by Encorp through an RFP process.
- A sample of depots (representative of both regional and processing volume) is selected by the consultant.
- Goal is to have the average number of containers handled by the depots in study as close as possible to the average number of containers handled by all depots.
- Depots handling less than 1.5 million containers not included in study as they receive additional grants.

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2. Complete a Depot Financial Study continued



- Consultant develops an understanding of current depot operations through written submissions and interviews with participating depot owner/operators.
- Consultant develops questionnaire based on the above that will be sent to all participating depots. Prior to distribution, 5 depots selected by the consultant are contacted to review and refine the questionnaire.
- Data is collected and normalized by the consultant and reviewed with participating depots.
- Finally, an Aggregated Income Statement is developed estimating the average efficient depot operation and is presented to all depots.
- The Statement helps Encorp evaluate the profit margins and financial performance of depots under the then current handling fee structure.

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3. Forecast Depot Costs and Revenues for next 5-year term



- The Aggregated Income Statement is used as the forecasting base.
- Revenues and expenses are estimated based on macro-economic indicators and shared with Depots.
- Costs estimated include wages and benefits, rent and occupancy costs, equipment cost, office, administration and other costs.
- Revenue estimates are made by modelling container volumes and mix and initially, the current depot handling fees.
- The results of the forecasting model are adjusted by altering the depot handling fees to provide a reasonable return to depots.

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4. Present Depot Handling Fee



- Once the process is completed the new depot handling fees are presented to the Depots.
- Depots are offered the opportunity to ask questions and provide input about the factors used in setting the new depot handling fees.
- Finally, contracts with Depots are amended to reflect the new handling fees.

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Handling Fee Review Commitment



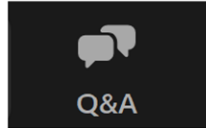
- Encorp commits to reviewing the depot handling fees at least once every 5 years.
- In addition, handling fees will be reviewed within 12 months of introducing a new obligated beverage container or other material change to depot operations.

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Questions and Answers



Questions



www.Return-it.ca/section9

Section9@returnit.ca

Appendix C: Invitations to Participate in Webinars

Email 1: Encorp advice regarding upcoming webinars (September 26, 2022)

Subject: Notice of Encorp's Stewardship Consultation, Section 9

Encorp Pacific's Beverage Container Stewardship Plan has been approved by the Ministry of Environment and Climate Change Strategy. The Plan and approval letter is posted on our website along with other information and reference material. www.returnit.ca/beverageplan2020.

Encorp is not proposing any further changes to the Plan and intends that the Plan continue as-is until 2027. The Plan specifies a recovery rate of 83.6% to be achieved by 2024. Targets past 2024 will be amended in due course to include targets for 2025 onwards. If you have any feedback or input regarding the above information, please email us at beverageplan2020@returnit.ca

Within Encorp's approved plan is the requirement to make amendments to Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution.

The pdf document attached to this email and available on our website www.returnit.ca/section9 contains the proposed, amended Section 9 of Encorp's Stewardship Plan.

Encorp will be conducting consultation with the contracted service providers to which this section of the Plan applies. **The consultation period will start on September 27, 2022, and end on November 13, 2022.** During this period, Encorp will hold four webinars specifically designed for contracted service providers to ask questions, provide feedback and input. Webinar registration details, dates and times will be provided in a subsequent email, displayed on the depot dashboards and posted on our website www.returnit.ca/section9

Feedback and comments on the amended Section 9 can be submitted at anytime during the consultation period to section9@returnit.ca

Encorp Pacific (Canada)

Email 2: Encorp advice regarding upcoming webinars (October 3, 2022)

Subject Encorp Pacific Section 9 Stewardship Plan Consultation: Webinar Notice

As communicated on September 26, 2022, Encorp will be conducting consultation with contracted service providers on the proposed amendments to Section 9, Producer Paying the Cost of Obligated Material and Dispute Resolution, of Encorp's approved Stewardship Plan. The PDF document attached to this email and available on our website (www.returnit.ca/section9) contains the proposed amendments to Section 9 of Encorp's Stewardship Plan.

The consultation period started on September 27, 2022 and will end on November 13, 2022. During this period, Encorp will hold four webinars specifically designed for contracted service providers to ask questions and to provide feedback and input.

Webinar dates and times are listed below. The registration links will be posted on your depot dashboard and on our website (www.returnit.ca/section9). Watch for an email invitation to register from MNP later this week (registrations.bc@mnp.ca). Depots, Processors and Transporters that operate as contracted service providers to Encorp are encouraged to register for one of the four options.

Webinar #1: Monday, October 17, 2022 at 8:00 a.m.

Webinar #2: Thursday, October 20, 2022 at 5:00 p.m.

Webinar #3: Tuesday, November 1, 2022 at 8:00 a.m.

Webinar #4: Tuesday, November 8, 2022 at 5:00 p.m.

Feedback and comments on the amended Section 9 can be submitted at anytime during the consultation period to section9@returnit.ca.

Additional information regarding Encorp's Beverage Container Stewardship Plan can be found on our website (www.return-it.ca/beverageplan2020).

Encorp Pacific (CANADA)

Email 3: MNP advice regarding webinar dates and request to RSVP (October 6, 2022)

Email Title: Encorp Pacific Consultation – Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution

Encorp Pacific has engaged MNP to support their consultation with contracted service providers on Section 9 of the Beverage Container Stewardship Plan (www.returnit.ca/beverageplan2020). The consultation period started on September 27, 2022 and will end on November 13, 2022.

As outlined in their September 26th and October 3rd emails to you, Encorp has made proposed amendments to *Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution*. These proposed amendments can be reviewed at www.returnit.ca/section9.

Encorp is holding four webinars specifically designed for contracted services providers to ask questions and provide feedback and input on Section 9. Please let us know which webinar(s) you would like to attend by clicking on the link next to the date below:

- Monday, October 17th (8 – 9 am) [Click here for registration](#)
- Thursday, October 20th (5 – 6 pm) [Click here for registration](#)
- Tuesday, November 1st (8 – 9 am) [Click here for registration](#)
- Tuesday, November 8th (5 – 6 pm) [Click here for registration](#)

A confirmation with the Zoom link will be sent to you after you register.

If you have any questions regarding the registration for this consultation, please contact registrations.bc@mnp.ca.

We look forward to your participation.

Thank you!

Email 4: MNP invitation to Zoom webinar to providers who sent RSVPs

Webinar Title: Encorp Consultation – Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution

Zoom created webinar participant invitation manually approved by MNP team member and sent via Zoom.

Include information [see chat].

Email 5: MNP reminder to registrants two business days prior to their chosen webinar date

Email Title: Encorp Webinar Reminder – Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution

Thank you for registering for the webinar on amendments to *Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution*.

Your webinar is coming up:

Date: Monday, October 17, 2022
Time: 8:00 – 9:00 am

Please let us know if you did not receive a Zoom link or have any questions regarding how to join the webinar.

We look forward to answering your questions and hearing your feedback and input.

Thank you!

Appendix D: Invitation to Provide Written Feedback (September 26, 2022)

Subject: Notice of Encorp's Stewardship Consultation, Section 9

Encorp Pacific's Beverage Container Stewardship Plan has been approved by the Ministry of Environment and Climate Change Strategy. The Plan and approval letter is posted on our website along with other information and reference material. www.returnit.ca/beverageplan2020.

Encorp is not proposing any further changes to the Plan and intends that the Plan continue as-is until 2027. The Plan specifies a recovery rate of 83.6% to be achieved by 2024. Targets past 2024 will be amended in due course to include targets for 2025 onwards. If you have any feedback or input regarding the above information, please email us at beverageplan2020@returnit.ca.

Within Encorp's approved plan is the requirement to make amendments to Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution.

The pdf document attached to this email and available on our website www.returnit.ca/section9 contains the proposed, amended Section 9 of Encorp's Stewardship Plan.

Encorp will be conducting consultation with the contracted service providers to which this section of the Plan applies. The consultation period will start on September 27, 2022, and end on November 13, 2022. During this period, Encorp will hold four webinars specifically designed for contracted service providers to ask questions, provide feedback and input. Webinar registration details, dates and times will be provided in a subsequent email, displayed on the depot dashboards and posted on our website www.returnit.ca/section9.

Feedback and comments on the amended Section 9 can be submitted at anytime during the consultation period to section9@returnit.ca.

Encorp Pacific (Canada)

Appendix E: Depot and Transporter Dashboards

Internal Depot Dashboard notice – Encorp provides all Depots and Transporters access to an internal dashboard to ensure they can access documentation, resources, notices, statements etc. Dashboard information is specific to each location.

INVITATION TO CONSULTATION WEBINAR ON THE PROPOSED AMENDMENT TO SECTION 9

Encorp Pacific has engaged MNP to support their consultation with contracted service providers on Section 9 of the Beverage Container Stewardship Plan (www.returnit.ca/beverageplan2020). The consultation period started on September 27, 2022 and will end on November 13, 2022.

As outlined in their September 26th October 3rd emails to you, Encorp has made proposed amendments to Section 9, Producers Paying the Costs of Obligated Materials and Dispute Resolution. These proposed amendments can be reviewed at www.returnit.ca/section9.

Encorp is holding four webinars specifically designed for contracted services providers to ask questions and provide feedback and input on Section 9. Please register to one of the sessions by clicking on the desired date below

Monday, October 17th (8 – 9 am) [Click here for registration](#)

Thursday, October 20th (5 – 6 pm) [Click here for registration](#)

Tuesday, November 1st (8 – 9 am) [Click here for registration](#)

Tuesday, November 8th (5 – 6 pm) [Click here for registration](#)

Appendix F: Themes from Webinars and Written Feedback

The following section contains a list of the themes (in alphabetical order) from the webinar questions/comments and written feedback.

1. Brewer Distribution Licence Program
2. Consultation Process - Input from Depots
3. Depot Financial Study
 - 3.1 Depot Financial Study – Access to Data
 - 3.2 Depot Financial Study – Depot Participation
 - 3.3 Depot Financial Study – Findings
 - 3.4 Depot Financial Study – Methodology
 - 3.5 Depot Financial Study – Producers Paying Full Cost
 - 3.6 Depot Financial Study – Other
4. Depot Handling Fees
 - 4.1 Depot Handling Fees – Access to Data
 - 4.2 Depot Handling Fees – Aligning with Other Programs
 - 4.3 Depot Handling Fees – Inflation Rates
 - 4.4 Depot Handling Fees – Labour Costs
 - 4.5 Depot Handling Fees – Other
5. Express
 - 5.1 Express – Costs of Excluded Beverage Containers
 - 5.2 Express – Labour Costs
 - 5.3 Express – Other
6. Encorp Communication Frequency
7. Other
 - 7.1 Other – Access to Data
 - 7.2 Other – Costs of Excluded Beverage Containers
 - 7.3 Other – Costs of Simplified Sorts
 - 7.4 Other – Customer Service
 - 7.5 Other – Dispute Resolution
 - 7.6 Other – Methodology
 - 7.7 Other – Missing Bags
 - 7.8 Other – Participation in Consultation
 - 7.9 Other – Territorial Commitments
 - 7.10 Other – Total Cost of Collection and Handling
8. Question about Webinar
9. Recovery Rate Targets
10. Regulation
 - 10.1 Regulation – Guidance Document
 - 10.2 Regulation – Other
11. Transporters and Processors

Appendix G: Webinar Invitees

The following section outlines the contracted service providers invited to register for the four webinars.

Organization	Type ¹	Invitee
Abbotsford Bottle Depot	D	Sangmin (Steve) Shin
		Kun Young Shin
Aberdeen Recycling Centre	D	Leo Kim
		MJ Kim
Agassiz Bottle Depot	D	Sophie Jung
		Ik Su (Alex) Choe
Aldergrove Return-It	D	Sung Kim
Armstrong Return-It Depot	D	Kanjin Lee
		Woseob Baeg
Ashcroft Bottle Return-It Center	D	Seunghyun Park

¹ Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry)

Organization	Type ¹	Invitee
		Ju Sin Park
B&G Bottle Depot	D	Bernadette Yager
		Wayne Yager
Barriere Return-It Depot	D	Miae Lee
Bella Coola Recycling Depot	D	Barney Kern
Bill's Bottle Depot	D	Jong Hwa Lee
		Tanwoo Lee
Blue Mountain Bottle Depot	D	Joseph Seop Lee
Blundell Return-It Centre	D	Tae Ho (Ethan) Lee
Bottle Depot - Victoria (Queens)	D	D'Arcy Hipwell
Bottle Depot (Quadra 1)	D	D'Arcy Hipwell
Boucherie Self Storage & Bottle Depot	D	Young Nam
Brentwood Return-It Depot	D	Kyu Ho (Ted) Lee
Bridgeview Bottle & Return-It Depot	D	Jerry Orense
Bulkley Valley Bottle Depot (2021) Ltd.	D	Judy Hofsink
Castlegar Return-It Depot	D	Jisung Kim

Organization	Type ¹	Invitee
Chasers Bottle Depot	D	Keith Chase
Chetwynd Recycling & Bottle Depot	D	Jeremy Parslow
Chilliwack Bottle Depot	D	Dave Depocas
		Lawrence Engelsman
Clearwater Bottle Depot	D	Vikram Bhowan
		Smile Surya
Collingwood Bottle Exchange	D	Sung Won Bang
Columbia Bottle Depot – Dease, Kent & St. Paul	D	Clare Cassan
		Cara Heck
Columbia Bottle Recycling	D	Dave Fowler
Columbia Bottle Depot	D	Doug Andrews
		Brooke Cassan
Columbia Return-It Depot	D	Drew Cassan
		Janice Song
		Jeff Song
Country Store - Depot	D	Ed Nichol

Organization	Type ¹	Invitee
Courtenay Return-It Depot	D	Emily Kim
Cranbrook Bottle Depot	D	Yang Hun Choi
DC Campbell Recycling	D	Jeremy Parslow
Denman Island Bottle Depot	D	Mike Nestor
East Hastings Bottle Depot	D	Heesuk Cho
Edmonds Return-It Depot	D	Randy Park
		In Won Park
Elks Bottle Depot	D	Lloyd Gatzke
Ferne Bottle Depot	D	Jae Soon Lee
		Tai Sung Kim
Fleetwood Bottle Return Depot	D	Byung Hee (Willy) Kim
		Chul Woo Kim
Fort Nelson Return-It Depot	D	Basil Batten
Fort St. John Bottle Depot	D	Katrina Slorstad
		Karen Stutzman
Fraser Lake Bottle Depot	D	Kyeongho Lee

Organization	Type ¹	Invitee
Fraser Valley Bottle & Return-It Depot	D	Sung Kim
G.R.I.P.S. Green Recycling in Pender Harbour Society	D	Anna Venalainen
General Grant's Recycling Centers - North Shore	D	Richard Robertson
		Grant Robertson
General Grant's Recycling Centers - Sahali	D	Clare Cassan
		Richard Robertson
Gibsons Bottle Depot	D	Chan Ky (Chris) Kim
Go Green Bottle Depot & Recycling	D	Stanley Wong
Gold Trail Recycling	D	Bill Gurd
Golden Bottle Depot	D	Philip Dockerty
Grand Forks Bottle Depot	D	Stewart Young Jr
Guildford Bottle Depot	D	Kulbir Rana
Haney Bottle Depot	D	Anita Yuen
Hazelton Bottle Depot	D	Ju M Kim
Heriot Bay Tru-Value	D	Darcy Manners
Hope Bottle Depot	D	Sangkyung Kim

Organization	Type ¹	Invitee
		Chungmin Oh
Houston Bottle Depot	D	Ja Hun Koo
Interior Freight & Bottle Depot	D	Jay Aarsen
Invermere Bottle Depot	D	Byunghee Kim
		Taekhun Lim
Ironwood Bottle Depot	D	Ace Moon
Island Return-It – Duncan, Esquimalt, Salt Spring, South Cowichan, Campbell River	D	Sophy Roberge
		Vince Spronken
J & C Bottle Depot	D	Jong Jin Lee
Jenill Recycling	D	Ji Hwan Jang
Joe's Bottle Depot (Masset)	D	Carolynne Lavoie
Junction Bottle Depot	D	Sang Taek Kim
Kaslo Mohawk	D	Darryl Slobodian
Kensington Square Return-It	D	Farida & Alnoor Mitha
Kitimat Bottle Depot	D	Seungchul Lee
Kimberley Return-It Depot	D	Wayne Collins

Organization	Type ¹	Invitee
Ladner Bottle Depot	D	Jung Hoon Han
Langley Bottle Depot	D	Kulbir Rana
Lee's Bottle Depot	D	Lydia Lee
Logan Lake Bottle Depot	D	Ju Sin Park
Lorne Street Bottle	D	Yil Seok Ahn
Lougheed Return-It Depot	D	Andy Suh
Maple Ridge Bottle Depot	D	Kulbir Rana
Metrotown Return-It Depot	D	David Moon
		Byungho Moon
Mission Recycle Centre	D	Chung-Se Kim
Mount Pleasant Return-It Depot	D	Andrew Lee
Mountain Valley Station	D	Michelle Kootnikoff
Naramata Store	D	Cynthia Enns
Nechako Bottle Depot	D	Rick Neufeld
Nelson Leafs Bottle Depot	D	Gordon Davis
		Greg St. George

Organization	Type ¹	Invitee
Newton Bottle Depot	D	Phil Jang
North Road Return-It Depot	D	Donghyun (Eric) Cho
		Kanjin (Kevin) Lee
North Shore Bottle Depot	D	Daesig Han
		Young Sub Jay Chung
North Shuswap Bottle Depot	D	Bong Ok Park
North Vancouver Bottle & Return-It Depot	D	Jongjin Kim
NVSS Bottle Depot	D	Lorraine Horita
		Don Sukkau
		Ken Young
OK Bottle Depot	D	David Kim
Osoyoos Bottle Depot	D	Sandra Palmateer
P.G. Recycling & Return-It Centre	D	Austin Kim
Panorama Village Return-It	D	Jay Son
Parksville Bottle & Recycling	D	Major Rai
Pemberton Recycling Centre	D	Craig Abbott

Organization	Type ¹	Invitee
Pitt Meadows Bottle & Return-It Depot	D	Alexander Popov
PoCo Return-It	D	Samuel Choi
Port Alberni Return-It Depot	D	Katherine Thompson
		Don Thompson
Port Hardy Return-It Centre	D	Rod Inglis
Port McNeill Return-It Depot	D	Courtenay Lawrence
		Jim Cameron
Powell Street Return-It Bottle Depot	D	Nojin Lim
Princeton Return-It Depot	D	Jasmine Hwang
		Hyunho Lee
Qualicum Bottle & Recycling	D	Major Rai
Queensborough Landing Return-It Depot	D	Ali Dharamshi
R&T Recyclables & Bottle Depot	D	Kisoo (Val) Son
Regional Recycling – Abbotsford, Burnaby, Cloverdale, Richmond, Vancouver, & Whistler	D	Rod Lotzkar
Regional Recycling – South Island & Nanaimo	D	Paul Shorting
Revelstoke Bottle Depot	D	Khan Aziz Barna

Organization	Type ¹	Invitee
Rupert Bottle Depot	D	Jong Hwa Lee
		Tanwoo Lee
Salmo Return-It Depot	D	Meagan Salekin
		Aaron Janzen
Sapperton Return-It Depot	D	Tracie Sung
Sardis Bottle Depot	D	Soo Dol Woo
Scotch Creek Bottle Depot	D	Doug Kilback
		Roxanne Kilback
Scott Road Bottle Depot	D	Kulbir Rana
Sechelt Return-It Depot	D	Ikrae Jeong
Semiahmoo Bottle Depot	D	Heimin Lee
Sicamous Return-It Depot	D	Myungjin (Jason) Kim
		Taisung (Jason) Kim
Sidney Return-It Depot	D	Jong Hyun (Jay) Lee
Sooke Return-It Depot	D	Stewart Young Jr
South Van Bottle Depot	D	Kulbir Rana

Organization	Type ¹	Invitee
Squamish Bottle Depot	D	Bong Sueb Yoon
Summerland Bottle Depot	D	James Song
Sunset Coast Bottle Depot	D	Sang Jun Park
Sur-Del Bottle Depot	D	Sun Young (Brian) Hwang
Surrey Central Return-It Centre	D	Samuel Choi
T.R. Bottle Depot	D	Carmen Pegg
T-2 Market	D	Ranjit S. Dhillon
Terrace Bottle Depot	D	Jong Hwa Lee
		Tanwoo Lee
The Bottle Depot (Glanford)	D	D'Arcy Hipwell
Trail Bottle Depot	D	Joung Gyu Park
Tsawwassen Return-It Centre	D	Jay Park
Ucluelet Bottle Depot	D	Myung Jin Lee
United We Can Bottle Depot	D	Richard Henry
		Sandy Seney
Valemount Recycling Center	D	Youngil Kim

Organization	Type ¹	Invitee
Vancouver Central Return-It Depot	D	Min Kim
Vancouver West Return-It Depot	D	Min Kim
Venture Bottle Depot	D	Deb Fenwick
		Blake Frederickson
White Rock Return-It Depot	D	Nick Kim
Williams Lake Return-It Depot	D	John Jang
Williams Lake Return-It Depot	D	Kyung Jang
Willowbrook Recycling (WRI)	D	Savannah Paine
Winfield Return-It Center	D	Philip Ahn
Joe's Bottle Depot (Masset)	D	Carolynne Lavoie
Merritt Return-It Depot	D	Yosub Shon
Osoyoos Bottle Depot	D	Raistlyn Palmateer
Chasers Bottle Depot	D	Lisa Chase
Coquitlam Return-It Depot	D	Janice Song
Scott 72	D	Martin Kim
Bottle Guys Enterprises Inc.	O	Vichetra Hour

Organization	Type ¹	Invitee
Marpole Bottle	O	Rod Lotzkar
Michel Desharnais	O	Michel Desharnais
Skyway Recycling	O	James Hockley
Skyway Recycling	O	Louise Hockley
Smithrite Disposals Ltd.	O	Orietta Danyluk
		Stewart Young Jr
Vanguard Bottle Depot	T	Shawn Marchinkow
		Dave Woolley
		Jamie Giroux
Adanac Recovery	T	Darcy Hipwell
		Steve Dispatch
		Kelly Gorman
Aggressive Transport Ltd.	T	Dave Dechaux
B&G Transport	T	Bernadette Yager
Bella Coola Recycling Depot	T	Barney Kern

Organization	Type ¹	Invitee
Berbon Trucking	T	Steve Chadwick
		Joseph Lavoie
Berry & Smith Trucking Ltd.	T	Parker Berry
Big River Distributors Ltd.	T	Juliana Angelo
Central Island Distributors - Nanaimo (Beverage)	T	Dave Dugan
Chasers Bottle Depot	T	Lisa Chase
		Keith Chase
City Transfer Inc.	T	Brenda Birtig
		Craig Long
		Phil Long
Coastal Transportation & Storage Ltd.	T	Craig Skene
Columbia Bottle Depot - Dease	T	Clare Cassan
		Cara Heck
Commercial Logistics - consolidation	T	Pete Rodgers
		Jim White
Courtenay - Transport	T	Emily Kim

Organization	Type ¹	Invitee
		Sook Kim
Cranbrook Express 1980 LTD.	T	Bruce Milne
		Juanita Milne
DC Campbell Recycling	T	Jeremy Parslow
Depot Link Logistics	T	Michael Pearce
Direct North Distribution	T	Colleen Montgomery
Fort St. John Bottle Depot	T	Karen Stutzman
Full Armor Transport Ltd	T	Leanne Adams
		Troy Adams
Galiano Island Recycling	T	Ken Stauffer
Gold Trail Recycling - Transport	T	Bill Gurd
Hodgson Freightways Ltd.	T	Mike Frketich
Island Return-It – Campbell River, Duncan & Esquimalt	T	Sophy Roberge
		Vince Spronken
J&F Distributors	T	Soren Hedberg
James Hillick	T	Jim Hillick

Organization	Type ¹	Invitee
James Trucking Co. Ltd.	T	Rick Wourms
Jason Webb	T	Jason Webb
Juan Retana Transport	T	Juan Retana
Junction Bottle Depot	T	Sang Taek Kim
K.C. Recycling Ltd.	T	Melanie Kirkman
		Tara Kurulok
		Pete Stamper
Kitimat Bottle Depot	T	Seungchul Lee
Korson Transport Ltd.	T	Kory Thompson
L.S. McLellan Trucking Ltd	T	Doris Wood
Lorne Street Bottle	T	Yil Seok Ahn
Mayne Island Recycling Society	T	Deb Foote
		Don Eadie
Mica Mountain Transport	T	Jim Morris
Mica Ventures Inc. - Transport	T	Brad Huston
		Sylvia Tanner

Organization	Type ¹	Invitee
Michel Desharnais	T	Michel Desharnais
Nechako Bottle Depot	T	Darcy Buryn
		Rick Neufeld
Pemberton Recycling Centre	T	Craig Abbott
Pender Island Recycling Society	T	Niki Roberts
Port McNeill Return-It Depot	T	Jim Cameron
QFS Quick Freight Solutions Inc.	T	Harp Hayer
R. Dufour Enterprises Ltd.	T	Richard Dufour
Regional Recycling Nanaimo	T	Paul Shorting
Rellish Transport Services	T	Rob Ellis
Roseneau Transport Ltd.	T	Brandon Jensen
Roseneau Transport Ltd.	T	Rosenau Transportation
Rupert Bottle Depot	T	Jong Hwa Lee
		Tanwoo Lee
Shawn Storey Transporting Services	T	Shawn Storey
Skyway - Transport	T	Louise Derkach

Organization	Type ¹	Invitee
Sunset Coast Bottle Depot	T	Sang Jun Park
Trail Bottle Depot	T	Joung Gyu Park
Triple J Management Inc.	T	Jerry Virtanen
		Kathy Virtanen
United Concrete & Gravel Ltd. - Abbotsford	T	Wayne Elias
		Marsha Sorochan
Van Kam Freightways Ltd.	T	Tracy Brauer
		Sara Gold
Vanguard Bottle Depot - Glass Consolidation & Electronics	T	Dave Woolley
Vanguard Transport - PPP	T	Gavin Dempsey
		Dave Woolley
Vitreous Glass Inc.	T, P	Darcy Forbes
Waglisla Freight Limited Partnership	T	Val Heiltsuk
		William Reandy
Williams Lake Return-It Depot	T	John Jang
		Kyung Jang

Organization	Type ¹	Invitee
Winfield Return-It Center	T	Philip Ahn
Zion Trucking Ltd. - Cranbrook	T	Joe Hockley
		Krista Munro
Cascade Recovery - Kelowna, Nanaimo, Prince George, Surrey, Vancouver & Victoria	P	Brandon Rogers
		Ian Chang
Emterra Environmental – Surrey & Vernon	P	Manuel Duque
		Emmie Leung
Merlin New Westminster CRF & Merlin Plastics	P	Kevin Andrews
Skyway - Processor	P	James Hockley
United Concrete & Gravel Ltd. – 100 Mile House, Abbotsford, Williams Lake	P	Wayne Elias
Vanguard Bottle Depot - Beer Can Processor	P	Dave Woolley
		Jamie Giroux

Appendix H: Webinar Registrants and Attendees

The following section outlines the registrants and attendees for each of the four webinars held between October 17 and November 8, 2022.

October 17th Webinar

Organization	Type ²	Registrant	Attended
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Dave Depocas	N
		Lawrence Engelsman	Y
Columbia Bottle Depot - Kelowna <i>Kelowna</i>	D	Brooke Cassan	N
		Clare Cassan	Y
		Cara Heck	N
		Drew Cassan	Y
		Doug Andrews	Y
Courtenay Return-It Depot <i>Courtenay</i>	D	Emily Kim	Y
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Yang Hun (Mike) Choi	Y
East Hastings Depot <i>Burnaby</i>	D	Heesuk Cho	N
Edmonds Return-It Depot	D	Randy Park	Y

² Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry)

Organization	Type ²	Registrant	Attended
<i>Burnaby</i>			
Fraser Lake Bottle Depot <i>Fraser Lake</i>	D	Kyeongho Lee	Y
Interior Freight & Bottle Depot <i>Vernon</i>	D	Jay Aarsen	Y
J&C Bottle Depot <i>Penticton</i>	D	Jong Jin (John) Lee	Y
North Shore Bottle Depot <i>North Vancouver</i>	D	Daesig Han	Y
Mount Pleasant Return-It Depot <i>Vancouver</i>	D	Andrew Lee	Y
Pitt Meadows Bottle & Return-It Depot <i>Pitt Meadows</i>	D	Alexander Popov	N
PoCo Return-It <i>Port Coquitlam</i>	D	Samuel Choi	Y
Powell Street Return-It Depot <i>Vancouver</i>	D	Nojin Lim	Y
PG Recycling & Return-It Centre <i>Prince George</i>	D	Austin Kim	Y

Organization	Type ²	Registrant	Attended
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting	Y
R&T Recycles & Botte Depot <i>Abbotsford</i>	D	Kisoo (Val) Son	N
Salmo Return-It Depot <i>Salmo</i>	D	Aaron Janzen	N
		Meagan Salekin	Y
Scott 72 Bottle & Return-It Depot <i>Surrey</i>	D	Martin Kim	Y
Semiahmoo Bottle Depot <i>Surrey</i>	D	Heimin Lee	Y
Sooke Return-It Depot <i>Sooke</i>	D	Stewart Young Jr	N
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myjung Jin (Janet) Lee	Y
Valemount Recycling Centre <i>Valemount</i>	D	Youngil Kim	Y
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim	Y
Winfield Return-It Centre	D	Philip Ahn	Y

Organization	Type ²	Registrant	Attended
<i>Lake Country</i>			
Willowbrook Recycling (WRI) <i>Langley</i>	D	Savannah Paine	Y
Transporter <i>Lower Mainland</i>	T	Michael Pearce	Y
Vanguard <i>Delta</i>	T	Jamie Giroux	Y
BC Ministry of Environment	M	Roberto Melfi	Y
		Robert Au	Y
		Matthew Maloney	Y

October 20th Webinar

Organization	Type ³	Registrant	Attended
Abbotsford Bottle Depot <i>Abbotsford</i>	D	Kun Young Shin	N
The Bottle Depot (Glanford) <i>Victoria</i>	D	D'Arcy Hipwell	Y
Boucherie Self Storage & Bottle Depot	D	Young Nam	Y

³ Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry)

Organization	Type ³	Registrant	Attended
<i>West Kelowna</i>			
Bulkley Valley Bottle Depot <i>Smithers</i>	D	Judy Hofsink	Y
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Lawrence Engelsman	Y
Columbia Bottle Depot – Kelowna <i>Kelowna</i>	D	Cara Heck	Y
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Yang Hun Choi	Y
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park	Y
Fort St John Bottle Depot <i>Fort St John</i>	D	Katrina Slorstad	N
		Karen Stutzman	N
Guilford Bottle Depot <i>Surrey</i>	D	Kulbir Rana	Y
Haney Bottle Depot <i>Maple Ridge</i>	D	Anita Yuen	Y
J&C Bottle Depot <i>Penticton</i>	D	Jong Jin (John) Lee	N

Organization	Type ³	Registrant	Attended
Junction Bottle Depot <i>Ladysmith</i>	D	Sang Take Kim	Y
Mission Recycle Centre <i>Mission</i>	D	Chung-Se Kim	Y
Mount Pleasant Return-It Depot <i>Vancouver</i>	D	Andrew Lee	Y
Nelsons Leafs Bottle Depot <i>Nelson</i>	D	Greg St. George	Y
North Shore Bottle Depot <i>North Vancouver</i>	D	Daesig Han	Y
PG Recycling & Return-It Centre <i>Prince George</i>	D	Austin Kim	Y
Port McNeil Return-It Depot <i>Port McNeil</i>	D	Courtenay Lawrence	Y
Powell Street Return-It Depot <i>Vancouver</i>	D	Nojin Lim	Y
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting	Y
Revelstoke Bottle Depot	D	Khan Aziz Barna	Y

Organization	Type ³	Registrant	Attended
<i>Revelstoke</i>			
R&T Recycles & Botte Depot <i>Abbotsford</i>	D	Kisoo (Val) Son	N
Scott 72 Bottle & Return-It Depot <i>Surrey</i>	D	Martin & Phil Kim	Y (Phil only)
Semiahmoo Bottle Depot <i>Surrey</i>	D	Heimin Lee	N
Summerland Bottle Depot <i>Summerland</i>	D	James Song	Y
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myjung Jin (Janet) Lee	Y
Valemount Recycling Centre <i>Valemount</i>	D	Youngil Kim	Y
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim	Y
Willowbrook Recycling (WRI) <i>Langley</i>	D	Savannah Paine	N
Vanguard <i>Delta</i>	T	Jamie Giroux	Y

Organization	Type ³	Registrant	Attended
BC Ministry of Environment	M	Roberto Melfi	Y
		Michael Wadeson	Y

November 1st Webinar

Organization	Type ⁴	Registrant	Attended
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Lawrence Engelsman	N
		Dave Depocas	N
Columbia Bottle Recycling <i>Creston</i>	D	Dave Fowler	N
		Cara Heck	Y
Cranbrook Bottle Depot <i>Courtenay</i>	D	Mike (Yang Hun) Choi	Y
Denman Island Bottle Depot <i>Denman Island</i>	D	Mike Nestor	Y
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park	Y
Fraser Lake Bottle Depot <i>Fraser Lake</i>	D	Kyeongho Lee	Y

⁴ Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry)

Organization	Type ⁴	Registrant	Attended
GRIPS <i>Pender Harbour</i>	D	Anna Venalainen	Y
Interior Freight & Bottle Depot <i>Vernon</i>	D	Jay Aarsen	N
Mount Pleasant Return-It Depot <i>Vancouver</i>	D	Andrew Lee	Y
North Shore Bottle Depot <i>North Vancouver</i>	D	Jay Chung	N
Powell Street Return-It Depot <i>Vancouver</i>	D	Nojin Lim	Y
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting	Y
R&T Recycles & Botte Depot <i>Abbotsford</i>	D	Kisoo (Val) Son	N
Sardis Bottle Depot <i>Chilliwack</i>	D	Soo Dol Wong	N
Scott Road Bottle Depot <i>Surrey</i>	D	Kulbir Rana	Y
Semiahmoo Bottle Depot	D	Heimin Lee	Y

Organization	Type ⁴	Registrant	Attended
<i>Surrey</i>			
Sicamous Return-It Depot <i>Sicamous</i>	D	Jason Kim	Y
Sunset Coast Bottle Depot <i>Powell River</i>	D	Sang Jun (Tony) Park	Y
The Bottle Depot (Glanford) <i>Victoria</i>	D	D'Arcy Hipwell	Y
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myung Jin (Janet) Lee	Y
Venture Bottle Depot <i>Lumby</i>	D	Deb Fenwick	Y
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim	Y
Willowbrook Recycling (WRI) <i>Langley</i>	D	Savannah Paine	N
Winnfield Return-It Centre <i>Lake Country</i>	D	Philip Ahn	Y
GFL Environmental <i>Victoria</i>	O	Stewart Young Jr	N

Organization	Type ⁴	Registrant	Attended
Rellish Transport Services <i>Armstrong</i>	T	Rob Ellis	N
Pender Island Recycling <i>Pender Island</i>	T	Niki Roberts	N
Vitreous Glass <i>Airdrie, Alberta</i>	T	Darcy Forbes	Y
Emterra <i>Surrey</i>	P	Manuel (Sonny) Duque	Y
Vanguard <i>Delta</i>	T	Jamie Giroux	Y
BC Ministry of Environment	M	Roberto Melfi	Y
		Michael Wadeson	Y

November 8th Webinar

Organization	Type ⁵	Registrant	Attended
Barriere Return-It Depot <i>Barriere</i>	D	Miae Lee	N
Boucherie Self Storage & Bottle Depot	D	Young Nam	Y

⁵ Types are indicated as D (Depot), T (Transporter), P (Processor), O (Other Beverage Collector), M (Ministry)

Organization	Type ⁵	Registrant	Attended
<i>West Kelowna</i>			
Chilliwack Bottle Depot <i>Chilliwack</i>	D	Lawrence Engelsman	Y
Columbia Bottle Depot - Kelowna <i>Kelowna</i>	D	Clare Cassan	N
Columbia Bottle Recycling <i>Creston</i>	D	Dave Fowler	N
Cranbrook Bottle Depot <i>Cranbrook</i>	D	Mike (Yang Hun) Choi	Y
Columbia Bottle Depot - Kelowna <i>Kelowna</i>	D	Cara Heck	Y
Edmonds Return-It Depot <i>Burnaby</i>	D	Randy Park	Y
Go Green Bottle Depot & Recycling <i>Vancouver</i>	D	Stanley Wong	Y
Interior Freight & Bottle Depot <i>Vernon</i>	D	Jay Aarsen	Y
Mount Pleasant Return-It Depot <i>Vancouver</i>	D	Andrew Lee	N
Powell Street Return-It Depot	D	Nojin Lim	N

Organization	Type ⁵	Registrant	Attended
<i>Vancouver</i>			
Regional Recycling – Abbotsford <i>Abbotsford</i>	D	Rod Lotzkar	Y
Regional Recycling – Nanaimo <i>Nanaimo</i>	D	Paul Shorting	Y
Sicamous Return-It Depot <i>Sicamous</i>	D	Myungjin (Jason) Kim	N
The Bottle Depot (Glanford) <i>Victoria</i>	D	D'Arcy Hipwell	Y
Ucluelet Bottle Depot <i>Ucluelet</i>	D	Myung Jin (Janet) Lee	Y
White Rock Return-It Depot <i>White Rock</i>	D	Nick Kim	N
Willowbrook Recycling (WRI) <i>Langley</i>	D	Savannah Paine	Y
Scott 72 Bottle & Return-It Depot <i>Surrey</i>	D	Martin Kim	N
Emterra <i>Surrey</i>	P	Emmie Leung	N

Organization	Type ⁵	Registrant	Attended
Vanguard <i>Delta</i>	T	Jamie Giroux	Y
Rellish Transport Services <i>Armstrong</i>	T	Rob Ellis	Y
BC Ministry of Environment	M	Matthew Maloney	Y
		Katrina Forrest	Y

Appendix I: Webinar Transcriptions

October 17th Webinar

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
1	Doug Andrews Columbia Bottle Depot - Kelowna	How many depots participated in the financial study?	The independent consultant attempts in the financial study to find a representative sample of depots, and that is done by looking at both regional participation and size of depot. We cannot use all the depots in that there are 162 depots as part of our very important depot collection network, so the sample is set. The goal of the sample is to have the average number of containers handled by the subset of the sample, match the average number of containers throughout the province. So that will vary from handling fee methodology in one instance to the next.	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study - Depot Participation
2	Savannah Paine Willowbrook Recycling (WRI)	Encorp only sampled 16 depots across BC to determine an average handling fee rate (i.e., one rate for all depots) that it offered to all Return-It Depots. By law, Encorp is required to	During the last handling fee there were 17 depots that participated. Please note that there were 125 depots invited to participate. We want to emphasize here that the number of depots that participate in the process is critical. The more that participate, the closer we get to that goal of having the average statistics from the sample match the entire province. Again, it	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study - Depot Participation

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
		pay the actual full costs of managing its materials regardless of where the material is collected to its service providers on a one-to-one basis, not the average cost across the province where some depots are paid fairly, and others are not. How does Encorp's methodology ensure that depots with higher local costs are being paid their full costs?	is impractical to include all depots in the study, so we have that statistical sample. We have taken a sample and come up with an aggregated anonymized financial study that gives us an average to work on. The interesting element of this is that once the average is established and the handling fees are established, depots have the opportunity through creation of efficiencies to reduce their costs and earn higher revenues. We also make sure that the sample of depots who participate in the financial study represents all the regions in British Columbia and all the sizes based on the number of containers handled by the depots across the province.		
3	Clare Cassan Columbia Bottle Depot - Kelowna	You said RFPs are used to establish rates for service providers other than depots. However, some of the service providers are long term. How are rates addressed on an ongoing basis and adjusted accordingly?	RFPs are established for service providers. Contracts have fixed terms or fixed agreements, with abilities to extend them over time to be evergreen. Encorp manages all these commercial contracts with all its service providers, other than the depots, in a regular business to business methodology.	Related to Section 9 Amendment (Process and Methodology)	Transporters and Processors

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
4	Lawrence Engelsman Chilliwack Bottle Depot	Given that Encorp has admitted in past consultation that it did not pay depots fairly for the Express Pilot and would not provide retroactive payments, how have these unpaid costs been accounted for in Encorp's go-forward price-set handling fee offer?	<p>I cannot comment on past consultations.</p> <p>What we have set out here is a methodology that is much fuller than you have ever seen before and the intent here is to make sure this methodology is transparent and fair for all depots. So, as we go through this process in the future, according to this methodology, your samples, and the sample size we take to come up with the average depot reasonable rate of return, includes all the activities that depots undertake for Encorp and includes Express.</p> <p>Encorp is really committed to working with depot partners. Again, 95% of volumes of used beverage containers come in through the depot network and you are very important partners for us. When it was clear that an adjustment needed to be made to the Express sorting fee, it was made and in fact it was increased by 50% in January 2022.</p> <p><i>Follow up: The indication that Encorp admitted in a past consultation that it did not pay depots fairly for the Express Pilot is an inaccurate statement. The message to depots, which needs to be taken in context, was that Encorp gained learnings from a short pilot program and adjusted Express handling fees.</i></p>	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
5	Savannah Paine Willowbrook Recycling (WRI)	What is the process in choosing the depots for the study? Why didn't all 125 depots participate? If the depots didn't feel safe to share their valuable financial information, is Encorp willing to re-look at this issue and include more depots after ensuring security of their data?	<p>The process in choosing depots for the study is that a sample is required to represent the full group of depots in the province. We look at taking that sample based on regional representation and size of depot. We use a third-party accounting consultant who will choose the depots, and all the information that is provided to the third-party accounting organization is kept confidential at that organization. Encorp never sees any of that data other than in an aggregated form where all the information is put together to come up with the average of all the depots.</p> <p>There is a Non-Disclosure Agreement involved so that the data that you provide to the consultant is kept confidential and not shared outside of the consultant. The consultants picked are major global accounting companies. The last one that was used was KPMG and their reputation is based on them keeping this type of information confidential. So ultimately, Encorp does not see any of that data other than in its aggregated form, which we then use to look at the future forecasting and the changing of the handling fees. If there are suggestions that you have on how to make that feel safer for you in the future, we'd be more than happy to look at those suggestions.</p>	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
			In addition, the consultant chooses the depots. Again, the stipend that we offer to depots comes from Encorp through the consultant back out to the depots, so there is no way that we know which depots participated in the process.		
6	Clare Cassan Columbia Bottle Depot - Kelowna	To provide meaningful feedback on Encorp's amended Section 9, I found it necessary to review the meetings, reports, and presentations from 2021. Encorp states in Section 9 that it completed a depot financial study, performed by an independent consultant to assess actual reasonable depot costs. This independent study was performed by KPMG. Can you help me understand how the findings from the KPMG study support	Encorp is responsible for paying the cost of our obligated materials which includes the collection, transport, processing, and marketing around the recycling of used beverage containers in British Columbia. Because we cannot use a competitive process, we must come up with a methodology that is transparent and fair, somewhat like what you see in utility rate setting. The method that you see us propose here we think gets us to that point. So once the sample of depots has provided financial information, that sample provides the consultant (you are correct, the last round it was KPMG), with an average depot return based on current information. The link perhaps that you are missing here is that we take the base, which is what the consultant comes up with, and then we forecast both revenues and costs. That forecasting is done by looking at new containers that will be collected and at volume projections based on statistical estimates of	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
		the conclusion that the system is properly funded? To be explicit, I can't draw the line of sight from this study to what Encorp is saying is producers paying their full cost.	population growth that are put out by the BC government. And then we look at costs, future costs, so costs associated with those new beverage containers and how they are going up based on the CPI put out by the federal government. We take that base then we forecast revenues and we forecast costs and we look to see if the handling fee that is currently in place still provides that reasonable return. If it does not, those handling fees will be adjusted to ensure that that average return, that reasonable return, is provided to depots in new handling fees.		
7	Doug Andrews Columbia Bottle Depot - Kelowna	Future volumes estimated are based on Encorp meeting its return rate estimate. However, Encorp has never met its target in the past. What makes Encorp think it is going to meet its targets this time?	The key here, and part of our requirement is, that we have continuous improvement goals and both the government of BC and Encorp have a desire to see used beverage container return rates improve in the future. The stewardship plan that was approved in September 2021 has some targets for beverage container returns. By 2024 we're looking at a return rate of 83.6%. This is a stretch target, but this is the goal that Encorp has committed to. It is up to Encorp working with its partners, the depots and all our service providers are very important partners, to look at creative ways to meet those future targets.	Unrelated to Section 9 Amendment (Process and Methodology)	Recovery Rate Targets

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
8	Savannah Paine Willowbrook Recycling (WRI)	Is this 'general data' available to depots or organizations representing them in order to confirm that the figures and methodologies are truly accurate?	The majority of the information that is used throughout the handling fee methodology process is made available to the depots. We contract with the depots, so the information comes back to the depots. For example, a piece of information that is not shared with the depots is the financial information sent in by each depot participating in the sample (because Encorp does not see the data of individual depots. However, that aggregated information is shared with the depots. The assumptions, whether the assumptions are around volume in the future or costs in the future, those major assumptions are shared with the depots. So, the answer to your question is yes, other than we do not share any proprietary or confidential information that one depot has provided, with all the depots.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Access to Data
9	Janet Lee Ucluelet Bottle Depot	Not sure if this question is appropriate. Why are beer cans included in the express programs? We're not even getting paid 0.001 cent for it and more that 60% are beer cans. Any plans for that? Encorp is not	We can comment on the containers that Encorp is responsible for. As you know, Express is providing consumers with the ability to fill bags with used beverage containers when they come in through the program. When they come in through the program, Encorp pays depots a sorting fee whether they are beer cans or other beverage containers...	Related to Section 9 Amendment (Process and Methodology)	Express – Costs of Excluded Beverage Containers

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
		paying the full cost for us working for express.	<p>Sorry, I am incorrect on that. Encorp does not pay sorting fees on beer containers. I just want to make sure I am not providing you with incorrect information. We are committed to finding new and creative ways to bring higher rates of return to materials. I cannot comment on the beer program because it is a different stewardship program, and if I have further information, we will provide written response to you in the follow-up to this session.</p> <p>Currently, Encorp pays a handling fee for any Return-It express materials flowing through the depot. So that is the same handling fee as if the container came into the depot from a residence or a business, and on top of that, for Encorp beverage containers, Encorp is paying a sorting fee for Express containers. We feel that is the full cost of handling those beverage containers.</p>		
10	Clare Cassan Columbia Bottle Depot - Kelowna	If the basis is formed by information from KPMG, how did we end up with a fee offer based on what BDL is paying depots for cans?	I can only comment at this point on the handling fee that Encorp pays to depots for the handling of beverage containers including aluminum cans. KPMG comes up with the reasonable financial model and then when we add the revenue forecast and the cost forecast, our main goal is to ensure that depots have a reasonable rate of return. I cannot	Unrelated to Section 9 Amendment (Process and Methodology)	Brewer Distribution Licence Program

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
			comment on whether that is similar or dissimilar to what BDL offers.		
11	Janet Lee Ucluelet Bottle Depot	Handling fees and sorting fees that Encorp is paying is too low.	We thank you for that comment and we have heard it. If there is a change in the methodology that we have presented to you that you feel will provide a different result, we would be more than pleased to look at those suggestions.	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other
12	Doug Andrews Columbia Bottle Depot - Kelowna	Under the current contract, Encorp would never forecast that the Province would institute an Employer Health Tax, huge increases in property taxes, huge wage increases, etc., yet Encorp never reviewed the handling fees for fairness during the contract. Why not?	Some of those were predicted in the last handling fee process. For example, the health tax was included in the forecast of future costs. And again, we are forecasting, so nobody has a crystal ball. We are forecasting based on best information available through very reputable sources of information. Be they Statistics Canada or the CPI. What we have committed to you, is that we will review the handling fees at minimum once every five years or when there are material changes that impact handling fees. Note though that there are both positives and negatives, so we do appreciate that some costs were not forecasted to the same level they are now. But note as well that in 2022, volumes are up higher than we had forecasted in that modelling. Volumes are 12.9% versus what we	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>forecast at 8%. Revenue also on average is up 16% across the province.</p> <p>Some forecasts go up, some forecasts go down. If there is a long-term material change, from what is in the document, we commit to taking another look. In addition, some of the other innovative things that Encorp is doing to help reduce costs across the province, through the depot system, is for example the introduction of the simplified sort. So effectively, sorts were reduced from 28 to 8, and that has a net impact of reducing labour costs within the depots.</p>		
13	Sam Choi PoCo Return-It	What is reasonable rate of return and how is it assessed?	<p>We look to several sources of information. First, during the last handling fee setting process in 2020, which was implemented in 2021, that aggregated average financial statement that was shared with all the depots was very transparent and showed an average rate of return in that process of 15%. We also look to several sources of information. One is from Industry Canada through Stats Canada, which is the average profit and loss return for the waste industry. We use the North America Industry Code (NAICS) 5621, which is waste collection, and look at the statistics there. We are looking at what has been reasonable in the</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
			past, and what is reasonable across the entire industry to set a reasonable return rate.		
14	Savannah Paine Willowbrook Recycling (WRI)	Regarding Express, there are large amounts of other containers such as creamers which are not considered part of the program. These items come in on the shirttails of your program, but depots are absorbing the costs for their removal. It is costly when a depot isn't affiliated with RecycleBC. Has Encorp thought of ways to cover the depots' expenses related to this issue? Such as special partnerships with companies such as Emterra? Or raising the handling fees to cover this?	Encorp is as frustrated as you are right now with some of the definitions of beverage containers. I believe we have some of our Ministry of Environment colleagues on the line who are hopefully listening as well. Unfortunately, we all work in a regulatory environment, and the regulation has set interpretations as to what beverage containers are included in the program in British Columbia, and what are not included. We would need first of all to see a change in the regulation which is not something within Encorp's ability to do. You have put forward some other suggestions. Let us take those suggestions and think on them.	Unrelated to Section 9 Amendment (Process and Methodology)	Express – Costs of Excluded Beverage Containers

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
15	Doug Andrews Columbia Bottle Depot - Kelowna	Simplified sorts do not decrease labour costs. The mega bags fill up faster, so employees swap out the bags more often.	We have done some studies as well, and the studies have come back to show that on average, the introduction of simplified sorts reduced costs by about 23%. We do have data supporting this, however if you feel this is not correct, as depots you are our partners. We would like to work with you in the future to make sure that we are all on the same page as we move forward so that we can meet those lofty recovery goals that we have set out. We do have feedback from many depots that simplified sorts have made life much simpler. If you have particular questions or concerns, please approach your regional operational manager. They are your first line of contact with Encorp. We will try to work with you to resolve the issues.	Unrelated to Section 9 Amendment (Process and Methodology)	Other – Costs of Simplified Sorts
16	Savannah Paine Willowbrook Recycling (WRI)	How can depots support a change in the regulation and container included in the program?	Like anyone, as citizens of British Columbia and as workers in different organizations, if we want to see changes to regulations, we need to engage with the BC government. I would encourage you to engage with the government and provide information and data to particularly the Ministry of the Environment and Climate Change Strategy if you would like to see changes to the used beverage container regulation.	Unrelated to Section 9 Amendment (Process and Methodology)	Regulation – Other

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
17	Paul Shorting Regional Recycling - Nanaimo	In its recent contracts (MSAs and CSAs), Encorp has not committed to providing a fair rate of return for depots and it has provided contracts for no more than six months to a few years. The factor has nullified depots' ability to legally or practically dispute the fees Encorp offers. Depots only choice is to 'take the contracts as offered or leave the contracts" which would put them out of business. The BC government has said on multiple occasions that it does not become involved in contract disputed and that depots should trigger the dispute resolution clause. Can Encorp explain how it	Again, I want to reiterate that depots are very valued partners to Encorp. 95% of all used beverage containers that are returned in the province come through depots. We need you and you need us. This is a symbiotic relationship where we want to work together. We want to listen to what you have to say. There are no take-it or leave-it contracts that we offer to depots. We want you to be contracted. In several cases, when new contracts have been offered with new concepts, like simplified sorts, depots were given the option to accept a new contract or maintain their old contract. Our goal is not to put depots out of business, our goal is to enhance our relationship with our depots. Dispute resolution exists in contracts so that when disputes arise between the contracted parties, there is a method to approach resolving those disputes. should a dispute occur, and rarely has it ever occurred, that dispute mechanism is put in place to ensure that there is a way to look at the clauses in the contract and how they are working between the two parties. What we are presenting today is the handling fee methodology in order to provide the information as part of our	Related to Section 9 Amendment (Process and Methodology)	Other – Dispute Resolution

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
		believes the approved dispute resolution commitment in its stewardship plan applied to depots ability to dispute the fairness of the fees Encorp in take-it or leave-it contracts?	<p>stewardship plan that shows that we as Encorp are paying the costs of the obligated materials.</p> <p>If you do not feel that process that we have put forward is transparent or sufficient, those are the suggestions we would like to hear. The dispute resolution is really around how to manage disputes arising from the contract terms. Before we get to dispute resolution techniques, we would really like to foster an environment moving forward where we work with you. You have many points of contact with Encorp, starting with the regional operational managers, and when you have issues or concerns, we would stress that you work with them to raise issues. We have many ways to resolve issues on a daily and ongoing basis. However, should there, and again very rarely, be a dispute with the terms in the contract, the dispute resolution process is documented in the contract so that both parties are protected.</p>		
18	Jay Aarsen Interior Freight & Bottle Depot	In trying to prepare myself for this first webinar, I took a look at some of Encorp's financial information. The Encorp annual reports show handling commissions paid in	We do not have those numbers at our fingertips or a ready response for you today. However, we will commit to responding following this webinar. Of course, this webinar is recorded, and the information will be in our summary report.	Unrelated to Section 9 Amendment (Process and Methodology)	Other – Total Cost of Collection and Handling

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
		2019, 2020, and 2021 as \$54.2 million, \$61.2 million, and \$57.6 million respectively. Why did the jump by 13% and then drop by 6%? I've tried to work through some different drivers for this and I can't reconcile these numbers. Having this understanding would help me better assess the amended Section 9 and supporting documents to provide some meaningful feedback.	<i>Follow Up: In Encorp Pacific's Annual reports for 2019 and 2020 you will see data under the category "Handling Fees." This data includes handling fees not only paid for beverage containers, but also handling fees paid for other programs such as EPRA and MARR, and for other items related to collection such as the Star Program and presence grants. In 2021, Encorp Pacific changed the title of this category from "Handling Fees" to "Collection Fees" to more accurately represent the information reported. Isolating handling fees paid to depots for beverage containers only the data is as follows: 2019 \$44.7million, 2020 \$47.0 million and 2021 \$49.7 million. Please also note the 2020 figures include the beer collection pilot handling fees.</i>		
19	Janet Lee Ucluelet Bottle Depot	Express sorting fee and simplified sorting doesn't really increase anything. It increases only our labour work. Do you really appreciate our work?	I can absolutely say we appreciate your work. 95% of all used beverage containers coming through in the province of BC come through depots, and you are valued members of our organization. You are valued service providers. We have data and feedback that suggests that simplified sorts was welcomed by the majority of depots. We have feedback from consumers in BC who love the Express program, and we feel that that is one way that we can increase	Unrelated to Section 9 Amendment (Process and Methodology)	Express – Labour Costs

Q#	Name/ Organization	Question	Encorp Response	Feedback Related/Unrel ated to Section 9 Amendment (Process and Methodology)	Main Theme
			the volumes that come back to meet our high recovery rate aspirations. And note that the majority of beverage containers that come in through the express program are routed to depots, so Express is not taking business away from any depots. Again, we are working together to try and get those increased recovery rates. It would be interesting if you wanted to run a trial, I do not believe you are actually operating on simplified sorts, so it would be interesting to try it and to talk to some of your other depot colleagues who are on simplified sorts, because the majority of them have found it to be quite beneficial.		
20	Jay Aarsen Interior Freight & Bottle Depot	OK great, thank you. I appreciate that.	Thank you for the comment.		

October 20th Webinar

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
1	Cara Heck Columbia Bottle Depot - Kelowna	Encorp has based its handling fees on projected recovery rates. However, Encorp has never, based on their annual reports, achieved those rates. Is there a plan to compensate depots if the recovery rates aren't met?	The handling fee methodology is a way to look at future projections of revenues and costs, and of course there are many elements of the revenue and there are several elements of the cost. If revenues are lower than anticipated, due to lower beverage container estimates, then obviously the costs will be also lower than if the beverage container recovery rate had been higher. So, we've got those checks and balances in place. If revenues are not as high due to beverage container sales that means lower costs. If we just take a moment and look at results for 2022, in our forecast we used an 8% estimate increase in volume and our volume is 13% ahead of the estimates, so estimates are never perfect but we're working to look at estimating as best as possible and matching them to provide a reasonable rate of return. The commitment is that if there is a material change in operations then we will review handling fees.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study - Methodology

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
2	Phil Kim Scott 72 Bottle & Return-It Depot	How will this study be different from the KPMG one?	What we are talking about today is not a study, it is a methodology. And the methodology is being put out there to show you how we set handling fees. The KPMG study is an integral part of that methodology. The KPMG study is used (again not always KPMG, it could be any national professional accounting firm) to determine the baseline financials for the average efficient depot. And that base is then used for the forecasting of revenues and costs into the future. Really the critical point here is to make sure as many depots as possible participate in that third party independent study so that we get a robust representation of the entire depot community.	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Other
3	Myung Jin Lee Ucluelet Bottle Depot	At least, beers cans should be exempt until there is a good negotiation with BDL for them to use our labour. Would it be hard for you to announce that beer cans will not be refunded through Express until further notice and do something with BDL first?	Thank you for the question and there are a few elements to that. I like the question because it also proposes some solutions which is always very helpful for us. In British Columbia, Encorp is responsible for certain beverage containers, the non-beer, non-alcohol beverage containers and there's a different stewardship agent, BDL, BRCCC, that is responsible for beer and refillable, glass beverage	Unrelated to Section 9 Amendment (Process and Methodology)	Other – Costs of Excluded Beverage Containers

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		Meanwhile, we can take it as a donation if there are any for our garbage.	containers. We are separate entities, and we can appreciate that the beer containers coming through the express program can be a frustration. What we are trying to do is reach our stretch target goals as outlined in our stewardship plan to recover more beverage containers in BC. So, to put out a message that tells the consumer to not return beverage containers may not be the route we need to go, but we hear your question and share some of your frustrations and are trying to work very cooperatively with the other stewardship programs so we can all attain our recovery goals.		
4	Myung Jin Lee Ucluelet Bottle Depot	Alberta's handling fee for full sorting like Express is nine cents for glass, four and a half cents for pop cans, and six cents for beer cans. Don't you think its not right for us to do all the work for 0.6 cents and nothing for beer cans? Its also not fair for customers who comes and sorts themselves. Why is Encorp trying to lower	Thank you for your question. The Alberta program and regulations are very different from the BC regulations with different drivers and targets. So, its very difficult to compare what is happening in Alberta versus what is happening in British Columbia. Encorp is not lowering fees and I'll give you two examples: as of January 1st of 2022, the sorting fee for express was increased by 50%. In addition, in the summer of this year, after the introduction of milk	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		that handling fee? Encorp is the only one that lowering the price down in BC.	containers the handling fees were reviewed and in fact increased. So that would be two examples of where Encorp is increasing handling fees. Beer is part of a different stewardship program, and we would suggest that you work with the beer stewardship program if you have complaints about compensation provided by them. Encorp is responsible for compensation for Encorp beverage contains and we provide not only the handling fee, but a sorting data fee of 0.6 cents per container for Express volume that comes in for Encorp beverage containers.		
5	Phil Kim Scott 72 Bottle & Return-It Depot	Where can I download the presentation deck?	That is a very good question, we do not have that up on our website now. I think we can put the presentation deck on our website under the URL you see on the screen www.returnit.ca/section9 . Please give me until tomorrow morning to post that on our site. The presentation is a summary of the exact amended Section 9 document. So, you'll see the presentation and the document on the website tomorrow.	Related to Section 9 Amendment (Process and Methodology)	Question about Webinar

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<i>Follow up: The presentation deck was posted on the website at 4:30am on October 21, 2022.</i>		
6	Cara Heck Columbia Bottle Depot - Kelowna	It is great to hear you are working co-operatively with the other stewardship programs. However, in the meantime depots are continuing to fund the sorting of the BDL containers in the Express program, which was created by Encorp. No parameters were set excluding the BDL containers from the program. How should these costs be covered until an agreement can be established with the other stewardship program?	Thank you for your question. I hear your frustration and I think it is a question that we need to consider. I can tell you that we are working on it, we do not have an immediate solution. We understand that this is a frustration for you.	Unrelated to Section 9 Amendment (Process and Methodology)	Express – Costs of Excluded Beverage Containers
7	Myung Jin Lee Ucluelet Bottle Depot	How many reports does Encorp get for missing bags compare to all the credits unlabelled Express bags we put towards Encorp?	That is a very good and very detailed question, and I do not have that data at my fingertips, but we have recorded your question and will respond to it in the written summary consultation report.	Unrelated to Section 9 Amendment (Process and Methodology)	Other – Missing Bags

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p><i>Follow up: Across the express system, missing bags account for a small fraction of the large volume of bags processed which total over 2.5 million bags YTD in 2022. A common reason for a bag to be deemed “missing” is an inability to identify the bag due to a damaged or missing label, meaning it cannot be attributed to the specific customer. These unidentifiable bags are counted, and the deposits are placed in a special reserve account and tied to the counting location to segregate these deposit values.</i></p> <p><i>When Encorp’s customer service team receives an inquiry from customers who have not received their deposit credits in a timely fashion or suspect their bag is missing, they investigate and attempt to match those to bags placed in the reserve account by date and depot. They then deduct the deposit balance from the reserve account when providing the customer with a deposit credit. All funds in this account are segregated and held in reserve to be paid to Express customers.</i></p>		

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<i>In addition, Encorp has been piloting a 'scan at drop-off' program at 10 depots where customers are required to verify their drop-off by scanning in thereby allowing Encorp to track an individual bag more closely as it moves through the system.</i>		

November 1st Webinar

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
1	Paul Shorting Regional Recycling - Nanaimo	The regulation says Encorp must pay producers' full cost. Given the viability in Depots, how can a maximum sample of 24 of more than 160 Depots provide reliability? Especially given that Encorp's unconvincing approach to consultation meant it could only convince 17 Depots to participate.	Thank you for that question. When we set and establish a methodology, one that has been used over time, it is important to have a sample of depots. It is impossible to gather data from 162 depots, so the goal is to have a representative sample of those depots form part of the financial study. That sample is representative of not only different regions, but also of depots of different sizes and depots providing a variety of services.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>The goal of the representative sample is that the volume of material handled by the sample mirrors the whole entire population of depots.</p> <p>That information is aggregated into a financial study that is used to represent the depot population. The goal is to have that sample mirror the entire population. That allows for a representation and while there are nuances from depot to depot, we look at that average sample as an indication of the depot population in general based on representing regions, volumes, and different services.</p> <p>Here is where I put an ask out to you. We are very interested in working with you and collaborating. Depots bring in 95% of all used beverage containers in British Columbia, so you are an integral part of our program. We need you and you need us. We need to work together collaboratively. The more robust the sample, the more representative it is going to be. We provide a small stipend to</p>		

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			those who participate, and we would encourage as many of you to participate to have your voices and your businesses heard.		
2	Cara Heck Columbia Bottle Recycling	Step 3 of the amended Section 9 speaks about Encorp using the KPMG Study to perform further forecasted analysis of Depot costs. Encorp states that this analysis was provided to Depots. When and how was it provided to Depots? This forecast analysis is critical to understanding how Encorp arrived at its new handling fees.	This is the methodology as it is set out. This aggregated, anonymized financial study has always been presented to depots. Following this webinar, I can find the exact date and presentation where it was provided. We are committed to providing that financial study and all the assumptions that go into the future forecasting. Both on the revenue side and the cost side. On the revenue side, we are looking at container volumes, population growth, and container return per capita. On the cost side, as you saw in the document and in the webinar, we are looking at all the major costs associated with operating a depot. All the assumptions that we make during that forecasting element are shared with depots. The only information that is not shared is the individual participating depots information in	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Access to Data

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>the representative sample because, of course, that is confidential information.</p> <p><i>Follow Up:</i></p> <p><i>The KPMG financial study information was provided to depots in handling fee Meeting # 4 on September 16, 2021 and again in Meeting # 7 on November 23, 2021.</i></p> <p><i>The factors used to calculate future depot financial performance were presented to depots in Meeting # 5 on September 29, 2021 and in a meeting # 6 on October 28, 2021 where an open discussion on handling fee inputs and assumptions was held. When presenting the offer to depots in Meeting # 7 on November 23, 2021 and Meeting # 8 on November 30, 2021, Encorp communicated that the financial projections based on these factors and the proposed handling fees determined that the go forward profitability would</i></p>		

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<i>maintain the baseline shown in the independent financial study. Further, it was communicated that the go forward profitability would grow year over year during the 5-year handling fee period for an average depot. Lastly it was communicated that the goal of ensuring handling fee % increases exceed volume % increases was met based on our financial study.</i>		
3	Heimin Lee Semiahmoo Bottle Depot	The Shultz arbitration in 1999 recommended additional work to increase the number of Depots for future handling fees studies. What work has happened over the past 23 years and how much has Depot participation increased because of it?	<p>What we are presenting here is the methodology that has been used and is going to be used in the future, in more detail. What we would really like to hear from depots through this consultation is if there were elements to this fee handling methodology that would make it fairer and more transparent process. t. We believe, in this moment, that there is no more transparency that we can provide. Again, the only information that we do not provide is individual depot financial performance.</p> <p>I think that in the last round in the fee handling process, depots</p>	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			were invited to participate many times. In fact, 125 depots were invited. We can encourage you to be part of this process. You are an integral part of our stewardship plan. We want to work with you. The more that would like to participate, the more representative that sample is. If there are elements that prevent you from wanting to participate, those are the issues we would like to hear about. You sign an NDA with the third-party consultant, a major accounting firm. None of that information would be shared with Encorp. If there are other elements that would make you more comfortable to participate in that process, please write in those suggestions or make those suggestions today, because we would encourage more participation.		
4/5	Randy Park Edmonds Return-It Depot &	Encorp's Section 9 points to its KPMG Study, which has its own issues, as foundational to establishing costs. However, it clearly	That is a good question. What Encorp has done in the last round of fee setting, is to go through this process that I have just described, and that is outlined in	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Producers Paying Full Cost

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
	Nojin Lim Powell Street Return-It Depot	states in its November 2021 PowerPoint to Depots that its offer is tied to BDL/BRCCC's pricing. How does this reflect producers' paying their full cost?	the document. The reasonable return was developed for all the different beverage containers based on this methodology. In that presentation and indeed in simplified sort contracts, we have established the fee based on this methodology. What was also added in was a minimum fee and a maximum fee, which you are right, was tied to the BDL aluminum can rate. However, that is mostly protection for you, so we set the fee given reasonable return, but also allow for a tying of those rates should BDL's rate come into that range. As you know, it is quite a bit lower, so you are always guaranteed the minimum. If this is a real concern, we can eliminate that from your contract. There is no issue. We can take out the tying to the BDL rate and have the range that was developed through the methodology presented in the contract.		
6	Tony Park	I would like to ask how Express sorting fee was set. Is Express sorting fee part	In the methodology that we have outlined here, depots are selected to be part of the representative	Related to Section 9 Amendment (Process and Methodology)	Express – Other

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
	Sunset Coast Bottle Depot	of Section 9 process? Even with an employee who can sort fast, there is no way that person can sort fast enough to even pay for good portion of min wage. If Express program is needed to boost collection rate, shouldn't this be part of Producer Paying full cost by paying a reasonable Express sorting fee?	sample based on regional elements, volume elements, and service elements. Express is included in those service elements, so Express is part of this methodology, number one. Number two, Express is an integral part of what consumers in B.C. are looking for. So Express is something that is increasing our recovery rate in British Columbia. Express handling fees, sorting fees, were established. And in, as you recall, January 1 st of 2022 for those who participated in simplified sorts, Express handling fees were increased by 50%. So, Express sorting fees are part of the study, and are part of total compensation to depots.		
7	Tony Park Sunset Coast Bottle Depot	Will the recent increased inflation rates be captured?	When we set the methodology, and when we run through the methodology, costs are forecast. We wish we had a crystal ball; I am sure you wish you had a crystal ball. All those costs are looked at. Inflation was an integral part of the model and was forecast. Inflation, admittedly, has been higher than what we had	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Inflation Rates

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			forecast. On the converse side, sales are also higher, recovery and return rates are much higher than forecast. There are many elements to looking at costs and revenues and we are continually monitoring those. Our commitment to depot owners is that within 12 months of a new beverage container coming onto the market or a material change in the scenarios, we will review handling fees. We are monitoring inflation very closely, as well as other elements of the forecasting model.		
8	Tony Park Sunset Coast Bottle Depot	The minimum wage increased significantly compared to 6 years ago. Encorp's fee proposal last year doesn't seem to capture this minimum wage increase, especially when the depot's main cost is labour. How is this dealt with?	In our forecasting model, in our base model that we establish, with the third-party consultant and working with a sample of depots, we are looking at actual costs. We are looking at your actual labour costs. As your labour costs increase, we look at actual labour cost. Then of course there is a forecasting element to that, and as I said before, forecasting is not an exact science. We capture your actual labour rates not minimum wage rates.	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Labour Costs

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
9	Tony Park Sunset Coast Bottle Depot	I know a lot of depots are being run by families. When there is an increased volume of Express return, I've heard stories that family members who help after business hours to sort through those materials (sometimes till 10pm). Are these factors captured in these studies?	Yes, they are. The study is looking at the aggregated, anonymized base costs for depots who meet operating standards in a point of time. The questionnaire and the data that is provided by the representative sample of depots, looks at total labour costs. Whether family members are working during the day or during the night is a labour cost that will be captured through this study.	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Labour Costs
10	Cara Heck Columbia Bottle Recycling	The Propel study suggests that moving to a smaller sort reduces operator time by 22.6%. This, along with quotes from Depots, are framed in a way that would suggest that there are significant labour savings from the smaller sort. What about accounting for all the other work performed at the Depot to fulfill program obligations, such as shipping, cleaning, maintenance, bookkeeping, etc.?	The Propel study, you are correct, did show a savings of almost 23% moving from a full 28 sort to a simplified sort. I think that, in that study, it looked at direct labour to handle the containers. We have got the data, we have got the study, that suggested that there were significant savings to moving to a simplified sort. That is one element of running a depot. All those costs are captured in the financial study. If we look at a variety of costs, it is in the actual document, we look at all the costs, and all the costs that you	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			mentioned, are included in that model. Whether it is insurance costs, your rent, your labour, your telecommunications cost, all those costs of running a depot are included in the financial study.		
11	Nojin Lim Powell Street Return-It Depot	KPMG's allocation of Depot costs between Encorp's beverage program and other programs is arbitrary. It is explicitly noted that they have not been verified yet they appear to perform a critical role in determining how costs should be allocated between the beverage program and others. Again, how can Encorp accept KPMG's study as its foundation for Section 9 if it is not accurate and verified?	<p>Good question. In conducting the study, the purpose is to come up with a base financial model that isolates the costs for depots of handling used beverage containers in British Columbia. We know that depots as independent businesses may have many lines of business. In the undertaking of the study, there is a way to isolate the costs associated with Encorp's stewardship plan work, and other activities that a depot operates.</p> <p>The third-party consultant asked questions not only about what is specific to used beverage containers, but square footage that is used for other programs, labour that is used for other programs, because one of the key tenets of Encorp's stewardship plan, is that there is no cross-subsidization between beverage</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>containers in Encorp's program and other potential programs.</p> <p>These are all good questions, and they are also reflective of how Encorp has always conducted its fee handling methodology. What is different is the amount of detail that has been laid out in this new document. Nothing has changed in the way that Encorp is setting the methodology, but our goal in our stewardship plan is to work with and collaborate with depots, it is to be transparent and fair. By making this document much longer with much more detail, we provide you with all the information that you need to understand how these handling fees have been set and will be set in the future.</p>		
12	Nojin Lim Powell Street Return-It Depot	KPMG's study must be representative of the full Depot network to be able to reflect producers' full costs. In Encorp's consultation response from 2021, it explicitly indicates that KPMG was "not contracted to determine whether the	It is impractical for Encorp to work with gathering financial data from 162 depots. Part of the methodology is selecting a subset of depots that represents the entire depot population. The goal of the sample set is to have a sample that represents different regions, different service	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		sample size was statistically representative of the Depot population.” How can Encorp accept KPMG’s study as its foundation for Section 9 if it is not indicative of the entire Depot system?	elements, and different container volumes. The sample should be very representative of the average volume of containers handled by all the depots. Having the independent consultant select the depots based on those criteria and work with the depots based on those criteria provides the sample size that represents the entire depot population. In a world where contracts did not have protected territories, we could have a competitive bidding process. We cannot do that here, because again, you are establishing businesses, we are supporting your businesses, we are providing you, in many cases, with protected territories and zones within which to operate, which means we cannot have a competitive process so we have to have a fair fee handling setting methodology that is a little bit similar to setting utility rates, where it is very transparent, very open, and provides a reasonable return to depots.		

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
13	Janet Lee Ucluelet Bottle Depot	Everyone wants to get paid \$20/hour minimum these days doing not too much work. Do you know Encorp is paying us basically \$2/hour to do express? And we do this all day, all night, all weekend. Some depots are getting TOMRA but that cannot be done for all the depots. Would you like to get paid \$2 too? Have all the wages decreased for Encorp employees? Some depots are getting TOMRA but that cannot be done for all the depots.	The methodology as it is outlined here looks at a current snapshot of revenues and costs and a reasonable return to depots. It then looks at future forecasting for revenues and costs and maintains a handling fee that provides a reasonable return to depots. There are many different elements that make up those revenues and those costs. The reference points for reasonable return are, and you have seen them in the last fee handling methodology process, you saw return rates of 15% and we also look to Industry Canada's statistics that they publish for the waste industry, under the North America Industry code for the waste industry. The key is to provide that fair return. Express is something that is convenient for consumers in British Columbia. We have some stretch targets to meet collectively to increase the return rate in British Columbia in our stewardship plan by 2024. We are looking at an 83.6% return rate. Express is one way we are going to reach that stretch target.	Unrelated to Section 9 Amendment (Process and Methodology)	Express – Labour Costs

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>We have some Ministry folks on the line, and one of the elements of Express is that containers that come in that are beer containers are not provided a sorting fee, and we would urge you to work with BDL, BRCCC to make sure you are getting appropriate compensation for materials that are not part of Encorp's program. What I can speak to today is Encorp's program, and through this methodology that we have used in the past and will use in the future, we are setting a reasonable return for all the services provided to depots.</p> <p><i>Additional information:</i></p> <p><i>Encorp analyzed the assertion that a depot is paid \$2/hour to process express. Encorp analysed this assertion using real Express volumes and bags counted YTD in 2022 using the Encorp handling fees, Encorp sorting fees, and BDL handling fees.</i></p> <p><i>The analysis determined the following rates depending on whether a depot is on full sorts</i></p>		

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p><i>(similar to depot who asked this question) or simplified sorts based on the higher number of bags counted per hour for depots on simplified sorts:</i></p> <p><i>Full sort depot: \$45.37 per hour in total revenue.</i></p> <p><i>Simple sort depot: \$64.59 per hour in total revenue.</i></p> <p><i>Encorp would be happy to analyze and discuss any depot's specific situation based on their actual data upon request through the depot's designated Regional Operations Manager.</i></p>		
14	Heimin Lee Semiahmoo Bottle Depot	If small volume Depots are part of the Depot network and KPMG's study is supposed to be representative of the Depot network, then why are they excluded?	Small volume depots are excluded because they receive additional compensation from Encorp and are looked at differently than the general population of depots and compensated based on services provided in very rural areas or small areas where a depot is necessary to collect beverage containers but if they collect under 1.5 million beverage containers, then they are	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			excluded for the study because they are taken care of elsewhere.		
15	Paul Shorting Regional Recycling - Nanaimo	Encorp keeps suggesting that all Depots had the option to participate in KPMG's study. If that is the case, why does KPMG's study says the maximum participants were capped at 24?	It is impractical to include all depots in the sample. It would take too long; we would be perpetually in a position of analyzing data. The purpose of selecting a sample of all the depots who are eligible, so excluding those who handle 1.5 million containers or less, is to solicit participation as I think maybe Paul it was even in your earlier question, you noted that there was not higher participation in the sample size. We invited in the last go around 125 depots to participate. We want participation to get that sample so that the third-party independent auditing consultant can select from those who are eligible to be part of the sample, can select the sample that is most representative of the entire depot population. In that we cannot use all depots, the more that are willing to participate, the better representation we are going to have.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
16	Cara Heck Columbia Bottle Recycling	You encourage depots to work with BDL/BRCCC to get handling fees for Express product from their program. However, BDL says it is not a program they initiated, and they don't feel they should have to cover the added costs. Do you think Encorp has some responsibility for a program they created? Or a responsibility to work with BDL/BRCCC to sort this out?	I hear your frustration, Cara. We share your frustration. We are working hopefully collaboratively with you; we are seeking to work very collaboratively with all our stewardship agency partners to come up with robust solutions that make stewardship in British Columbia better. I hear you; we all hear you at Encorp, we are working to resolve that frustration.	Unrelated to Section 9 Amendment (Process and Methodology)	Brewer Distribution Licence Program
17	Paul Shorting Regional Recycling - Nanaimo	Just wondering why there is not a role call at the start of these Q&A sessions, and will you disclose who is on this call from Depots / Encorp and MOECCS (the Ministry)?	Yes absolutely, the record of the webinars will have all participants from all different elements whether it is depots, Encorp, consultants, Ministry. The questions that are being asked will be documented with names and the answers will be transcribed as I am speaking to you. All that detail will form part of the summary document that will be submitted to the Ministry at the end of November.	Related to Section 9 Amendment (Process and Methodology)	Question about Webinar

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			The people who registered are also noted even if they were unable to attend this session.		
18	Janet Lee Ucluelet Bottle Depot	I see that Encorp is recommending simplified sorting with less handling fee because of less work (full sorting is not too difficult anyways). How about Express with double-handling fee because of doubled work, doubled time & doubled garbage? Simplified sorting is fine, full sorting is no problem and express is a great idea. However, everything has a problem. Express customers shouldn't get full refund.	I like that you have got some suggestions in your question, thank you for that. Simplified sorting was introduced to try to eliminate some of the work in sorting materials. Moving from 28 sorts to eight sorts is a savings of time, we have a study that number one showed a savings of labour of about 23%, as well, many of the depots who use simplified sorting, which they are very supportive of, have found that it is providing a lot of benefits to their depots. I am not sure that you are on simplified sorts, and again, it is an option. We do not force depots to participate in programs unless they are ready to, but I would really encourage you to speak to some of your colleagues to look at the benefits around simplified sorting. Simplified sorting is also a tool used to, as we move forward, look at modernizing and enhancing our program in British	Unrelated to Section 9 Amendment (Process and Methodology)	Express – Labour Costs

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>Columbia. If we can have simplified sorts, and I think again, if you speak to some depots who do have automated equipment, it adds a beneficial element there. I encourage you to look at some of the data behind simplified sorts.</p> <p>Encorp is committed at this point, and committed through regulation, to providing deposit refunds to the citizens of British Columbia who pay the deposit. I think what we are trying to collectively do is make it easier for citizens of British Columbia to return used beverage containers and as we look at the fee setting methodology, and include Express in the overall financial study, we capture the cost of operating the Express program. In addition, you will know, that for those on simplified sorts, the Express sorting fee was increased by 50% in January of 2022.</p>		
19	Janet Lee Ucluelet Bottle Depot	No. I know how it is and it won't work for our depot.	That is a good question and I do not have an answer at this point. We have taken your question and	Unrelated to Section 9 Amendment (Process and Methodology)	Express – Labour Costs

Q#	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		The sizes matter for the bag to fill up.	<p>will provide an answer to you in the summary document.</p> <p><i>Additional information: This question is specific to a single depot operation and Encorp's Regional Operation Manager has followed up with Janet to provide specific operational information.</i></p>		
20	Randy Park Edmonds Return-It Depot	Does Encorp have any plan to hold any offline seminar/info session like in the past? Recycle BC has done one recently.	<p>Thank you for that. It is a lot of feedback that I have been receiving. I am new to Encorp, about three months now, and I have heard several requests for more communication, more frequently, and it is absolutely something we will be looking at. You are very important partners for us. We want to make sure that any kind of forum we put together is collaborative and constructive, and non-combative, and we hear you and we will be looking at that.</p>	Unrelated to Section 9 Amendment (Process and Methodology)	Encorp Communication Frequency

November 8th Webinar

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
1	Paul Shorting Regional Recycling – Nanaimo	Can you clear up a point of confusion, please? Depots have always been told that Express was not included in the KPMG study. During the last webinar, you mentioned that Express IS part of the KPMG study because some of the Depots included in the study offer Express. This makes a big difference to how we review Section 9 so we need 100 per cent clarity on this. Will you commit to follow up with me, and all Depots, by end of day tomorrow with the date and time, document type, and distribution method that Encorp used to confirm that Express is reflected in the KPMG	<p>We have had this question throughout the consultation. First, to clarify, KPMG was the consultant hired for the last go around. For every financial study we undertake, we put a request for proposal (RFP) out for a consulting company, and we pick the best consulting company that responds to the requirements of the RFP. Last time, it was KPMG.</p> <p>Yes, you are correct, Express is included in the financial study. The goal of selecting a sample of depots to participate in the financial study is to have a representation of regions across British Columbia, depot size based on volumes, and the variety of activities that are undertaken at depots.</p> <p>Depots that have Express were included in the KPMG study; I am confirming that to you today.</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		study so we can consider this information in our Section 9 input to Encorp by the November 13, 2022 deadline?			
2	Savannah Paine Willowbrook Recycling (WRI)	<p>Did anyone at Encorp scrutinize KPMG's Depot sample for its study before giving the green light for KPMG to proceed? There is no way it can be reflective of actual system costs with a sample of 24 Depots, there is simply too much variability in the size (i.e., volume) and geography of Depots.</p> <p>Let's break this down in a couple of ways:</p> <ol style="list-style-type: none"> 1. KPMG's sample volume of 6.2 million exceeds the average Depot 	<p>First, you asked if anyone scrutinized the depot sample population. Just to remind you, part of the tasks that the consultant undertakes is the depot selection because that was a request from the depot community. The consultant is given the broad parameters on representation of different geographies and different volumes, and the consultant makes the actual selection of the depots. I do not have the figures in front of me right now, but in the last financial study that was done, the average volume of containers handled by the sample was very close to the average number of containers handled by the entire depot population in British Columbia.</p> <p>In a way, that is answering all your questions. A sample is never 100% representative of the entire population, but the sample size was selected in order to have that broad representation because it is impractical to include all depots in the analysis.</p> <p>You are correct in that small depots handling less than 1.5 million containers, and with revenues less</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		<p>volume of 5.6 million.</p> <p>2. 58% of BC's population is in the Lower Mainland; 44% of depots are located there, and 35% of the sample population are Lower Mainland Depots. This alone is indicative of the diversity.</p> <p>3. Not all Depots were allowed to participate, as Encorp keeps suggesting was the case. KPMG set the maximum at 24.</p>	<p>than 75,000 dollars, were excluded from the sample. This is because they receive additional grants and financial support to operate, mostly in more remote locations with lower volumes. Outside of that one exclusion, all other depots were invited to participate.</p> <p>We really encourage you to participate when the invitation is extended, because the more depots that participate and put their names forward, the more representative the sample with which the consultant can work.</p>		

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		30 small Depots were excluded because they are too small.			
3	Paul Shorting Regional Recycling – Nanaimo	FYI operators are having issues getting online. Given that representative participation is so critical to an accurate, valid cost study and both KPMG and Encorp knew that Depot participation was low early on, can you tell us what Encorp did to address Depots concerns to try to improve participation? Among Depots explicit concerns were the fact that we didn't receive terms of engagement, didn't have an opportunity to provide input into the design phase of consultation, and, based on previous breeches of confidential and	<p>What did Encorp do to encourage participation; The consultant had the parameters to select the depots to participate in the study, and the consultant was very persistent and followed up with all eligible depots so everyone other than the small depots that received grants was encouraged to participate in the sample. It took longer than anticipated to encourage depots to be part of the process. The reason the consultant was responsible for selecting the sample size, again, was at the recommendation of the depots – to ensure anonymity, data security, and protection of sensitive business information. I think there was ample time to participate in the design of the consultation during the last go around.</p> <p>We are talking here about the handling fee methodology that Encorp has used in the past and is intending to use for the future. Your question is specifically about the last process, but there were in fact eight separate webinars on that process throughout the entire year, on the methodology and the process. In fact, two of the eight webinars were added at the request of the depots. I think there was ample ability to participate and ask questions on the process. The actual RFP document provided to the consultant was not shared with the depot population; however, it contains everything that you</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		proprietary business information, needed more concrete mitigation tactics – and not just generic NDAs without procedural steps and implications for information breeches - to protect our business information.	see here in this methodology. There is nothing hidden; it is a completely transparent process.		
4	Randy Park Edmonds Return-It Depot	When I look at the Handling Fee meetings from last year, Encorp said over and over again that it wouldn't allow groups or associations to participate. Our association had to get the Ministry involved to address this, which was a real point of conflict given that DLA contracts outright recognize the BCBDRDA as a stakeholder. I just want to be clear that Encorp	Encorp has contracts with service providers. Service providers are the depots, and depots are really important to Encorp. You are going to hear me say this over and over again. Ninety-five percent (95%) of the beverage containers that come in through the program in British Columbia, come in through our depot partners. We want to work with you in a fair and transparent way to meet the stretch targets that have been developed as part of the Stewardship Plan that has been put forward and approved by the Ministry. Traditionally, Encorp has not recognized the BCBDRDA, because: 1. We do not know who the BCBDRDA represents;	Unrelated to Section 9 Amendment (Process and Methodology)	Other – Participation in Consultation

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		is accepting, recognizing, and responding to feedback from our BC Bottle and Recycling Depot Association as part of this consultation and not disregarding it, as it intended to do in 2021. Can you please verify that the BCBRDA is a recognized stakeholder in this consultation process?	<p>2. There are multiple organizations that represent depots, so we need to be fair and transparent and accessible to all; and</p> <p>3. Our contracts are directly with depots.</p> <p>I have had a goal in the last two months, to try and get out and start seeing as many depots as possible, and I have heard that what the depots would like is more opportunity to have dialogue with Encorp. I can tell you that we intend to rectify this and have more frequent dialogue with depots.</p>		
5	Lawrence Engelsman Chilliwack Bottle Depot	Encorp's handling fee process referenced aligning fees to other programs as a key factor from start to finish, including when offers were being made to Depots in November and October. Section 9 doesn't mention this at all. Why is this omitted when it was such a substantial focus?	This methodology stands on its own. It is a handling fee methodology that, again, is very transparent. We cannot make it any more transparent than it is. The only information that we do not share is the confidential information that comes in from the depots who participate in the financial study, understandably. Encorp's handling fee methodology is followed and we commit to continuing to follow that into the future. In the last consultation, the methodology was followed. There was also a suggestion and a link to other stewardship plans' fees, which was independent of the actual handling fee methodology. If you recall, there was a range of fees that were proposed, particularly for aluminum	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Aligning with Other Programs

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			beverage cans, that had been developed through the methodology to ensure a reasonable return to the depots. Aside from that, and after that, there was a desire to connect that handling fee to another program in order to try and harmonize the fees and make fees fair between programs. But I need to stress that the range that is proposed is a range that was developed through this methodology. As I have said previously, if that connection is offensive in any way, we can remove it from the contract.		
6	Cara Heck Columbia Bottle Depot - Kelowna	I'd like to ask another question about the intent of the consultation. I keep hearing Encorp tell us to re-read the amended Section 9 because they've been much clearer about "the way they went about it". The eight 2021 presentations describe inputs into Encorp's financial model and forecasting but I still can't find any evidence that this was distributed to Depots. During the last	If you look back through the eight consultations in 2021, you will see that the financial model was presented, which was the result of the KPMG financial modelling process. That is right there in the actual documents for the webinars and the consultations that occurred. Subsequent to that, all of the assumptions that were used in the forecasting, whether that was for revenues or costs, were all shared in sequence. You will see all of those assumptions in those documents (and I will absolutely commit to referring you to the exact pages of the documents), whether it was what inflation rate was used or whether it was assumptions about population growth or minimum wages. The actual Excel spreadsheet that matched the assumptions with the sample depot study was not put in those consultations, but all of the assumptions and all of the base information from the KPMG study was shared. Yes, I will commit to	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Access to Data

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		<p>webinar, you didn't have an answer to this question. Will you commit to follow up with all Depots by end of day tomorrow with the date and time, document type, and distribution method that Encorp used to share the financial model and forecasting that it used to set handling fees before the end of the consultation period so we can consider this information in our Section 9 input to Encorp by the November 13, 2022 deadline?</p>	<p>giving you the references and the page numbers by the end of the day tomorrow.</p> <p><i>Follow Up:</i></p> <p><i>At 5:21 p.m. on November 9 an e-mail was sent to all Depots with the following response.</i></p> <p><i>"At Encorp's Webinar #4, regarding Section 9, Producer Pays the Cost of Obligated Material and Dispute Resolution, held on November 8, 2022 at 5 p.m. PT a question was asked with a request to respond by the end of business day on November 9 to all depots.</i></p> <p><i>Question:</i></p> <p><i>I'd like to ask another question about the intent of the consultation. I keep hearing Encorp tell us to re-read the amended Section 9 because they've been much clearer about "the way they went about it". The eight 2021 presentations describe inputs into Encorp's financial model and forecasting but I still can't find any evidence that this was distributed to Depots. During the last webinar, you didn't have an answer to this question. Will you commit to follow up with all Depots by the end of day tomorrow with the date and time, document type, and distribution method that Encorp used to share the financial model and forecasting that it used to set handling fees before the end of consultation period so we</i></p>		

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme										
			<p>can consider this information in our Section 9 input to Encorp by the November 13, 2022 deadline?</p> <p>Answer:</p> <p>The financial model was developed by KPMG, with input from depots from the consultation session held on March 11, 2021, followed by further consultation and presentations on June 22, 2021, August 5, 2021, September 16, 2021, September 29, 2021, October 28, 2021, November 23, 2021, November 30, 2021. The dates of all the presentations, and the agendas for each presentation are included on slide 6 of the November 23, 2021 presentation. The presentations from all 8 webinars can be found on the depot dashboard. Here are the original posting dates:</p> <table><tr><th>Handling Fee Document</th><th>Posted Date</th></tr><tr><td>Scope of Handling Fee Review 2021</td><td>3/18/2021</td></tr><tr><td>Handling Fee Meeting # 1 - March 11th 2021</td><td>3/18/2021</td></tr><tr><td>Handling Fee Meeting # 1 - March 11th 2021 - Meeting Minutes</td><td>3/18/2021</td></tr><tr><td>Handling Fee Meeting # 2 - June 22 2021</td><td>6/23/2021</td></tr></table>	Handling Fee Document	Posted Date	Scope of Handling Fee Review 2021	3/18/2021	Handling Fee Meeting # 1 - March 11th 2021	3/18/2021	Handling Fee Meeting # 1 - March 11th 2021 - Meeting Minutes	3/18/2021	Handling Fee Meeting # 2 - June 22 2021	6/23/2021		
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Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p><i>Handling Fee Meeting # 3 - 8/5/2021</i></p> <p><i>Handling Fee Meeting #4 - 9/16/2021</i></p> <p><i>Handling Fee Meeting # 5 - 10/1/2021</i></p> <p><i>Handling Fee Meeting #6 - 10/29/2021</i></p> <p><i>Handling Fee Meeting #7 - 11/23/2021</i></p> <p><i>Handling Fee Meeting #8 - 11/30/2021</i></p> <p><i>Propel Report - Webinar Presentation - September 2021</i></p> <p><i>Propel Report - Full Presentation - September 2021</i></p> <p><i>KPMG 2021 Handling Fee Review - Final Report - October 1, 2021</i></p> <ul style="list-style-type: none"> ▪ <i>In presentation #7, on November 23, 2021, on page 7 you will find the KPMG Report Summary Income Statement (the base Financial Study conducted by an independent consultant).</i> ▪ <i>Assumptions about forecasting volumes can be found as follows (for presentations</i> 		

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p><i>with no page numbers page 1 follows the title page):</i></p> <ul style="list-style-type: none"> o <i>CPI Statistics are found in the October 28, 2021 presentation on pages 8, 9, and 10.</i> o <i>Depot Volume assumptions September 29, 2021 presentation on pages 8, 10</i> o <i>Population Change assumptions September 29, 2021 presentation on page 22</i> o <i>Diversion from retail assumptions August 5, 2021 presentation on page 17</i> o <i>Addition of milk assumptions September 29, 2021 presentation page 18</i> o <i>Labour Costs assumptions September 29 presentation pages 19, 20, 21</i> o <i>CPI assumptions October 28, 2021 pages 8, 9, 10</i> o <i>Simplified sorts assumptions September 29, 2021 Propel Study and November 23 pages 8, 9, 10"</i> 		
7	Rob Ellis	I understand the broad need for this webinar, a large part of this entire process is the	Please let me reiterate that all of us are working together to deliver results that allow us to meet obligations that exist in British Columbia due to regulation. Regulations are in place which mandate	Related to Section 9 Amendment	Transporters and Processors

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
	Relish Transport Services	<p>transportation of all materials from depots to processing facilities. Why have the transporters not [been] given the same opportunity to have discussions about the system or provide input? The transportation contractors also don't have the availability of a 12-month review. Curious as to why now it is considered to be "competitive market bidding process" when the past 28 years has been based on performance.</p> <p>You make mention of the Depots being very important, understandably so. Are the Transportation contractors important? Are the Processors important?</p>	<p>that used beverage containers are collected, transported, and processed in British Columbia. Encorp works with the producers to put forward a Stewardship Plan that is approved by the Ministry of Environment. We rely on all our business partners. Collectors, through the depots, transporters that move the material into the depots in some cases, out of the depots to the processors, and the processors themselves. All of you are very important stakeholders in the whole network. We could not do it without you, and I do not think you can do it without our involvement as well. If we can take a step back and say we need to be working together to deliver this, within the processing and transport stakeholder groups, we do have as transparent a selection process because it is a true competitive environment. When Encorp's contracts with processors and transporters are ending, we can issue RFPs, we can receive submissions, and we can evaluate those submissions based on all of the merits of those submissions. That means that the process is very competitive. I think the discussion ends up around the handling fee methodology with the depots because we do not have that competitive environment, so we have to come up with a methodology that is transparent and fair and recognizes that depots in many cases have protected territories. Yes, of course you are very important and continue to be important in the used</p>	(Process and Methodology)	

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			beverage container stewardship program in British Columbia.		
8	Savannah Paine Willowbrook Recycling (WRI)	There has been a lot of criticism of the limitations and exclusions of KPMG's study. The study outright says that it is not intended to make projections of the future. Encorp has said in its consultation summary document that KPMG was not contracted to determine whether the Depot sample size was statistically representative of the Depot population. How can Encorp use this study as its basis for an average Depot? Isn't the onus on Encorp to ensure that it achieves a statistically relevant sample?	<p>The goal of the selection of the sample size is that we get representation regionally, representation size-wise according to numbers of beverage containers handled, and of services offered. Again, Express is included in the study. Having a third-party consultant undertake the study is really important to get the base scenario based on the current year, the previous year to current. It is intended to be a baseline. KPMG, or any other consultant that is hired to run this process, is not hired to do future forecasting. They are hired to provide us with that anonymized, aggregate financial study that represents the sample depot. Encorp then takes that base data and does the forecasting along with you through the consultation process. All of those assumptions that are used to model future revenues as far as population growth, container growth, sales of containers, the addition of new containers, costs, are shared and reviewed with you.</p> <p>The second part, again, comes back to the depot sample being representative of the entire depot population. It is impractical to include all depots in the study, so a sample is necessary, and it needs to be representative as I have said a couple of times, of those three major elements: services provided, size, and geography. In the last go around, those</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			three elements were very close to the total depot population.		
9	Randy Park Edmonds Return-It Depot	Depots have provided a lot of written feedback in 2021 and 2022 to Encorp. Consultation is about accepting input, not just answering questions, and then explaining to stakeholders what input was integrated and what was not, and why and why not. My question is: What input Encorp has accepted from Depots and used to make changes through this consultation process? All I've heard Encorp say is this is the way that we've always done it and this is the way that we will continue to do it.	<p>I think you will see that, through consultation, we are listening. The fact that the consultant hired to run the base financial study is now selecting the depots for the sample, is a really good example of Encorp changing the process as a result of feedback from the depot population to ensure confidentiality of information, and to ensure that Encorp does not know who is participating in the sample. These changes were made because there was concern that if Encorp knew that information, it could use or misuse that information. That is a good example of us listening to depots.</p> <p>The consultation is also about presenting the methodology; we do not know how to make it any more transparent to you. We cannot have a competitive process. This is what we can do. We can commit to reviewing that every five years or if there is a material overall change in operating scenarios. If you have specific suggestions, comments, or questions about how we can make it more transparent, we really want to hear that.</p>	Related to Section 9 Amendment (Process and Methodology)	Consultation Process – Input from Depots

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
10	Janet Lee Ucluelet Bottle Depot	During the last webinar, Cindy stated that Encorp doesn't intend to change anything in its approach to producers paying their full cost. In other words, Encorp's amended Section 9 has simply better described the steps that it took to set fees. If this is the case, what is the purpose of the consultation?	See above.	Related to Section 9 Amendment (Process and Methodology)	Consultation Process – Input from Depots
11	Cara Heck Columbia Bottle Depot - Kelowna	You indicated smaller depots are not included in the depot sample due to the fact that they receive grants to help sustain them. When was the last time the grant amount was reassessed to ensure it is sufficient? And, if so, what process was used?	I will have to get back to you on that. I do not have that information on hand. I do know that we have depots, for example, that come off the grant process because they are growing, which is a good thing. But I will have to commit to getting back to you on the answer to when that was last reviewed. <i>Follow Up: The presence grant value was last reviewed in 2014 when it was increased it from \$900 to \$1,000/month. The presence grant was imposed by the arbitration award in 1999 and there were no prescribed rules for future increases. Presence grants are not required under the DLAs, ADLAs, and MSAs. Only a small portion of depots</i>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<i>receive full value of the presence grant. Encorp is the only program that offers presence grants to small volume depots in addition to the unit-based handling fees, which are being reviewed every five years. Depots also receive handling fees for other program material added to the system after 1999 (i.e., PPP, EOLE, batteries, lighting) that provide additional sources of revenue to all depots including small ones.</i>		
12	Jay Aarsen Interior Freight & Bottle Depot	KPMG's findings indicate that Depots participating in "other" programs, which would include programs administered by Encorp, are doing so at a significant loss because the cost of collection far exceed the handling commissions received relative to these programs. Encorp very clearly says it won't subsidize other stewards' programs. Doesn't this make it absolutely critical that the KPMG's allocation	Yes. This is why the consultant works very hard to understand depot operations before they start, through interviews and questions. When the questionnaire to collect data is developed, the consultant goes back to a select five depots to refine that questionnaire. The consultant chooses which five to consult. When the data comes in, the data is then reviewed again with depots to ensure that interpretations and capturing of the data has been done correctly. All of that is done to ensure that the data collected is accurate and representative. Encorp does not want to subsidize other programs. That data is verified and reverified and the consultant asks questions about it to make sure that it is captured correctly, because as you say, it is critical.	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Findings

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		of Depot's costs between Encorp's beverage program and other programs is accurate?			
13	Young Nam Boucherie Self Storage & Bottle Depot	<p>After hearing so far, I have a question. Is there additional information or analysis that was presented to the Ministry about how Encorp arrived at handling fees? It just feels like a huge piece of Encorp's work to take all the information that it collected – no matter how flawed the studies are – and analyze it and come up with forecasting to arrive at handling fees.</p> <p>Another Depot asked about when this was distributed to Depots. I am wondering more explicitly – Is government getting different information</p>	<p>First of all, government gets exactly the same information. The amended Section 9 document is the document that will be submitted to government. Nothing has changed in between what you see and what the Ministry sees. We have similar meetings with the Ministry to go over this document and methodology, so it should be exactly the same information. As far as receiving information, Encorp communicates through many different channels and it goes out to all our stakeholders. All the presentations made in the last handling fee consulting go around are in fact available to you through the access you have online. If you have trouble finding that information, please contact me offline and we can give you instructions to that. Both you and the Ministry have access to that information. I believe there are two participants from the Ministry online today, and there have been participants from the Ministry online through all four of the webinars, hearing all the same questions and answers that you are hearing. There is no difference in information coming to depots and to the Ministry.</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Access to Data

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		than we are trying to understand Encorp's approach? Because I can't make heads or tails of what Depots have been provided.			
14	Rob Ellis Rellish Transport Services	In the writings provided to us all, there is mention of Geographical commitments within the contracts to which protects the depots, transporters, processors of having regions to draw income from. Does this apply to all areas of the program? The Section 9 is stating a 5 year plan does this apply to the transporters and processors as it's unclear in the writings provided.	The geographical commitments I think you are referring to are territories within contracts with the depots. This does not apply to transporters or processors. Encorp's five-year Stewardship Plan describes how it will meet its obligation to collect, transport, process, and market the recovery of beverage containers in the province. The commitment to review handling fees for depots, which is once every five years or when there is a material change, refers just to depot fees. Because transporters and processors have a more competitive bidding process, the terms of those contracts follow competitive market conditions and is in no way related to what you see here on depot handling fees.	Related to Section 9 Amendment (Process and Methodology)	Other – Territorial Commitments
15	Jay Aarsen	If you go back to Encorp's very first presentation for the	1999 was 23 years ago, a long way back in history. The encouragement of depots to participate in the depot study is really important. I spoke about it a	Unrelated to Section 9 Amendment	Depot Financial Study – Depot Participation

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
	Interior Freight & Bottle Depot	Handling Fee study scope on March 11, 2021, it says, "Depot participation in the depot financial study is critical to the process." At the last meeting, a Depot asked what has been done since the 1999 arbitrator found that Encorp needs to do more to encourage Depot participation. You couldn't answer this. Can you answer it today?	<p>little bit earlier this evening. For example, having the consultant choose the depots for the study and choose the depots to participate in the questionnaire review, was aimed at providing a level of comfort that the depots wanted to see. This was to ensure the information submitted as part of that consultation was kept confidential. Signing an NDA is another step that is important in the protection of that information. The consulting companies that Encorp is working for are globally reputable accounting companies, and they want to protect their background and reputation as much as it is important for Encorp and as much as it is important for depots. As to March 11th, 2021, I do not have that at my fingertips so I will have to look at that and get back to you.</p> <p><i>Follow Up: The purpose of the March 11, 2021 presentation to all depots was to kick off the Handling Fee Process for the next five- year term as the previously established fee term was expiring. The presentation, ultimately one of 8 presentations and consultations meant to engage depots had an agenda providing background, Terms of Reference, Objectives of the Handling Fee Review Process, Approach, Depot Financial Study, Tentative Work Schedule, Questions and Discussion. I think you will find that this kick off, followed by 7 other consultations provides and encourages Depot participation in the process. The process took the</i></p>	(Process and Methodology)	

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p><i>better part of a year to establish a transparent and fair offer to Depots.</i></p> <p><i>Encorp encouraged as many depots as possible to participate in the study and KPMG confirmed that they had sent invitations to 120+ depots and followed up regularly to encourage participation. In order to provide more assurance to depots that the information they provide as part of the financial study is confidential, both the selection of the depots in the sample and the depots selected to review the questionnaire was transferred to the third-party consultant. Encorp is blind to participants in the study. Even the stipend is forwarded to the consultant who then distributes it to the participating depots.</i></p> <p><i>In addition, Encorp offers a stipend to all depots that agreed to participate in the study.</i></p>		
16	Janet Lee Ucluelet Bottle Depot	Encorp uses forecasted volumes, including for milk, to set handling fees yet Encorp hasn't been achieving its forecasted volumes – or the goals that it sets for itself. How have you accounted for this in Section 9?	<p>As some of you have participated in the other webinars have heard me say, I wish I had a crystal ball. Forecasting is always very difficult. Some things you get right, some things you get wrong. Some things you get right in one direction, some things you get wrong in the other direction. Encorp has always taken a very conservative approach to the assumptions it makes.</p> <p>For example, in the last handling fee process that was undertaken, volumes of beverage containers were assumed to grow at an 8% rate. In fact, year</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			to date, 2022, volumes are up just under 14%. There is an area where volumes of containers are much higher than we forecasted. In terms of inflation, we also took a very conservative approach at the time, but I do not think anyone knew the extent of what this hopefully short period of time is throwing at us from an inflationary perspective. That has gone in the other direction. We are looking at the entire system and saying that, if there is a material change where those forecasts are so off that has a material impact on the entire system, we will review it. Remember, though, that when we do that, we are looking at assumptions going in all directions. We do not always get it right, but we commit to reviewing if there is a material change overall.		
17	Paul Shorting Regional Recycling – Nanaimo	I know Encorp wants us to focus on questions, but I do have a comment. I've read through all of Encorp's 2021 presentations to Depots again and slide 8 in presentation #8 very clearly states that two "key factors" in establishing handling fees are projected	I hear what you are saying. Although the actual spreadsheet is not shared, all the assumptions that went into the spreadsheet were shared and there was a lot of back and forth on those assumptions. As I mentioned before, the methodology was used to come up with the range of fees that ended up being part of the simplified sort contract. The tie to BDL was a request to have important depot partners work with another program to add more fairness and more transparency to stewardship across British Columbia. I will look at that slide, but I appreciate the comment and want to come back again to the methodology as it is set out here. What	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Findings

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		<p>depot efficiency gains due to simplified sorts and handling fees paid by BDL on aluminum cans. The Propel study is an incredibly flawed study that makes projections that are easily refutable. Aligning fees to BDL is price setting, plain and simple. And, on top of this, other Depots have already mentioned that Encorp has not shared how it used these studies in its financial model to do forecasting. I honestly don't know how anyone is expected to look at the information that Encorp has presented in its amended Section 9 or its supporting files and make heads or tails of it. We're consulting on how Encorp described its methodology when</p>	<p>I think I hear from you is you would like to see the actual spreadsheet moving forward. Again, it does not change any of the information, but I hear the comment, thank you.</p>		

Q #	Name/Organization	Question	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		we should be walking through and providing input on a thorough analysis of how Encorp arrived at its handling fees.			
18	Vince Spronken Island Return-It	In reference to cans, if the price of an Encorp aluminum from the last consultation process is set at a rate of 3.54, then how could Encorp come up with a rate that decreases the aluminum rate in the future? All costs increase across the board for depots and in order for me to believe Encorp is paying the full costs of handling containers, there should be no decrease on any containers. Especially with what was just mentioned on inflation.	In the handling fee methodology, we come up with a reasonable return to the depots. The range that was developed for aluminum cans allowed for that reasonable return to be met. It was put in there as a range so that, if fees that were provided by other stewardship programs were increased, there would also be an increase to Encorp's depot partners. The methodology was accurate and provided a reasonable return over that range of aluminum cans.	Unrelated to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Appendix J: Written Feedback

The following section include all written feedback received by Encorp as well as Encorp's responses.

Written Feedback Received by Encorp

Feedback (Janice Song CRD200)



Janice Song <misanjs@gmail.com>

To ○ beverageplan2020@returnit.ca

Reply
 Reply All
 Forward

Tue 18/10/2022 7:50 AM

One issue that depots face is rising costs. Since we do not sell products, we cannot adjust prices levels and are heavily dependent on handling fees to keep up with price increases. The multi step decision process that gathers and analysis data helps create an equitable environment that both satisfies Encorp and the depot operators. The five year review of handling fees is a great method to ensure that depot operations remain sustainable in the coming future. Furthermore, the RFP study done by an external source is a good idea, as it allows for a third party to make a fair analysis of the current financial situations. With the global societal and economical turbulence we currently are experiencing, we are unsure how the day to day operations may change and hope for an adaption to any form of adversity that may arise. The new amendment is one of the solutions for adaptation in a changing environment.



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November 13, 2022

Encorp Pacific
100 - 4259 Canada Way,
Burnaby, British Columbia V5G 4Y2

Sent by email to:
section9@returnit.ca
ccoutts@returnit.ca

Re: Encorp Section 9 Consultation Input

Thank you for the opportunity to provide feedback and comments on the newly amended Section 9 of Encorp's Stewardship Plan.

1 Who we are

The BC Bottle and Recycling Depot Association (BCBRDA) is a member-based organization that represents nearly 100 of British Columbia's (BC) 162 Encorp-contracted Return-It Depots ("Depots"). The BCBRDA is the chosen representative of its member Depots, each of whom have signed a "Letters of Representation" that enables our association to represent them in contract negotiations with Producer Responsibility Organizations ("PROs"). Depots are a significant stakeholder in Encorp's stewardship plan. Together, the Depot network proudly processes 93-95% of the more than 1.1 billion containers that are returned annually for recycling through Encorp's collection network.¹ Our members process the majority of these containers.

The Depot network has a deep history of serving and supporting British Columbians as they seek opportunities to recycle a range of materials and benefit from the many economic and social benefits that BC's recycling systems and Depots' services provide. Depots exist in all urban cities and in almost all rural communities to serve British Columbians, and they:

- Play a vital role in supporting BC's typically underserved communities by providing ready cash to 'Binners', individuals who collect and return containers for quick access to funds to take care of their daily needs.
- Provide local jobs, including for New Canadians, that instill a sense of purpose, self esteem, and self-sufficiency.
- Service other EPR Plan holders to provide British Columbians with the benefit and convenience of one-stop, seamless recycling opportunities.

¹ Encorp Pacific (Canada), 2022. Annual Report 2021. Available at: https://ar.returnit.ca/ar2021/pdf/Return-It_2021_Annual_Report.pdf



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2 Overall comments

In meetings with individual Depot owners and during its four recent consultation webinars, Encorp CEO, Cindy Coutts, explained that Encorp has provided more clarity, transparency, and detail than ever on 'what it did' to come to its determination that its handling fee setting process ensured 'producers would be paying the full cost' of collecting beverage containers through the Depot network. While the BCBRDA and our members agree this is a more descriptive recount of the handling fee setting process, we cannot agree that it offers greater clarity or transparency. More importantly, it does not offer a reasonable, valid, or even logical path to either fair or defensible handling fees.

The Ministry of Environment and Climate Change Strategy (the Ministry) offers explicit guidance on Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution² pursuant to Section 5(1)(b) of the *Recycling Regulation*. The guidance is wholly explicit that the methodology should not contain a range of variables that may be considered or insufficient justification for compensation offered.

The BCBRDA and our members' foremost finding is Encorp's methodology relies on inputs that it deems as fundamental to its process, but that are highly flawed and severely lacking to provide sufficient justification for compensation offered to Depots. On top of this, Encorp's methodology is definitively:

- neither transparent nor detailed enough to enable the BCBRDA nor our member Depots to determine how Encorp set fees; and
- lacking in a firm commitment or acceptable process to ensure Depots would have confidence that they would have input into any future changes to Encorp's payment plans (e.g., if a new pilot were to be suggested, minimum wage was increased, or inflation continued to skyrocket) prior to the next EPR Plan review.

As a result, the BCBRDA and our member Depots assert Encorp has **not** met its legal requirements to ensure producers are paying the full cost of the collection of its designated materials across its Depot collection network, as required by the *Recycling Regulation* and described in its guidance documents.^{3,4}

3 Fatal Flaw in Encorp's Process to Determine Depot Costs

It is imperative to identify that one of the foundational flaws in Encorp's approach to determining the full cost of collecting its containers through the Depot network is supporting, and thereby achieving, representative Depot participation, and thereby input, in its consultation. Depots have consistently relayed to Encorp that a fair consultation process, including a process where Depots receive terms of engagement (i.e., a terms of reference, including a clear scope of work) and more definitive assurances that their commercial confidential business information will be protected, is a necessity to ensure Depot participation. Both the BCBRDA and individual Depots made these requirements known as part of the 2021 consultation process. They also made sure Encorp understood that these are legitimate concerns founded in:

² Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2018. Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution. Available at: <https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle-rel-res/guidance-producer-pay-the-cost-and-dispute-resolution-2018.pdf>

³ Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2012. Recycling Regulation Guide. Available at: https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle/reg_guide.pdf

⁴ Ibid Footnote 2.



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- Depots' commercial confidential business information being released by a third-party consultant and easily traceable to a specific Depot.
- KPMG requesting information that Encorp should not be privy to, including commercially sensitive information about their service to other PROs (i.e., Brewers' Recycled Container Collection Council (BRCCC)/Brewers' Distributed Limited (BDL)).
- The 1999 Schultz Arbitration, which more than 20 years ago identified that more needs to be done to encourage Depot participation in consultation process.

Despite this feedback, Encorp did little, if anything, to correct this structural flaw in its amended Section 9. This is a **fatal flaw** because the Ministry provides explicit guidance in Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution⁵ pursuant to Section 5(1)(b) of the *Recycling Regulation*, which states:

- *Prior to submitting the plan to Ministry staff for review, the producer has undertaken satisfactory consultation with stakeholders regarding the producer paying the costs of collecting and managing its products, and where*
- *Details of the above-noted consultation process and how stakeholder feedback was addressed should be reflected in the consultation summary/appendix submission.*

As part the April 2012 Recycling Guide⁶, satisfactory consultation is said to include:

- *stakeholder involvement begins at the design of the consultation plan;*
- *stakeholders can determine the implications to their interests by reading the wording in a document that is the subject of the consultation;*
- *the process for reviewing responses is open and responders are advised on how their responses were addressed; and*
- *proceedings and results of activities that are part of the consultation process are properly documented and available for public review.*

Rather than taking action to address the deficiencies in its Section 9 methodology in order to support and achieve Depot participation, including in third-party led studies that fully depend on Depot participation for validity, Encorp has been adamant that no changes to its Section 9 methodology are necessary and blames any deficiency in the results found on Depots. This disregard for fair terms and conditions to achieve stakeholder involvement along with Encorp's unwillingness to receive and address stakeholder feedback on its methodology through 2021 and within its newly amended Section 9 disregards the Ministry's guidance in Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution⁷ and, accordingly, invalidates its newly amended Section 9 methodology.

⁵ Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2018. Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution. Available at: <https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle/reg-res/guidance-producer-pay-the-cost-and-dispute-resolution-2018.pdf>

⁶ Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2012. Recycling Guide. Available at: https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle/reg_guide.pdf

⁷ Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2018. Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution. Available at: <https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle/reg-res/guidance-producer-pay-the-cost-and-dispute-resolution-2018.pdf>



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To be even more explicit about the critical importance of Encorp addressing the structural flaw in its newly amended Section 9 methodology, the BCBDA and our members must point to Encorp's monopoly status.

As a monopoly organization with regulatory requirements to demonstrate producers are paying their cost, the onus is on Encorp to be transparent about the information that it requires from its service providers to meet its obligations, and the onus is also on Encorp to openly negotiate with these third parties on conditions, including confidentiality and security of private and proprietary commercial business information, to secure their involvement. Without transparency and offering terms that achieve service provider participation in its handling fee setting process, the intent of process is simply unachievable.

Despite the onus being on Encorp, Depots attempted to offer Encorp specific solutions to mitigate the risk to their businesses, including co-developing a Terms of Reference (TOR) for the cost study and fee setting process. Encorp's response to this offer was to decline it, hire KPMG to undertake its cost study, and refuse to release KPMG's scope of work. It has since not only put the onus on Depots to willingly participate in its handling fee process, including the cost study led by KPMG, it has been explicit that it is unwilling to make any changes to mitigate risk to Depots while continuing to veil the issue with assertions that all Depots were welcome and *encouraged* to participate in its process.

Encorp's unwillingness to address the structural, foundational flaws in its amended Section 9 methodology is thus core to the flawed and erroneous outputs at each and every step of Encorp's handling fee setting process. For more background on the interactions between Encorp and Depots that not only led to but continued to uphold this fatal flaw in the Section 9 methodology, see **Appendix A: Background structurally flawed methodology**.

4 Issues with handling fee process outputs

The handling fee process involves a few major steps: 1) determine costs, 2) forecasting costs into the future (e.g., inflation), 3) determine revenue, 4) forecasting revenue into the future, 5) set a fair rate of return (i.e., a fair handling fee). We assert that none of these steps were undertaken fairly or accurately.

4.1 Encorp pre-determined the outcome

In July 2021, Allen Langdon, then President & CEO of Encorp, verbally stated that 'handling fees would be going down' and 'would be linked to BRCCC/BDL can rates'. This was before the KPMG study was complete and despite the fact that the cost of managing any business in BC, let alone a Depot, have increased exponentially over the past several years with record inflation, the rising cost of labour due to labour shortages, and the rising costs of rent and insurance. True to Mr. Langdon's word, the resulting handling fee offer made in November 2021 linked the handling fee for aluminum cans to the rate paid by BRCCC/BDL as of January 2023 (i.e., The 2022 rate is 3.54-cents per can. Encorp stated that if the BRCCC/BDL rate was 3.25-cents or lower, Encorp would set the handling fee at a 'floor price' of only 3.25-cents per can. Then on December 9, 2021, Encorp stated it had removed this floor price and committed to link the can fee to that of BRCCC/BDL. The rationale for the decline in the offer is not related to the findings of the KPMG report. Mr. Langdon and Encorp were very transparent as to what factors underlie their offer: Encorp did not believe it was fair that it should pay more to process an aluminum can than BRCCC/BDL. Mr. Langdon, on numerous occasions said: a can is a can. He encouraged Depots to pressure other PROs, including BRCCC/BDL, to pay more of the common costs of operating a Depot and made Encorp's offer subject to BRCCC/BDL rates. For more details and proof of

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these assertions see **Appendix B: Proof Encorp's handling fee determination is not based on cost study results, Appendix C: Encorp Depot Operating Standards, and Appendix D: Proof Encorp removed the "floor price for cans"**.

4.2 KPMG cost study is invalid

The Depot study was not:

- representative of the Depots in BC, and
- inclusive of all reasonable costs.

On top of this, Encorp verified in its 2021 consultation summary that KPMG was not contracted to determine whether the sample size was statistically representative of the Depot population, and KPMG is clear in the limitations section of its study (pg. 2) that its findings are limited to what was received from 17 Depots.

Accordingly, this information, which Encorp identifies as foundational to its handling fee process in its amended Section 9, cannot be used to calculate fair handling fees. For further evidence and detail rendering the KPMG study invalid for Encorp's purposes, see **Appendix E: Proof the KPMG cost study was invalid**.

4.3 Propel study is erroneous

The Propel study is not a full Time and Motion study. The Propel study assessed the cost savings that potentially could be accrued to Depots using 'Simplified Sorts' at the 'buy table' (i.e., the point at which the Depot buys containers from its customers) and does not include the additional time required for the customer interface (e.g., education), the backroom handling, storage, and loading of Encorp trucks. In addition, we understand a significant portion of the Depots are not yet doing the Simplified Sort. For more details on why the Propel study is erroneous to the findings of the cost study and should not be considered as part of the handling fee process inputs, analysis, forecasting, or outcomes, see **Appendix F: Proof the Propel study is erroneous**.

4.4 Revenue projections are invalid

The Depot revenue projections made to support the handling fee determination were based on Encorp's 2021 Stewardship Plan (p. 29), which targeted a recovery rate of 80.0% in 2021 and 2022. In 2021, Encorp only achieved a recovery rate of 75.9%, which resulted in 72.01 million fewer containers collected (95% of which would be through the Depot collection system). This equates to an average shortfall in Encorp's calculations of \$3.42 million of Depot handling fee revenue for 2021 (72 million units x 5 cents average handling fee*95%). For more details on why the revenue projects are erroneous, see **Appendix G: Proof of revenue forecasting calculation errors**.

4.5 Cost calculation excludes "Express & Go"

Express has been heavily marketed by Encorp since 2016 and continues to be today; however, the handling of Express containers is not included in the cost calculations. In a webinar presentation in December 2020, Encorp admitted it:

- was not fairly compensating Depots for the Express & Go system;
- had not provided fair compensation since the system's inception, and



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- had no plan to amend its fee structure to appropriately compensate Depots for the cost of its pilot program.

In Encorp's handling fee process, it failed to include a representative sample of Depots that are under contract with Encorp to provide Express & Go services (i.e., only one Depot in its sample included Express costs). For more details on why the cost calculation is invalid, see **Appendix H: Proof Encorp has not been paying the full cost of Express.**

4.6 Competitive process –valid for non-territory Depots

In its amended Section 9 (pg. 1), Encorp states:

This competitive process cannot be conducted in establishing handling fees with Depots since individual licence agreements for most Depots include an exclusive territory in which Encorp cannot license another Depot. As a result, Encorp cannot initiate a competitive bid process for Depot services within the exclusive territory. Encorp may only contract with the Depot owner that holds the exclusive territory license

This is factually untrue. A significant and growing number of Depots are contracted under Master Service Agreements (MSAs) or Container Service Agreements (CSAs). These Depots do not have a territory and have limited term contracts. Encorp could open a Depot across the street from a MSA/CSA Depot and the Depot would have no recourse. In fact, Encorp is beginning to put seacans in the Depots catchment zones, such as in Superstore parking lots. There are approximately 50 Depots that have MSAs/CSAs, and therefore these Depots could, and arguably, should be part of a full RFP process.

4.7 Cost calculation does not fairly consider risk

MSA/CSA Depot licences can be cancelled with six months' notice / 90 days' notice / 30 days' notice (depending on the contract). These Depots have higher business risk and, accordingly, they should be compensated at higher rates.

The DLA and ADLA licences are evergreen and do have territories. However, Encorp is working to remove as many DLAs as it can. In fact, Encorp is currently refusing to allow a DLA Depot operator to move a few blocks – a necessity because the Depot's landlord has decided not to renew its lease in lieu of other business opportunities - unless the Depot operator accepts a new – and much riskier - MSA agreement (i.e., non-evergreen and without a territory). As a monopoly, Encorp can simply refuse to let this business continue to operate. This behaviour presents a growing risk to DLA and ADLA operators that should be factored into fair pay calculations.

5 The lack of equality is the crux

Encorp's newly amended Section 9, as currently proposed, fails to ensure the handling fee process "be structured to balance the power inequities between the parties" as is required by the Recycling Regulation Guide (p.11).⁸ There is a well-recognized disparity in resources between a monopoly PRO, which is an

⁸ Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2012. Recycling Guide. Available at: https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle/reg_guide.pdf



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entity owned by a majority of producers and endorsed with government's approval to charge fees to the BC consumers, and a Depot, which is a small independent business, many of whom are immigrants and for whom English is a second language, trying to provide for their families.

MSA/CSA Depots do not have the legal right to raise a dispute about the fees they are paid because Encorp has removed a clause – one that exists in the DLA contracts – to pay Depots a fair rate of return. It is true that DLA Depots can 'use the arbitration system' to arbitrate their fees. This said, the court decided during the last arbitration that Depots would have to do so on a one-on-one basis (i.e., they could not collectively file a class action arbitration led by the BCBDA). This means that each Depot would have to dispute their fees one-by-one with Encorp, and none of them can afford to do that against a multi-million dollar monopoly.

There is no natural justice in this process. Encorp must account for natural justice in its Section 9 approach to ensure a fair and equitable handling fee process exists on a go-forward basis.

6 Conclusion

To return to the Ministry's policy guidance document "Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution"⁹ and its requirements for a PRO relating to consultation relating to producers paying the full cost, the document describes satisfactory consultation as requiring:

"providing material to describe the methodology used by the producers to demonstrate the proposed basis of compensation for services rendered...The methodology should be transparent and detailed enough to enable stakeholders to clearly determine implications to their interests; it should not contain a range of variables that may be considered, or insufficient justification for compensation offered. In addition, plan holders should provide stakeholders opportunity for input into any future changes pursuant to Section 5(1)(b) of the Recycling Regulation".

The bottom line is that Encorp has never provided verifiable data that supports its determination of the fees it has concluded it will price-set to pay Depots. Neither Depots, nor a third party representative of their choosing, have been able to review the data and 'check the math'. While some forecasting inputs were provided in a piecemeal fashion, the actual forecasting methodology was not provided. Based on Depots' on-the-ground experience running their businesses, Encorp's fee determination is illogical, unfair, and demonstrative of monopolistic behaviour. Further, based on its own admission, Encorp did not set out to 'determine the full costs collecting containers through its Depot network', it simply decided that it was not going to pay Depots a higher rate than BRCCC/BDL for similar containers.

7 Recommendations for Encorp

The fact is that Encorp has been financially rewarded by underpaying Depots for their services for the last six years. It is further rewarded by each delay of its Section 9 approval, which would require it to fulfill its responsibility under Section 9 to ensure it is paying the full costs of the collection of its containers by the Depot network.

⁹ Government of British Columbia, Ministry of Environment and Climate Change Strategy, 2018. Producers Paying the Cost of Managing Obligated Materials and Dispute Resolution. Available at: <https://www2.gov.bc.ca/assets/gov/environment/waste-management/recycling/recycle/rei-res/guidance-producers-pay-the-cost-and-dispute-resolution-2018.pdf>



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On the other hand, the viability of Depots is put further and further at risk by Encorp underpaying Depots, including while Encorp continues to attest to the importance of Depots as partners in its system.

In some circumstances, Depots have accepted unfair contract terms. This is particularly true for MSA/CSA Depots that were required to accept unfair terms under threat of losing their Depot licences. For DLA/ADLA holders, more Depots have declined new contracts – foregoing the 3% increase on all containers in 2022 – because the Ministry has suggested that accepting contract terms – no matter how unfair – can be construed as supporting a PROs' suggestion that producers are paying their cost.

The BCBRDA and our member Depots do not believe Encorp is paying producers' full cost, nor that Encorp's amended Section 9 supports the idea that it is paying producers' full cost.

As a path forward and in our interest of working with Encorp on a solution that benefits everyone and ensures a fair rate of return to Depots for their services, the BCBRDA and our members recommend:

1. As an interim measure, Encorp provide an interim increase to correct its 2022 underpayment of DLA/ADLA Depots by back-paying these Depots the current fee structure to January 1, 2022.
2. Commit to resetting its handling fee process, with the assistance of an independent third party agreed to by both the Depots and Encorp, paid for by Encorp, and supported by the Ministry with an aim to establish a fair process to determine what the fair handling fees should have been for 2022-2027. This would establish a reasonable and cooperative method to determine handling fees in a monopoly system and would ensure Encorp achieves its Section 9 approval without dispute.
3. As there has been a distinct polarization between Encorp and Depots, re-establish the Council of Depot Operators (CODO) and include non-Depot members on the committee for stakeholder oversight, including a Ministry observer and other stakeholder observers. CODO should have membership from BCBRDA, KARMA, urban, and rural Depots, and it should be a forum for true engagement - not simply one-way communication. Depots should be provided with a decision-making role on Depot-related outcomes (e.g., a role in determining the Scope of Work for future handling fee setting processes, setting terms of agreement for pilot projects, etc.)

As a closing comment, the BCBRDA and our members want to explicitly acknowledge that much of the consultation leading to the newly amended Section 9 took place prior to Encorp's current CEO, Cindy Coutts, joining the organization. We recognize the challenges of learning about the handling fee process and course correcting them. We also recognize the opportunity for the BCBRDA and our members to work constructively with Encorp on a mutually beneficial partnership now and ongoing. This partnership must include a fair rate of return for Depot services, and certainly has the potential to help Encorp achieve a 90% return rate for all beverage containers.

Sincerely,

Cara Heck, BC Bottle and Recycling Depot Association Board Chair



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Appendix A: Background structurally flawed methodology

Encorp contacted Depots in early March 2021 and gave them less than two weeks' notice of the first handling fee consultation event, which was held on March 11, 2021. This was despite a previous commitment made by Encorp's previous President & CEO of Encorp, Scott Fraser (in a letter dated March 30, 2017), where Encorp committed to, as a part of concluding the last handling fee negotiation, engaging Depots in determining a better negotiating format for the next handling fee discussion.

At the March 11, 2021 meeting, Encorp required Depots to confirm their participation in Encorp's KPMG cost study by March 22, 2021, which was only 11 days after the first consultation. Encorp further stated Depots' participation in the study would need to begin by March 31, 2021, which was only 20 days after the first meeting.

At the March 11, 2021 meeting, and in follow up letters from the BCBRDA to Encorp, Depots continued to express material concerns around the handling fee review process being used to support the development of handling fees for the next five (5) year term. As two examples:

1. At the March 11, 2021 meeting, the BCBRDA and our members offered to work with Encorp on a study approach that would meet Depots' needs and include 50 Depots. Encorp initially accepted this proposal during the meeting and then immediately backtracked and declined the proposal.
2. In a letter to Encorp, dated March 19, 2021, the BCBRDA stated:

"This all seems very rushed and in fairness is not allowing us enough time to fully understand the review process and selection methodology / implications. We would like to request a slight delay to the start of this current analysis (30 days would be very appreciated and should be entirely reasonable), which will give us an opportunity to better understand the process and ensure alignment working towards this shared goal of progressing this important process ... I'm sure you can appreciate, the sharing of confidential business results comes both with extensive risks and resource requirements to our Depot, requiring planning, and resource allocation.

In order to help move this forward as efficiently as possible, we would like to request meetings to help build trust and collaboration, and also to better understand the mandate being provided to your appointed independent third-party firm, which covers additional information as to the study methodology (including but not limited to Depot selection criteria, metrics to be measured, and draft report review from the Depots). We think there are two meetings that would be helpful to achieve this.

The first one, to ensure relationship and strategic alignment, would be between Jay Aarsen, in his role as the Chairman of the BC Bottle and Recycling Depot Association (BCBRDA having the governance and representation responsibility for the Bottle Depot Owners across BC), and Daniel Wong, in his governance role as the Chairman of Encorp Pacific (Canada)."

The BCBRDA and Depots repeatedly requested the "Terms of Engagement" for the KPMG study (i.e., scope of study, an understanding of why Encorp was requesting non-Encorp data, how data was to be used, and confirmation that no individual Depot data, which is commercially sensitive, would be released to Encorp).



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Generally, when an expert external party is consulted, the methodology and the scope is defined by all parties expected to participate in a study. In this case, Encorp alone prescribed all attributes of the study and how the data would be used, including limiting the number of Depots to be selected to a maximum of 24. Despite repeated requests, the KPMG study Terms of Reference and Scope of Work were never disclosed to Depots, and the full report has never been made public.

As a consequence of Encorp's failure to work with Depots to set the Scope of Work and define how Depot commercial confidential information would be used, only 17 Depots (of the Encorp determined minimum number of 24 Depots required) agreed to participate in the study and provide data to inform the KPMG study. Of these 17, only one Depot operated an Express & Go system.



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Appendix B: Proof Encorp's handling fee determination is not based on cost study results

The following slides provide evidence that Encorp tied the handling fee it was willing to pay for cans not to a cost study outcome, but to the ability of the Depots to negotiate higher handling fees with BRCCC/BDL. Note that Encorp was willing to raise Depots handling fees on cans up to 3.65-cents per can subject to BRCCC/BDL paying the same, yet it landed on an initial floor rate of 3.25-cents per can (a floor which was later removed) if Depots did not pressure BRCCC/BDL to pay higher handling fees on their cans by January 2023. If Encorp believed that the data warranted paying up to 3.65-cents per can in November 2021, then how can it claim its cost study and forecasting actually pointed to a fee of 3.25-cents per can or less (in the absence of a floor price), which is a minimum reduction of 0.29 cents per can at a time of record inflation? Encorp confirmed its intent to ensure Depots are receiving a fair rate of return from other PROs in its amended Section 9:

Further, many of the Depots conduct business unrelated to the collection of used beverage containers for delivery to Encorp. Encorp is not required to, nor should it, be subsidizing these Depots for their other lines of business.

In its 'a can is a can' determination and its cross-subsidization concern arguments, Encorp ignores two key issues:


1. The regulated requirement for producers to pay their full cost is not dependent on whether their service providers have other clients who are not paying those service providers fairly. The requirement is absolute and based on the cost of managing their materials only.
2. Encorp sets requirements for Depots that other PROs, including BRCCC/BDL, do not: i.e., Encorp's Return-It Depots are required to meet Depot Operating Standards (**Appendix C**) while other PROs do not make these requirements. These Operating Standards include requiring Return-It Depots to:
 - paint Depots with Encorp-branded colours,
 - provide consumer wash stations and hand dryers,
 - install automated doors,
 - use a specific computer system and printer, and pay for its upkeep by Encorp approved repair businesses,
 - advertise,
 - accept the processing of additional non-beverage container material streams at Encorp's discretion (e.g., textiles, EPRA),
 - load Encorp trucks,
 - shutdown their parking lots on busy Saturday's for onsite Encorp densification, and most importantly
 - handle containers onsite differently than BRCCC/BDL, which results in the management of BRCCC/BDL containers having fewer 'touches' from the beginning of their management to the end and using less storage space. (Note: One Depot provided this example: "I can load a BRCCC/BDL truck in 20 minutes once per week. For Encorp, it takes a minimum of one hour four times per week.)



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It simply takes longer and uses more space to manage Encorp cans than to manage BRCCC/BDL cans, and Encorp has more requirements about the standards for Depot buildings. As a result, Encorp should have to pay more for these requirements.

Figure 1: Select pages from Encorp's Handling Fee Review, Depot Operators Meeting #8



Handling Fee Review
Depot Operators
Meeting # 8
November 30, 2021

Option 1 – aluminum handling fee rates

- Since the last meeting some Depots have expressed their concerns about aluminum can handling fee starting year 2 (tied to BDL rates)
 - Consumers of non-alcohol beverages in aluminum cans pay more (via CRF) to cover higher handling fees compared to consumers of alcohol beverages in the same container type
 - This is an unfair practice that Encorp does not support.
- Depots that accept BDL fee of 2 cents on aluminum cans continue supporting the inequity
- The offer is not intended to automatically decrease the handling fee for aluminum to 3 cents in 2023
- Encorp offered a rate as a range between 3.0 cents and 3.65 cents subject to BDL paying an equitable handling rate for the same material and handling procedure.

What if all depots were paid the same rate for ALL aluminum cans?

Depots that have influence over BDL (i.e. BDL Agents) can stand united with their fellow depot operators to ensure:

- All depots have a BDL license and are able to accept BDL containers and receive a handling fee
- BDL pays a fair rate (i.e. what Encorp pays) to all Depots who collect BDL containers

BDL's Collected by Return-It Depot		BDL Not in Encorp in England	
BDL cans (estimated)	402,100,000	402,100,000	53%
Encorp cans (2020 volume)	402,000,000	402,000,000	47%
If BDL paid the same handling fee BDL Handling fee (current) 2.00 \$ 8,042,000 Based on Encorp Handling fee (May 2021) 3.54 \$ 16,004,340			
Handling Fee differential (per million)		24% \$ 6,962,340	
Average per depot (100)		\$ 41,400	



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Appendix C: Encorp Depot Operating Standards



SCHEDULE "D" DEPOT OPERATING STANDARDS

The parties acknowledge that in order to succeed in attracting, and keeping, customers, depots must aspire to the highest standards of customer service and convenience. These Depot Operating Standards provide benchmarks for depot facilities, cleanliness, promotional activities and other tasks common to the industry.

The parties acknowledge that not all depots will meet all of the requirements in these standards, and that upgrading may take time to complete. The purpose of these standards is to set out the minimum standards that must be met by the Depot and, if they are not being met, to encourage steady progress over a reasonable time frame until they are met.

In all the requirements listed below the primary focus is to respond to consumer needs in ways which will strengthen the long term success of the depot system, and the viability of the Depot.

Standards

The Depot Operator must achieve and maintain the minimum standards set out below. If Encorp assesses the Depot to be below these minimum standards, the Depot Operator must prepare, and submit to Encorp for review and comment, a deficiency plan which will cure the assessed shortfalls in a reasonable time frame. In addition, Encorp may reduce the handling fees payable to the Depot Operator pursuant to Section 2.1 of the Depot Licence Agreement during all or any portion of such period of non-compliance by up to ten (10%) percent.

For the purposes of these standards,

"**Metro Areas**" means the Cities of Kelowna, Kamloops, Nanaimo, Metro Vancouver, Fraser Valley Regional District, and the Capital Regional District.

"**Urban Areas**" means areas with populations equal to or greater than 10,000, or shall refer to the area served by the Depot where the Depot serves a population equal to or greater than 10,000 but shall not include Kelowna, Kamloops, Nanaimo, Metro Vancouver, Fraser Valley Regional District, and the Capital Regional District.

"**Rural Areas**" means areas with a residential population of less than 10,000 or shall refer to the area served by the Depot where the Depot serves a residential population of less than 10,000.

Operating Requirements

1. Depots in Metro Areas must be open to accept UBCs (Used Beverage Containers) seven days a week, no less than 56 hours per week, except statutory holidays.
2. Depots in Urban Areas must be open to accept UBCs no less than 60 hours per week, including a minimum of 8 hours on Saturday, except statutory holidays.
3. Depots in Rural Areas with a population greater than 4,000 must be open to accept UBC no less than 28 hours per week, including a minimum of 6 hours on Saturday. Depots in Rural Areas with a population smaller than 4,000 must be open to accept UBCs no less than 16 hours per week, including a minimum of 6 hours on Saturday.
4. The Depot Operator acknowledges that in order to provide a high level of customer convenience the Depot's operating hours must be convenient to the public and no changes to the Depot's operating hours will be permitted unless authorized in writing by Encorp.

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Cleanliness and Image Requirements

1. The Depot Operators shall, in all dealings with customers, the collection agent, and the general public, adhere to the highest standards of accuracy, honesty, integrity, fair dealings and ethical conduct.
2. The exterior of the premises shall be well lit during the hours of operation for the comfort and safety of customers and staff.
3. All staff working on site must be knowledgeable about products handled and refunds. All staff must have access to, and have read the applicable sections of the "Depot Reference Guide" manual. Staff should wear, for the benefit of the customers, recognizable aprons and/or shirts preferably with the Return-It logo.
4. All public washrooms on premises must be cleaned daily and maintained.
5. Clean floors – floors are mopped and cleaned on a daily basis.

Building Requirements

1. The Depot shall have current exterior signage, as determined by Encorp, that indicates:
 - a) The name of the Depot
 - b) The hours of operation
 - c) The approved Return-It logo as supplied or approved by Encorp.
2. Finished and painted walls – all interior walls within the customer areas must be finished and painted preferably in Encorp's standard colors.
3. Parking areas and grounds must be maintained to allow easy access by customers and the collection agent.
4. The interior and exterior of the premises must be maintained for safety, and as otherwise required under the Depot Licence Agreement.

Facility Requirements

1. In Metro Areas, the Depot must provide a minimum indoor storage space for UBCs to facilitate 4 days inventory and:
 - a) A minimum of 1,000 square feet of indoor space must be devoted to customer service space with a minimum of, or the equivalent to, six (6) 6' finished stainless steel sorting stations.
2. In Urban Areas, the Depot must provide a minimum indoor storage space for UBC to facilitate 6 days inventory and:
 - a) A minimum of 500 square feet of indoor space must be devoted to customer service space with a minimum of, or the equivalent to, four (4) 6' finished stainless steel sorting stations.
3. In Rural Areas, the Depot must provide a minimum indoor storage space for UBC to facilitate 14 days inventory and:
 - a) A minimum of 200 square feet of indoor space must be devoted to customer service space with a minimum of, or the equivalent to, three (3) 6' finished stainless steel sorting stations.
4. The Depot must have acceptable customer access, which may include automatic doors.

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5. The Depot must have acceptable access, and adequate loading facilities, which must include:
 - a) Depressed loading dock, and/or
 - b) Large double doors or overhead door (8'x8')
 - c) A forklift, and/or power jack / lift.
6. The Depot must have heating and lighting in the indoor customer service area to ensure the reasonable comfort of customers and staff.
 - a) Retail area – 500 lux or 50 foot-candle
 - b) Storage area – 100 lux or 10 foot-candle
7. The Depot must be equipped with a wash sink, soap dispenser, and a hand drying facility which shall be made available to customers.
8. The Depot shall have properly displayed in their depot:
 - a) No hand written or homemade signs.
 - b) The current Encorp signage package provided by Encorp.

Yard and Premises Requirements

1. In Metro Areas, the Depot must have designated customers parking for a minimum of eight (8) vehicles.
2. In Urban Areas, the Depot must have designated customer parking for a minimum of six (6) vehicles.
3. In Rural Areas, the Depot must have designated customer parking for a minimum of four (4) vehicles.
4. Depot yard facilities must be maintained and suitable for good access for customers and transporters in all weather conditions.
5. The Depot must be equipped with adequate garbage and cardboard recycling containers.

Equipment Requirements

1. The Depot must have:
 - a) A suitable method of litter and odour control;
 - b) A telephone on site;
 - c) Available internet access, (e-mail address to be provided to Encorp);
 - d) Cash register with the ability to provide receipts:
 - i) The receipt must display: number of UBC at each refund rate, and total refund;
 - ii) The Depot Operator must offer a receipt to each customer and pay the cash refund on the Depot premises, with the exception of commercial and group accounts.
 - iii) The receipt will show the Depot name and telephone number.

Right to Inspect

1. Encorp shall have the right to inspect the Depot premises to assess the depot operating standards at all reasonable times, and the Depot Operator shall co-operate fully with the inspection.
2. Encorp will use reasonable efforts to give Depot Operators notice of the standards assessment of the Depot.
3. The Depot will complete an online assessment annually.

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Marketing and Promotion

1. The Depot Operator will submit annually a marketing and promotion plan indicating the following:
 - a) Description of specific events, advertising campaigns, or promotions;
 - b) Timeframes they will commence and end;
 - c) List of mediums being used for each, i.e., newspaper, radio, on-site promotion, etc.;
 - d) Allocated spending for each; and
 - e) Total spending for the coming year.
2. The Depot Operator must provide written evidence, annually, that it has undertaken marketing and promotional activities, which have amounted to 15/100ths of a cent per UBC.
3. The Depot will have all program information available for consumers (program specific where applicable).
4. The current campaign posters and material are displayed in a prominent location. Any old, tattered, outdated signage must be removed in a timely manner.

Maintenance

1. The Depot must provide written evidence, annually, that they have performed regular maintenance of their facilities.

The Depot Operating Standards will periodically be reviewed to determine any necessary amendments or changes required.

EXECUTED AND DELIVERED by

ENCORP PACIFIC (CANADA)
by its undersigned authorized signatory:

[Signature]

[Print Name of Authorized Signatory]

[Date]

EXECUTED AND DELIVERED by

[Print Name of Depot by its undersigned authorized signatory]

[Signature]

[Print Name of Authorized Signatory]

[Date]



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Appendix D: Proof Encorp removed the "floor price for cans"

From: Sheri Hamm <shamm@returnit.ca> on behalf of Allen Langdon <alangdon@returnit.ca>
Sent: Thursday, December 9, 2021 3:48:39 PM
To: Allen Langdon <alangdon@returnit.ca>
Cc: Chris Campbell <chris.campbell@returnit.ca>; Esme Friesen <efriesen@returnit.ca>; Elena Zevakhina <ezevakhina@returnit.ca>
Subject: Important Message from Encorp CEO re: Handling Fee Offer

Dear Depot Operators,

The following message is in response to misinformation being circulated regarding Encorp's handling fee proposal for simplified sorts. The proposal provides two options – a move to simplified sorts in December 2021 or January 2022 or to remain on the same system with additional sorts for milk and milk substitute beverage containers. Nothing has changed with respect to this offer or the choices.

In addition, I want to note that our Producer Paying the Cost consultation process is now closed. Any Return-It depot or group making claims about information they plan to bring forward about the handling fee consultation should have brought this information forward during the consultation process.

There is also misinformation circulating regarding Encorp's handling of aluminum alcohol cans. I can confirm that the revised stewardship plan approved by the Ministry of Environment and Climate Change Strategy provides for Encorp to manage all aluminum cans on behalf of producers that appoint Encorp as their stewardship agency. There may be depots that have a vested interest in the current system trying to indicate that further consultation or approvals are necessary. This is not the case.

To that point, we understand that some depots have already begun to engage with BRCCC to address the inequity within the system as seen in the attached slide. We of course support these discussions and given the progress already being made, we have made the decision to remove the floor price of 3.25 cents per aluminum can for any simplified sort agreement signed after December 15th so that we can align with the market handling fee for aluminum cans and move away from having to pay additional handling fees for the same service.

As we have communicated previously, we believe that we have met all the obligations within our stewardship plan and have provided depots with a reasonable offer, including a \$5,000 Transition Incentive that is available for depots that sign up by December 15th. Depots now have a choice and we will provide any support or follow-up to assist them in making the right decision.

Regards,

Allen Langdon
 President and CEO



Return-It
 100 - 4259 Canada Way
 Burnaby, BC V5C 4T2
Direct Line: 604.473.2403
Toll Free: 1.800.330.9767
Fax: 604.473.2411
alangdon@returnit.ca
return-it.ca

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Appendix E: Proof the KPMG cost study was invalid

The KPMG study set out to collect the data of up to 24 Depots (a number of Depots that KPMG admitted was prescribed by Encorp) and only achieved obtaining the data from 17 Depots, including only one that operated an Express & Go system. There is no statistical relevance to obtaining the data of 17 or even 24 Depots, as this does not meet the threshold of being a representative sample of the Depot network. Further, small volume Depots should be included in the study as they are part of the Depot network. (Their initial presence grant was set over 20 years ago and should be updated). The legal requirement in BC is that producers pay the full cost, and not that they pay a sufficiently adequate average cost across the province – although the BCBRDA and our members must assert that the KPMG study does not achieve a sufficiently adequate average cost across the province either.

Some important notes to consider about the KPMG study:

- In determining what that cost consists of, the BCBRDA and our members agree that it is reasonable for Encorp or their contractor to make adjustments that remove unreasonable costs from the system; however, Encorp is attempting to ignore reasonable costs incurred by cherry picking which Depots are eligible to participate in the study.
- The reliability of the study in being reflective of actual system costs is further reduced by keeping the maximum sample to 24 Depots.
 - There is too much variability in the size (i.e., volume of containers managed) and geography of Depots to keep the sample to 24 Depots, and the fact that there were only 17 Depots that participated is even more concerning.
 - 58% of BC's population is in the Lower Mainland, but only 44% of Depots are located there. Depots from the Lower Mainland comprised 35% of the sample population. This is indicative of how diverse the Depot population is.
 - 30 small Depots were excluded from selection because they are too small (under 1.5 million containers). These Depots would have higher, not lower, costs per container.
 - In its consultation responses, Encorp tried to justify its error by stating: "*The sample volume presented in KPMG's report of 6.2 million units exceeds the average Depot volume of 5.6 million units (excluding Depots under 1.5 million who receive a presence grant from Encorp) meaning the sample had a 10% higher volume than the overall population average.*"
- The Recycling Regulation Guide (p.20) states: *The Ministry has set expectations for good performance measures.* These same standards should apply to the work performed on system cost studies, including that data collected be:
 - representative of performance;
 - easily communicated and understood by stakeholders;
 - based on accessible, reliable, and accurate data that is verifiable by a third party (i.e., as an example, it states that the steward should "demonstrate that the results of survey are statistically valid, accurate, and reliable.");



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- cost effective—the costs and collection effort associated with selected performance measures should be proportionate to the informational value they provide (i.e., note that given that handling fees for beverage containers are around \$60 million annually, it would only make sense that it would cost a bit of money to review them every few years); and
 - consistent over time and facilitate fair cross program comparisons by using generally accepted measurement methodology.
- KPMG makes little effort to validate data to determine if it is suitable for the purpose that Encorp intends to use it for. This is a critical point and is supported by statements from KPMG and Encorp. From KPMG's study (pg. 2):

"Limitations - In addition, the following findings reflect information limited to what was received from the 17 Depots that participated in this 2021 Handling Fee Review. Financial and operating information was collected via online "2021 Handling Fee Review" survey, e-mail, and/or as part of up to two scheduled stakeholder interview (per Depot) teleconference calls for the 2020 fiscal year. This analysis reflects a point in time, and does not seek to make projections of the future. KPMG did not independently verify the accuracy and completeness of information received."

From Encorp's 2021 consultation summary:

"KPMG was retained by Encorp to perform financial analysis of Depot performance illustrative of an average Depot within the Return-It network. The final report, which did not disclose any identifying information, was prepared for Encorp. KPMG was made aware that the report would be shared with the Return-It Depots."

"KPMG was not contracted to determine whether the sample size was statistically representative of the Depot population, however with an extremely small population size (168 Depots in 2020), gaining statistical representation at a common 95% confidence level is difficult without including greater than 50% of the population which was not possible due to both time constraints and a lack of participation from Depots."

"KPMG was not contracted to determine whether the sample size was statistically representative of the Depot population."

- KPMG's allocation of Depot costs between Encorp's beverage program and other programs is arbitrary and should not be relied upon. These allocations have not been validated in any way by KPMG and yet they perform a critical role in determining how costs should be allocated between the beverage program and others. KPMG provides no details to get a sense of the



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range in responses from the 17 participants. We don't know how the question was asked or what efforts were made by participants to get an accurate answer.

- From KPMG's study (p. 20), KPMG established the allocation an average of a "guesstimate", described by KPMG as follows:

"In order to allocate costs among Encorp UBCs and those related to handling other products / stewards, questions in the survey solicited allocation percentages for four key categories."

"Depots were asked what percentage of time and/or resource is typically dedicated to processing Encorp UBCs. An average of the average and median of responses was applied to the aggregated costs."

- It should be concerning to the Ministry that the findings in KPMG's study (p. 9) indicate that Depots participating in "other" programs, which would include programs administered by Encorp, are doing so at a significant loss because the cost of collection (as determined by KPMG) far exceeds the handling commissions received relative to these programs.
- In Encorp's 2021 consultation summary, it states that it shouldn't have to compensate Depots for the shortfall of other programs' revenues:
 - *"Section 8.5 (b) of the ADLA/DLA contracts reads that Encorp's handling fees should provide a reasonable return assuming "the Depot Operator earns a commensurate reasonable return on investment from all other business activities conducted by the Depot Operator from the Location that make use of the same facilities or services as the activities to be undertaken by the Depot Operator pursuant to this Agreement."*
 - *"This supports Encorp's position that we will not subsidize other steward's programs that do not provide a reasonable return to Depots."*
- This further highlights the significance of the allocation performed by KPMG. What if the allocation "guesstimates" are materially inaccurate?
- Step 3 of the KPMG methodology (p. 2 of the amended Section 9, and more fully described on p.6), describes Encorp using the KPMG study to perform further forecasted analysis of Depot costs. Encorp states that this analysis was provided to Depots. However, this was patently not the case: the Depots have requested the forecasting methodology multiple times in writing and on webinars, to no avail. Depots have only been directed to a series of data points, but not how those data points were used.



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Bottom line:

1. Based on the available information, we believe the KPMG study represents about 50% of the process that Encorp used to calculate new handling fees and the missing (i.e., not provided) forecast analysis represents the rest. The refusal to provide the forecast methodology is a significant deficiency in the Section 9 methodology proposed. Depots should have the right to review this methodology to ensure that it was accurately performed and fairly reviewed. If this methodology was fair and provided an accurate calculation of fair handling fees, then Encorp should be willing to provide it.
2. KPMG's cost study is not reliable. It is not indicative of the existing Depot network's costs, and it is impossible to determine how inaccurate it is.
3. Future cost studies must use a sample that is representative of the total system, and Depots must be privy to the forecast analysis to be challenge the forecast for its validity.



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Appendix F: Proof the Propel study is erroneous

The Propel study is a Time and Motion study of implementing 'Simplified Sorts' at three Depots and for part of the container management process. This study looks the added efficiency of sorting using fewer sorts at the 'buy table' -i.e., the transaction of buying containers from consumers.

The issues with this study and how it is being used include:

- A sample of three Depots is not a statistically relevant sample by any stretch of the imagination.
- Encorp has used this study to suggest Depots using Simplified Sorts would be 23% more efficient overall. Yet, this study did not track the number of touches required post the consumer transaction as the containers move through the Depots. To be clear: the consumer transaction takes 2-3 minutes and is a small percentage of the overall time, energy, and space required to manage containers overall.

Bottom line: The study suggests that moving to a reduce sort reduces operator time by 22.6% (p.11). This note is framed in a way that suggests that there are significant labour savings from the smaller sort. However, this is not a complete Time & Motion analysis of the work performed at the Depot on all of the other activity needed to fulfil the Depots obligations under the beverage program (shipping, cleaning, maintenance, bookkeeping, hiring, etc.).

1. Time savings with simplified sort (i.e., time saved to enter and sort 1000 containers = 199 second X 6.2 million containers for the average sample Depot = 343 hours x \$18.16 / hr = \$6,228 (p.11). That represents a reduction of 3.3% of the Depots total labour of \$188,600. This provides no meaningful system cost savings at the Depot.
2. The Propel document is a speculative document that lacks rigor and should have no impact on current handling fees. If the simplified sorts are implemented in the future they might or might not actually produce labour savings. This would need to be determined by and reflected in future cost studies and would impact future handling fees once the final impacts are known. This cannot be pre-determined by a three-Depot partial Time & Motion Study.



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Appendix G: Proof of revenue forecasting calculation errors

In Section 9, step 2 of Depot Handling Fee Methodology, Encorp states:

Step 2: Complete a Depot financial study performed by an independent consultant to assess actual reasonable Depot costs to collect and handle obligated materials based on a representative sample of Depots which (sic) looks at actual costs of the different inputs into the operating costs of the sample Depots and the Depots (sic) current revenues. This establishes a baseline average Depot reasonable profit margin.

Step 3.2 Revenue Projection

Once costs have been projected as described above, the revenue estimates start with projections of Depots' future container volume. Encorp uses various estimates including Statistics Canada BC population growth forecast, per capita return rates, the addition of new containers to the deposit refund system (i.e., milk and milk substitutes) to project future sales figures as well as considers container volume increases needed to meet the recovery rate targets for the next five years. Depots are an important service provider for Encorp, collecting 93% to 95% of the containers returned each year in the areas they operate, most with territorial exclusivity from other Depots.

The estimated volume is then multiplied by the current handling fee to determine the future revenue per year for an average Depot. The resulting figure is assessed against the projected operating costs as established in 3.1 to ensure that the rates provide a reasonable return to efficient Depots meeting operating procedures and standards, and meet the costs of managing the obligated materials, without subsidization. If not, new handling fees are altered to ensure that a reasonable return to efficient Depots is established.

There are a number of issues with this approach. The most obvious and substantial flaw is that Encorp's projection of Depot revenue is inaccurate. Encorp's 2021 Stewardship Plan (p. 29) targeted a recovery rate of 80.0% in 2021 and 2022, 81.7% in 2023, 82.6% in 2024, and 83.6% in 2025. In 2021, Encorp only achieved a recovery rate of 75.9%, which resulted in 72.01 million fewer containers collected than was forecasted (95% of which would be through the Depot system). This equates to an average shortfall of \$3.42 million of Depot handling fee revenue (72 million units x 5 cents average handling fee*95%) in 2021 alone. Depot profitability is volume-based and projecting volumes that are not evidence-based does not add creditability to the modeling. The lack of providing sensitivities for the model also indicates the lack of thoroughness in Encorp's process.

To make the impact of inaccurate modeling even more explicit, Depots will be unpaid every year that Encorp fails to achieve its targets. It should be noted that Encorp has not made any significant headway in encouraging more containers be collected through the Depot system. In contrast, Encorp has actively undertaken efforts to divert containers away from the Depot system (i.e., through collection in sea cans serviced and processed directly by Encorp or collected by Encorp-operated Depots), which has the impact of decreasing Depot volume efficiencies relative to fixed costs and increase the cost to handle each individual container and reducing Depots' revenue over time.

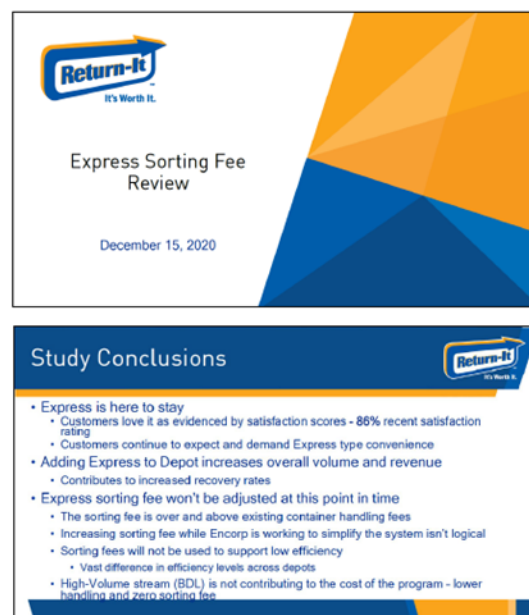


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Appendix H: Proof Encorp has not been paying the full cost of Express

Encorp admitted that it had not paid the full costs of implementing the Express system through its pilot and did not intend to increase fees on a go-forward basis make up for this underpayment or pay its full costs. Instead, it stated it would make up the fees by improving Depot efficiency in the future. Note: the regulation does not require that Encorp 'make up costs through future savings' but that it pays its full costs at all points in its implementation of the stewardship plan.

Figure 2: Select pages from Encorp's Express Sorting Fee Review December 15, 2020





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Return-It
It's Worth It.

Next Steps

- Focus is on simplifying depot operations through reduced sorts
 - Re-structuring handling fees to support simplified sorts
 - Encourage depot automation and other operational efficiencies
 - Facilitate reduction / control of labour costs
- Motivate and incentivize depots to maintain (and exceed) operating standards
 - Support Return-It Express
 - Consistent, high-levels of customer service

For the record, this refusal to make Depots whole post pilot has made all Depots weary of ever considering volunteering for future Encorp pilots. Costs for pilots can not be predetermined -that is the purpose of a pilot. This refusal to 'make it right' is a quintessential example of why Depots' current mindset and level of trust in Encorp and the BC Government is low.

Further, on a Encorp hosted Webinar in 2021, Allen Langdon, then President & CEO of Encorp, verbally stated that the cost of Express was not included in the handling fee offer. Depots have asked for audio recordings of the webinars as proof of what was said but have been repeatedly denied access to those recordings. In a recent webinar, Cindy Coutts, now President & CEO of Encorp, stated that the costs of Express were included in the KPMG assessment and handling fee offer because one Depot with Express was included in the study. If the Ministry were provided with video recordings of all the webinars, they could assess this truth for themselves.

Encorp's Response to Written Feedback

The following table outlines written feedback received from a depot (through email) as well as an association (through a letter). Although the depot associations do not have contracts with Encorp, Encorp has included a letter submitted from one depot association as well as Encorp's responses to feedback related to the Section 9 amendment in the table below. Encorp has also emailed that association separately to address its concerns, questions, and comments.

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
Email dated October 18, 2022	Janice Song Coquitlam Return-It Depot	<p>One issue that depots face is rising costs. Since we do not sell products, we cannot adjust prices levels and are heavily dependent on handling fees to keep up with price increases.</p> <p>The multi step decision process that gathers and analysis data helps create an equitable environment that both satisfies Encorp and the depot operators. The five-year review of handling fees is a great method to ensure that depot operations remain sustainable in the coming future.</p> <p>Furthermore, the RFP study done by an external source is a good idea, as it allows for a third party to make a fair</p>	Thank you for your input and support of the Section 9 amendment.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		analysis of the current financial situations. With the global societal and economical turbulence, we currently are experiencing, we are unsure how the day-to-day operations may change and hope for an adaption to any form of adversity that may arise. The new amendment is one of the solutions for adaptation in a changing environment.			
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	We cannot agree that Section 9 offers greater clarity or transparency.	The proposed amendment to Section 9 was written to ensure more clarity and detail regarding the handling fee methodology. In light of your comment, we once again reviewed the proposed amendment and compared it to the previous version to ensure that it does offer greater clarify and transparency.	Related to Section 9 Amendment (Process and Methodology)	Regulation – Guidance Document
BCBRDA Letter dated November	Cara Heck BCBRDA	The guidance is wholly explicit that the methodology should not contain a range of	The Guidance Recycling Regulation, Producers Paying the Cost of Managing	Related to Section 9 Amendment	Regulation – Guidance Document

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
13, 2022 Page reference: 2		variables that may be considered or insufficient justification for compensation offered.	<p>Obligated Materials requires that the methodology should justify the compensation offered. Encorp concludes that the methodology presented here fully justifies the compensation offered. Further, the following paragraph of the guidance document states “the plan itself need only contain the general methodology, basis of compensation, and opportunities for ongoing stakeholder input. Specific collector rate structures need not be provided”. Encorp’s documented methodology goes over and above the requirement by providing much more than a general methodology.</p> <p>Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale</p>	(Process and Methodology)	

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.		
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	Encorp's Section 9 does not offer a reasonable, valid, or even logical path to either fair or defensible handling fees.	Encorp proposed amendment to Section 9 was written to ensure a reasonable, valid, logical step by step path to fair and defensible handling fees. In light of your comment, we once again reviewed the proposed amendment. These four steps are followed in a very logical sequence. The details of each step are laid out clearly in the document:	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<ol style="list-style-type: none"> 1. Conduct a handling fee consultation process to provide the contracted depot stakeholders with an opportunity to voice their expectations, and understand, participate in, and provide input and feedback into the process. 2. Complete a depot financial study performed by an independent consultant to assess actual reasonable depot costs to collect and handle obligated materials based on a representative sample of depots which looks at actual costs of the different inputs into the operating costs of the sample depots and the depots current revenues. 		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>This establishes a baseline average depot reasonable profit margin.</p> <p>3. Develop a forecast of depot revenue and costs for the next term (typically five (5) years) and calculate handling fees over that term to provide reasonable handling fees for depots. This forecast is based on the depot financial study and forecasted revenues related to the collection and handling of Encorp used beverage containers including container volume projections, other macro-economic indicators, and projected changes over the term that are anticipated to impact depot revenues and costs.</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>The result of the process is a handling fee proposal that covers the projected depot operating costs and provides a reasonable profit margin for an efficient¹ depot that is meeting operating procedures and standards and does not require subsidization of the depot for its other business lines.</p> <p>4. Process depot contract amendments to reflect the new handling fees.</p> <p>Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8;</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.		
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	Encorp's methodology is definitively neither transparent nor detailed enough to enable the BCBRDA nor our member Depots to determine how Encorp set fees.	In light of your comment, we once again reviewed the proposed amendment. The methodology is clear, transparent and lays out the explicit steps in determining how handling fees are set. There are four clear steps, noted here, and expanded upon greatly in the document: 1. Conduct a handling fee consultation process to provide the contracted depot stakeholders with an opportunity to voice their expectations, and understand,	Related to Section 9 Amendment (Process and Methodology)	Other – Methodology

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>participate in, and provide input and feedback into the process.</p> <p>2. Complete a depot financial study performed by an independent consultant to assess actual reasonable depot costs to collect and handle obligated materials based on a representative sample of depots which looks at actual costs of the different inputs into the operating costs of the sample depots and the depots current revenues. This establishes a baseline average depot reasonable profit margin.</p> <p>3. Develop a forecast of depot revenue and costs for the next term (typically five (5)</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>years) and calculate handling fees over that term to provide reasonable handling fees for depots. This forecast is based on the depot financial study and forecasted revenues related to the collection and handling of Encorp used beverage containers including container volume projections, other macro-economic indicators, and projected changes over the term that are anticipated to impact depot revenues and costs. The result of the process is a handling fee proposal that covers the projected depot operating costs and provides a reasonable profit margin for an</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>efficient¹ depot that is meeting operating procedures and standards and does not require subsidization of the depot for its other business lines.</p> <p>4. Process depot contract amendments to reflect the new handling fees.</p> <p>Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at increasing values each sale. Lastly, financial information provided by depots as part of the sale</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			approval process indicate very healthy operating returns.		
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	Encorp's methodology is definitively lacking in a firm commitment or acceptable process to ensure Depots would have confidence that they would have input into any future changes to Encorp's payment plans (e.g., if a new pilot were to be suggested, minimum wage was increased, or inflation continued to skyrocket) prior to the next EPR Plan review.	In light of your comment, we once again reviewed the proposed amendment. Encorp's handling fee methodology is clear, transparent and lays out the explicit steps for determining handling fees (see above). Encorp commits to reviewing the handling fees at least every five years, within 12 months of the introduction of a new beverage container to Schedule 1, or when there is a material change to overall circumstances impacting the handling fees.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	Encorp has not met its legal requirements to ensure producers are paying the full cost of the collection of its designated materials across its Depot collection network, as required by the <i>Recycling</i>	In light of your comment, we once again reviewed the proposed amendment to ensure that Encorp has followed all the requirements in the regulation and guidance documents. The nine-page methodology	Related to Section 9 Amendment (Process and Methodology)	Regulation – Guidance Document

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		<i>Regulation</i> and described in its guidance documents.	<p>outlines in detail each step used by Encorp to establish handling fees. Many of the steps have been developed with input from the depots over the years (i.e., having the third-party consultant pick the depots for the sample).</p> <p>If you feel we have not met a specific requirement, we would appreciate you outlining that requirement.</p>		
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	Lack of representative depot participation in the financial study.	The sample is selected with the goal to have the overall average number of containers handled by the sample match as closely as possible to the overall depot average. This has been achieved in the past. In addition, the depot sample is selected by a third-party independent consultant and is representative of depot geography, size and services provided.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
BCBRDA Letter dated November 13, 2022 <i>Page reference: 2</i>	Cara Heck BCBRDA	More definitive assurances that their commercial confidential business information will be protected.	Encorp, through an RFP, selects an independent third-party accounting consultant from a pool of globally recognized, reputable, and leading firms. In 2021 KPMG was selected. The reputation of these firms as professional and competent accounting audit and consulting companies is generally accepted globally. Further, depots participating in the study sign an NDA with the consulting company.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology
BCBRDA Letter dated November 13, 2022 <i>Page reference: 3</i>	Cara Heck BCBRDA	Assertions that regulatory protocol was not followed for Section 9 submission and consultation.	Encorp has verified that each protocol specified by the regulation and guidance was followed.	Related to Section 9 Amendment (Process and Methodology)	Regulation – Guidance Document
BCBRDA Letter dated November 13, 2022	Cara Heck BCBRDA	Encorp's Section 9 submission fails to ensure the handling fee process <i>"be structured to balance the power inequities between the parties"</i> as is required by the	The page 11 reference made by BCBRDA under the Recycling Regulation Guide document does not deal with the handling fee setting process. It deals with the	Related to Section 9 Amendment (Process and Methodology)	Regulation – Guidance Document

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
<i>Page reference: 6</i>		Recycling Regulation Guide (p.11).	<p>implementation and operation of the Stewardship Plan.</p> <p>Related to the operation of the Stewardship Plan, Encorp's dispute resolution process permits either party to initiate a dispute process, as is spelled out in depot contracts, which starts with a meeting to find a resolution. If that fails, then the contract provides for the dispute to be filed by either party with a mutually appointed mediator.</p>		
<p>BCBRDA Letter dated November 13, 2022</p> <p><i>Page reference: 7</i></p>	Cara Heck BCBRDA	The bottom line is that Encorp has never provided verifiable data that supports its determination of the fees it has concluded it will price-set to pay Depots.	The aggregated anonymized depot financial study was shared with the depots. All the assumptions used to perform the forecasting were shared. The return provided to the depots as a result of the forecasting of revenues and costs, which exceeds the Industry Canada return for its peer industry category, was shared with the depots.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Access to Data

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
BCBRDA Letter dated November 13, 2022 <i>Page reference: 7</i>	Cara Heck BCBRDA	Further, based on its own admission, Encorp did not set out to 'determine the full costs collecting containers through its Depot network', it simply decided that it was not going to pay Depots a higher rate than BRCCC/BDL for similar containers.	This is incorrect. The handling fee methodology was followed, and the results were presented to the depots. Contracts included a reference to fees set by BRCCC/BDL for <i>increasing</i> rates only. The handling fees determined by Encorp, specifically for aluminum beverage containers were 73% higher than BRCCC/BDL. At no time in any contract did Encorp state that its handling fees would be reduced to match those of BRCCC/BDL.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology
BCBRDA Letter dated November 13, 2022 <i>Page reference: 8</i>	Cara Heck BCBRDA	BCBRDA Recommendation: 1. As an interim measure, Encorp provide an interim increase to correct its 2022 underpayment of DLA/ADLA Depots by back-paying these Depots the current fee structure to January 1, 2022.	Thank you for proposing a recommendation. We have reviewed it and determined that depots had the opportunity to maintain their old contracts at their old rates and sort levels, or sign onto new contracts with new rates at new sort levels. 111 depots signed on to the new contracts. All depots had the	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			opportunity and were never forced one way or the other.		
BCBRDA Letter dated November 13, 2022 Page reference: 8	Cara Heck BCBRDA	BCBRDA Recommendation: 2. Commit to resetting its handling fee process, with the assistance of an independent third party agreed to by both the Depots and Encorp, paid for by Encorp, and supported by the Ministry with an aim to establish a fair process to determine what the fair handling fees should have been for 2022 -2027. This would establish a reasonable and cooperative method to determine handling fees in a monopoly system and would ensure Encorp achieves its Section 9 approval without dispute.	Thank you for proposing a recommendation. We have reviewed it and determined that the handling fee process was undertaken fully in 2021. The methodology was followed, with the assistance of an independent third-party. Encorp commits to reviewing handling fees every five years, within 12 months of a new beverage container being added to Schedule 1, or when an overall material change occurs. Further evidence that justifies the compensation offered through the Handling Fee Methodology fair is the fact that there is a robust resale market for depots. The number of depots sold in 2016 was 6; 2017:5; 2018:8; 2019:2; 2020:8; 2021:2 and 2022 (ytd):9. Several depots have sold multiple times over the last number of years, at	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Other

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>increasing values each sale. Lastly, financial information provided by depots as part of the sale approval process indicate very healthy operating returns.</p> <p>Encorp does not represent a monopsony organization for depots. As the BCBRDA points out on page one of its <i>submission</i> “depots service other EPR plan holders to provide British Columbians with the benefit and convenience of one-stop, seamless, recycling opportunities.”</p>		
BCBRDA Letter dated November 13, 2022 Page reference: 8	Cara Heck BCBRDA	<p>BCBRDA Recommendation:</p> <p>3. As there has been a distinct polarization between Encorp and Depots, re-establish the Council of Depot Operators (CODO) and include non-Depot members on the committee for</p>	Thank you for proposing a recommendation. We have reviewed it and hear clearly that contracted depots want more direct and two-way communication opportunities with Encorp. Encorp commits to establishing a Depot Forum whose mandate will be an open and ongoing dialogue with depots to share	Related to Section 9 Amendment (Process and Methodology)	Encorp Communication Frequency

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		<p>stakeholder oversight, including a Ministry observer and other stakeholder observers. CODO should have membership from BCBRDA, KARMA, urban, and rural Depots, and it should be a forum for true engagement - not simply one-way communication. Depots should be provided with a decision-making role on Depot-related outcomes (e.g., a role in determining the Scope of Work for future handling fee setting processes, setting terms of agreement for pilot projects, etc.)</p>	<p>common issues, challenges, and strategies to meet the Recycling Regulation requirements in BC relating to used beverage containers.</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
BCBRDA Letter dated November 13, 2022 Page Reference: Appendix A p. 9-10	Cara Heck BCBRDA	<p>The BCBRDA and Depots repeatedly requested the “Terms of Engagement” for the KPMG study (i.e., scope of study, an understanding of why Encorp was requesting non-Encorp data, how data was to be used, and confirmation that no individual Depot data, which is commercially sensitive, would be released to Encorp).</p> <p>Encorp alone prescribed all attributes of the study and how the data would be used, including limiting the number of Depots to be selected to a maximum of 24. Despite repeated requests, the KPMG study Terms of Reference and Scope of Work were never disclosed to Depots, and the full report has never been made public.</p> <p>As a consequence of Encorp’s failure to work with Depots, only 17 Depots (of the Encorp determined minimum number of 24</p>	<p>The comment about the terms of engagement for the consultant to do the Depot Cost Study deals with the past process. The scope of work provided to the independent consultant mirrors the Section 9 document Producers Paying the Cost of Obligated Materials. The document is very clear that the data collected will be used to complete the financial study, which provides an aggregated average depot return. Non-Encorp data is required to ensure that Encorp is not paying the cost of other obligated materials programs. Any data is sent to the third-party consultant under NDA and aggregated anonymously. Encorp does not know which individual depots provide data.</p> <p>Following the request by the Depots to keep the data supplied by Depots to the</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Depot Participation

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		Depots required) agreed to participate.	<p>Depot Cost Study consultant confidential the process was changed, and no information supplied by individual depots was given to Encorp or other depots by the consultant, including the identity of the depots that participated in the study.</p> <p>Depots were repeatedly encouraged to participate in the study.</p> <p>It is not practical to undertake a Depot Financial Study including all 162 depots, so a sample of depots representing geography, size and service was determined.</p> <p>As outlined our in methodology, Encorp will continue to encourage depots to participate in future Depot Cost Studies and will maintain the commitment to preserve confidential depot information in the hands of the consultant only.</p>		

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
BCBRDA Letter dated November 13, 2022 <i>Page reference: Appendix B p. 11-12</i>	Cara Heck BCBRDA	<p>Encorp sets requirements for Depots that other PROs, including BRCCC/BDL, do not: i.e., Encorp's Return-It Depots are required to meet Depot Operating Standards...</p> <ul style="list-style-type: none"> • advertise, • accept the processing of additional non-beverage container material streams at Encorp's discretion (e.g., textiles, EPRA), • load Encorp trucks... <p>It simply takes longer and uses more space to manage Encorp cans than to manage BRCCC/BDL cans, and Encorp has more requirements about the standards for Depot buildings. As a result, Encorp should have to pay more for these requirements.</p>	<p>The Depot Operating Standards have evolved over the years. They were originally developed in response to the continuous and extensive consumer research done by Encorp. Consumers have told Encorp that they do not like going to Depots that are not relatively clean places to return containers. The standards give depots a set of guidelines to be welcoming facilities offering a positive consumer experience. Over the years Encorp provided loans to help depots improve the consumer experience, that were ultimately forgiven if standards were upheld over time. These improvements help increase customer satisfaction and container recovery.</p> <p>The requirement to advertise was removed in 2017. Encorp is solely responsible for marketing and</p>	Related to Section 9 Amendment (Process and Methodology)	Depot Handling Fees – Aligning with Other Programs

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			<p>advertisement and in 2021 had a budget of \$4 million.</p> <p>Participation in non-beverage streams is completely voluntary at the discretion of depots, not Encorp.</p> <p>The textile program ended in the summer of 2022.</p> <p>Helping with loading of trucks is a way to reduce the time required to complete pick-ups.</p> <p>The reference to the difference between managing Encorp cans and BRCCC/BDL cans does not justify Encorp paying 77% more for the same cans.</p>		
<p>BCBRDA Letter dated November 13, 2022</p> <p><i>Page reference: Appendix C p. 13-16</i></p>	<p>Cara Heck</p> <p>BCBRDA</p>	Encorp Depot Operating Standards	<p>Operating Standards were brought in to improve the cleanliness, health, and safety of customers while at Return-It depots and to improve the depot experience for consumers. This results in more customers and higher</p>	Related to Section 9 Amendment (Process and Methodology)	Other – Customer Service

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			recovery. The marketing and promotion requirements were removed in 2017.		
BCBRDA Letter dated November 13, 2022 <i>Page reference: Appendix E p. 18</i>	Cara Heck BCBRDA	Small volume Depots should be included in the study as they are part of the Depot network. (Their initial presence grant was set over 20 years ago and should be updated).	Depots handling less than 1.5 million containers per year are excluded from the study as they receive additional financial support from Encorp in the form of Presence Grants. Encorp's CEO, Cindy Coutts, has committed to review the presence grant process and amounts.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology
BCBRDA Letter dated November 13, 2022 <i>Page reference: Appendix E p. 18</i>	Cara Heck BCBRDA	In determining what that cost consists of, it is reasonable for Encorp or their contractor to make adjustments that remove unreasonable costs from the system; however, Encorp is attempting to ignore reasonable costs incurred by cherry picking which Depots are eligible to participate in the study.	The statement that depots are 'cherry picked' is incorrect. Encorp is committed to ensuring that the independent third-party consultant choose the depots. Encorp does not participate in the process. The Depots asked Encorp to not be involved in the depot selection process for the depot financial study, so Encorp included the depot	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			selection in the scope of work for the independent consultant. At no time does Encorp know the identity of the depots who participated in the study. The stipend paid to depots for participating is paid by Encorp to the third-party consultant, who then releases it to the depots.		
BCBRDA Letter dated November 13, 2022 Page reference: Appendix E p. 18	Cara Heck BCBRDA	The Recycling Regulation Guide (p.20) states: <i>The Ministry has set expectations for good performance measures.</i> These same standards should apply to the work performed on system cost studies.	Encorp believes the Ministry's expectations for good performance measures have been and will continue to be met on all system cost studies.	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology
BCBRDA Letter dated November 13, 2022 Page reference: Appendix E p. 20	Cara Heck BCBRDA	From KPMG's study (p. 20) <i>"In order to allocate costs among Encorp UBCs and those related to handling other products / stewards, questions in the survey solicited allocation</i>	This approach is aimed at providing information on cost and revenues of depots that serve non-beverage stewardship programs. These other programs are served at the discretion of the depots, not Encorp. Encorp	Related to Section 9 Amendment (Process and Methodology)	Depot Financial Study – Methodology

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		<p><i>percentages for four key categories.”</i></p> <p><i>“Depots were asked what percentage of time and/or resource is typically dedicated to processing Encorp UBCs. An average of the average and median of responses was applied to the aggregated costs.”</i></p> <p>KPMG’s study (p.9) indicates that Depots participating in “other” programs, which would include programs administered by Encorp, are doing so at a significant loss because the cost of collection (as determined by KPMG) far exceeds the handling commissions received relative to these programs.</p>	<p>does not want to subsidize them if depot costs for them exceed the fees paid by other stewards.</p> <p>Five Depots participate in the review of the questionnaire sent to the sample of depots in the financial study and were comfortable with this question.</p>		
BCBRDA Letter dated November 13, 2022	Cara Heck BCBRDA	Based on the available information, we believe the KPMG study represents about 50% of the process	The KPMG study (The Depot Cost Study in 2021) looked at actual cost in depots and this information formed the	Related to Section 9 Amendment	Depot Financial Study – Methodology

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
<p><i>Page reference: Appendix E p. 21</i></p>		<p>that Encorp used to calculate new handling fees and the missing (i.e., not provided) forecast analysis represents the rest. <u>The refusal to provide the forecast methodology is a significant deficiency in the Section 9 methodology proposed.</u></p> <p>Future cost studies must use a sample that is representative of the total system, and Depots must be privy to the forecast analysis to be challenge the forecast for its validity.</p>	<p>baseline for establishing the new handling fees. As is outlined in the text of Section 9, the next step is to project the potential increase in depot costs above the baseline by looking at projections of the four key components of depot costs (<u>W</u>ages and Benefits; Rents and Occupancy Costs; Equipment Costs; and Office Administration and Other Costs). These projections, based on recognized national and local indices, are added to the baseline. The resulting fees are tabulated with projected container volumes to see if they result in a 15% rate of return. If not, the proposed handling fees will be adjusted. This forecast methodology is outlined in the Section 9 text. All assumptions used for the purposes of forecasting are shared with the depots (and were shared in 2021 – references to specific page</p>	(Process and Methodology)	

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
			numbers at specific consultations were provided as feedback in the webinar consultation responses).		
BCBRDA Letter dated November 13, 2022 <i>Page reference: Appendix G p. 23</i>	Cara Heck BCBRDA	Revenue forecasting calculation errors. The most obvious and substantial flaw is that Encorp's projection of Depot revenue is inaccurate. Encorp's 2021 Stewardship Plan (p. 29) targeted a recovery rate of 80.0% in 2021 and 2022, 81.7% in 2023, 82.6% in 2024, and 83.6% in 2025. In 2021, Encorp only achieved a recovery rate of 75.9%, which resulted in 72.01 million fewer containers collected than was forecasted (95% of which would be through the Depot system). This equates to an average shortfall of \$3.42	Forecasting uses forecasted rates based on population growth and other trends, not the plan recovery rates (which are stretch targets), BCBRDA's use of only the targeted recovery rate as the basis of revenue rather than the actual recovery in number of units is incorrect. Over the past three years, COVID had a real impact on Encorp's recovery rate. The number of units recovered went up considerably. In 2020, COVID resulted in several months when depots closed or operated at reduced hours or limited customers at the depots at one time. In the meantime, in 2020, 2021 and 2022, consumers shifted to	Related to Section 9 Amendment (Process and Methodology)	Recovery Rate Targets

Reference	Name/Organization	Question/Comment	Encorp Response	Feedback Related/Unrelated to Section 9 Amendment (Process and Methodology)	Main Theme
		million of Depot handling fee revenue.	consuming at home rather than in restaurants which resulted in growth in containers sales at unprecedented rates. Encorp projected an 8% increase in the number of containers recovered, but by the end of September 2022, the actual recovery was up almost 14%. Consequently, depot revenues have gone up dramatically in 2022 and are up by 17.3%, more than the originally forecasted 9% increase in our forecasting models		