



**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

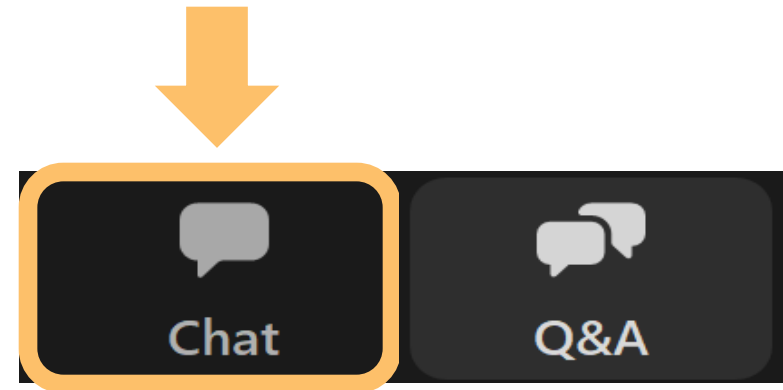
# Presentation Overview



- **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**

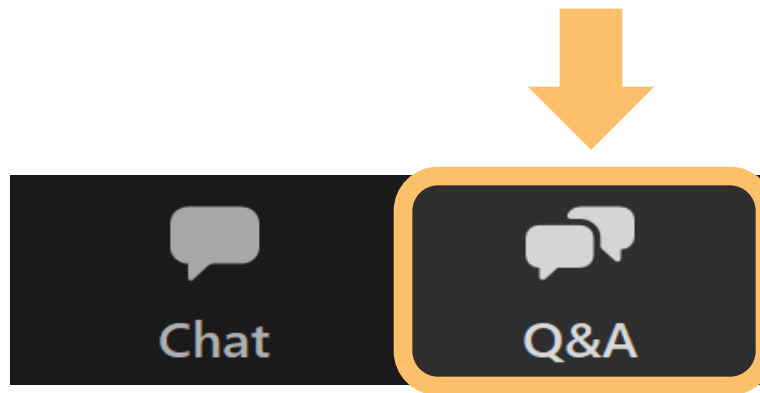
- **CHAT MESSAGES**

- 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 Justin at 778.323.9781



- **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.



# 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

A screenshot of a web application window titled "Question and Answer". The window has a white background and a black border. At the top, it says "Welcome" and "Feel free to ask the host and panelists questions". Below this is a large text input field with the placeholder text "Type your question here...". At the bottom left, there is a checkbox labeled "Send anonymously" which is crossed out with a red X. At the bottom right, there are two buttons: "Cancel" and "Send". The "Send" button is highlighted with a green border.

# 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.

# 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.

# 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.



# 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.

## 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 3<sup>rd</sup> 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.

## 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.

# 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.

## 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.

# Handling Fee Review Commitment

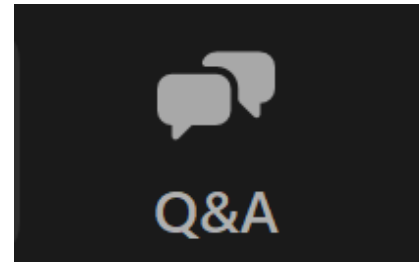


- Encorp commits to reviewing the depot handling fees at least once every 5 years.
- In addition, handling fees will be reviewed within 12 months of introducing a new obligated beverage container or other material change to depot operations.

# Questions and Answers



## Questions



[www.Return-it.ca/section9](http://www.Return-it.ca/section9)

[Section9@returnit.ca](mailto:Section9@returnit.ca)



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