

Request for Comments: Fee-Setting Review for Revised (Phase 1 and 2) WEEE Program Plan

Introduction

During the development of the Revised (Phase 1 and 2) Waste Electrical and Electronic Equipment (WEEE) Program Plan, Ontario Electronic Stewardship (OES) was required to make a number of assumptions to calculate material fee rates. With nine months of operational data, OES will be revisiting the assumptions that were used to calculate material fee rates for the Revised (Phase 1 and 2) Program. OES has determined that this review is necessary for the following reasons:

- Actual WEEE Program collection volumes to date have been lower than originally projected in the Phase 1 Plan. This has resulted in lower direct program costs;
- Actual sales of obligated EEE have been lower than originally projected in the Phase 1 Plan, and there is significant variation in sales volumes across different material categories. These changes impact OES' ability to accurately allocate fees to obligated material groups

OES is aware that various cost and product sales projections contained in the Revised Plan differ from actual performance. As such OES believes it prudent to review the potential impacts that lower collection volumes and lower sales may have upon the fee rates for each material group.

OES wants to provide stewards, remitters and sub-remitters with an opportunity to review OES' proposed actions, and to provide feedback in relation to the following aspects of the fee-setting process:

- OES' approach to modifying baseline assumptions used for setting material fee rates for the Revised Program;
- Proposed revisions to program cost assumptions based upon OES' operational experience during the first nine months of the Phase 1 Program; and
- Proposed changes to planning assumptions and projections that OES will be utilizing to revise material fee rates for Year 1 of the Revised Program (April 1, 2010 to March 31, 2011).

OES' review of the fee-setting assumptions and projections address three critical elements:

1. Projected volumes (tonnes) of WEEE collected by OES
2. Projected WEEE Program operating costs
3. Projected Volume (tonnes) of obligated Phase 1 and 2 products supplied for use in Ontario

Additional discussion will relate to the following issues:

4. Proposed aggregation of the Desktop Computer and Laptop Computer categories.
5. Request for feedback, and timelines.

1. Projected Volume (Tonnes) of WEEE Collected by OES

The tonnage of WEEE collected by the Program is a critical driver, accounting for almost 90% of total costs. Therefore, projecting the collection targets and associated costs is an essential step in the calculation of material fee rates for the first 12 months of the Revised Program.

OES has identified three major issues related to WEEE collection targets for review and comment, as outlined in the table below.

Issue	Background	Proposed Action for Stakeholder Discussion
<p>Revised Phase 1 WEEE Collection Results (tonnes)</p>	<p>OES Phase 1 WEEE collection tonnage is tracking substantially lower than projected in the Revised WEEE Program Plan. This is largely due to the fact that OES is actively competing for WEEE with a group of companies that have chosen not to participate in the OES program. As a result, non-participating collection organizations are handling some of the volumes that OES had anticipated would flow through the OES system, and OES' collection costs are proportionally reduced.</p>	<p>In the Revised (Phase 1 and 2) Program Plan, it was projected that the first program year OES would collect 33,200 tonnes of Phase 1 WEEE. Based on OES results from six months of operations, OES is tracking to collect 23,200 tonnes of Phase 1 material; this amounts to a 30% decrease from projected volume.</p> <p>For the purposes of planning and setting Year 1 fees, OES has two options:</p> <ol style="list-style-type: none"> 1) Use the Phase 1 collection targets as presented in the Revised Plan Year 1; or 2) Reduce the projections for Phase 1 WEEE collection in the Revised Plan by a percentage factor to reflect the fact that OES does not control all of the volume collected in the province. <p><u>Proposed Action for Comment</u></p> <p>OES' proposed action is to model the revised fees based on a percentage factor decrease of approximately 15% of the Year 1 collection target in the Revised Plan. Despite the 30% decrease in first year of Phase 1, OES anticipates volumes of collected material to increase as a result of increased promotion and education, changes to the direct ship program and enhanced accessibility in Year 1.</p> <p>A 15% factor decrease in the collection target still represents an aggressive actual collection increase of 42% compared to current performance.</p>

Issue	Background	Proposed Action for Stakeholder Discussion
<p>Review of Phase 2 WEEE Collection Targets (tonnes)</p>	<p>Based on experience from Phase 1, OES anticipates that collection of Phase 2 WEEE will also be lower than anticipated in the Revised WEEE Program Plan targets. As such, Phase 2 WEEE collection tonnes require review and possible revision.</p>	<p>OES has three options regarding Phase 2 WEEE collection tonnage:</p> <ol style="list-style-type: none"> 1) Utilize experience from Nova Scotia’s WEEE program (commenced in February 2009) to assess the impact of adding Phase 2 WEEE products to the program; or 2) Apply the same percentage decrease as used for Phase 1 WEEE collection tonnage revisions; or 3) Maintain the existing collection targets for Phase 2 WEEE, as published in the Revised Plan. <p><u>Proposed Action for Comment</u></p> <p>OES’ proposed action is to utilize the experience of the Nova Scotia WEEE Program with the introduction of Phase 2 WEEE, adjusting for Ontario circumstances.</p>

2. Projected WEEE Program Operating Costs

The Program Budget for the Revised WEEE Program Plan was based on various cost assumptions related to the collection, consolidation, transportation and processing of collected WEEE materials. In addition, other cost considerations have arisen since approval of the Revised WEEE Program.

Other cost considerations:

- OES has contracted with an independent party to review the methodology used to calculate collection incentive amount (currently \$165/tonne). The consultant will be reviewing the appropriateness of the amount of the incentive based on actual costs incurred by OES-approved collectors. Preliminary findings will be reported to OES in January 2010.
- OES will review the relative processing costs of portable computers and desktop computers on the basis that portable computers may attract higher per-unit processing costs due to the mercury-bulbs (designated hazardous material) that are contained in the displays.
- OES will review the proportional mix of materials that are collected under the Program, as compared to the actual mix of materials, in order to ensure an appropriate proportional share of costs among material groups. OES will review the plan assumptions, compare against the actual composition percentages to date and will adjust as required.
- In setting the fees OES will take into consideration the effect of GST and HST on the operation of the program.

Based on actual experience, OES will modify some of the original cost assumptions from the Revised Program Plan as outlined in the table below.

Table 1: Program Operating Costs Table

Description of Assumption	Cost Assumption (Revised WEEE Program Plan)	Proposed Cost Assumption for Comment
Collection		
Collection Incentive (\$/tonne)	\$165	\$215*
Special Events (\$/tonne)	\$680	\$680
Cost of Equipment and materials (\$/tonne)	\$20	\$20
Consolidation		
Consolidation (\$/tonne)	\$12	\$32
Transportation		
Average Weight per pallet (tonne)	0.300	0.300
Minimum Pallet threshold: central, north, east and west	6	6
Pallets per truckload	24	24
North (\$/pallet)	\$50	\$45
East (\$/pallet)	\$40	\$40
Central (\$/pallet)	\$25	\$35
West (\$/pallet)	\$35	\$40
Display Devices: breakage contingency	5%	10%
Processing		
Display Devices (\$/tonne)	\$1,000	\$1,000

Computers (\$/tonne)	\$750	\$750
Other WEEE (\$/tonne)	\$850	\$850
Floor-Standing Printing and Copying Devices (\$/tonne)	\$1,000	\$1,000

* Temporary proposed collection incentive amount; to be adjusted based on preliminary findings from cost study being conducted.

3. Volume of EEE Supplied for use in Ontario

The volume of obligated products supplied for use in Ontario is an essential component of fee-setting, as it represents OES' ability to generate revenues sufficient to cover the costs incurred by Program operations. As such, ensuring accurate data on obligated products for use in Ontario for both Phase 1 and 2 materials is an important aspect of the fee-setting process. OES has identified the following issues related to the supply of obligated products in Ontario for discussion and feedback from stakeholders, as outlined in the table below.

Issue	Background	Proposed Action for Stakeholder Discussion
Revised EEE Supply Volumes (Units)	<p>Based on operating experience with the Phase 1 WEEE Program, OES anticipates that the volume of Phase 1 and 2 EEE supplied for use in Ontario will be lower than originally projected in the Revised WEEE Program Plan. This is due to the following factors:</p> <ul style="list-style-type: none"> - economic downturn over the past 12 months has impacted business and consumer spending on electronics - the shift in sales where portable computers are replacing a desktop computer and monitor in both business and consumer settings <p>As such, volumes of EEE supplied for use in Ontario require review and possible revision.</p>	<p><u>Proposed Action for Comment</u> For Phase 1 products: OES proposes to utilize actual data received on the supply of Phase 1 products with adjustments for seasonality, and assuming 0% growth for Year 1 of the Revised Program (April 2010 to March 2011).</p> <p><u>Proposed Action for Comment</u> For Phase 2 products OES proposes to utilize the experiences of Nova Scotia's Phase 2 WEEE Program to assess appropriate Phase 2 EEE supply volumes, adjusted for Ontario circumstances, and assuming 0% growth for Year 1 of the Revised WEEE Program.</p>

Issue	Background	Proposed Action for Stakeholder Discussion
Aggregation of Desktop Computers and Portable Computers	<p>One trend that has been seen during the first year of the program is a rapid acceleration of portable computers as a replacement for desktop computers. While this change has been anticipated in all market forecasts that OES has used, the pace at which this transition is occurring is dramatic.</p> <p>As sales of desktop computers continue to decrease, and sales of portable computers increase, the fees collected by Stewards to pay for material management will continue to drop, exposing OES to a deficit that will require a deficit recovery strategy in subsequent years.</p>	<p>Proposed Action for Comment</p> <p>OES is in the process of assessing the strengths and weaknesses of potentially aggregating portable computers and desktop computers. While the current fee structure has separate fees for laptops and desktops, the sales data reported in this first year suggests consumers are replacing desktop computers with portable computers. As a result, it seems reasonable to consolidate the desktop and portable computer categories into a single computer product category. The aggregation could also be done on a gradual basis, allowing OES to mitigate shocks to material fee rates and to monitor impacts over time.</p>

5. Request for Feedback and Timelines

OES appreciates any comments and feedback relating to the discussion items identified within this Technical Memorandum. Comments can be submitted to OES using the survey tool at the following link: <http://www.surveygizmo.com/s/220714/oes-fee-setting-formula-phase-1-2-feedback>.

The timeline pertaining to fee-setting review and revised fees is outlined in the table below:

Activity	Timeline
Submission of comments on this Tech Memo via survey tool	Up to 4:00 pm, Wednesday January 13, 2010
Posting of draft revised fees and webinar	Thursday January 28, 2010, 10:00 a.m.
Submission of comments on proposed revised fees	Up to 12:00 pm, Thursday, February 4, 2010
OES Board to approve revised fees for submission to WDO	Early February, 2010

Timeline revised January 13, 2009