



## PI Consultation: Steward Education Webcast

2:00 to 3:00 p.m. EST  
Tuesday, January 24, 2012

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## Webcast Tips

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- 3 Questions for speakers

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Steward Education Webcast


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## Welcome

Sandra Pakosh  
Director, Marketing & Communications


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## Agenda


- Program Highlights 2011
- 2012: The Year Ahead
- Consultation Goals & Objectives
- Background: Processor Incentive
- Current State
- Proposals
- Q & A
- Next Steps


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## Introduction


Howard Morrison  
(Acting Executive Director)  
Director, Finance & Administration

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## Program Highlights 2011

- 71.9% increase in collected electronics over 2010 (to end of December 2011)
- 95,232 tonnes collected since the program began (to end of December 2011)
- 67% program awareness (threefold increase since this time last year)
- 35% increase in municipal participation in program

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## 2012: the year ahead

- December 31<sup>st</sup> year end
  - OES and WDO Boards approved syncing our program and fiscal years to align
- Winding down outsourcing contract for program delivery with StewardEdge
  - March 31<sup>st</sup>
- OES staffing

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## OES Operating Strategies

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## Mission Statement

*“To lead end-of-life electronics collection in an environmentally responsible and cost effective manner for the benefit of all Ontarians.”*

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## PI Consultation Goals & Objectives

### What are we doing?

- Goal:**
  - to assess the value of incentives paid to processors for the collection and processing of WEEE they collect
- Objectives:**
  - to review the PI program so that strengths can be built on, and weaknesses can be scrutinized
  - to gather input from stakeholder groups on whether processor incentive costs are in line with fair market values
    - Steward survey
    - Processor feedback
    - OES-approved collector survey
  - to aggregate feedback from stakeholder groups and report back on findings
  - to announce new PI February 16, 2012

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## PI Consultation Goals & Objectives

### Why are we doing this?

- To increase program efficiency, while minimizing cost
- To ensure the financial incentive to processors continues program growth, while meeting industry needs
- To provide all stakeholders with the information they need to be heard on the topic
  - Processors
  - Collectors
  - Stewards/remitters/sub-remitters

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## Background & Context

- OES primarily collects WEEE in the province of Ontario through two streams:
  - OES-approved collection network
    - Where the majority of material comes from
  - A robust affiliated collection network
    - Material from affiliates is then consolidated and moved to contracted processors who recycle it on our behalf
- A smaller portion of material comes through the Processor Incentive program


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## Background: Processor Incentive

### What is PI?

- PI is a processor incentive program that was established in late 2010 designed to allow approved OES processors to directly go out and collect program eligible WEEE and process it.
- Figures below based on 2011 calendar year:


	Processing Rate/Tonne	Freight Rate/Tonne S. Ont.	Freight Rate/Tonne N. Ont.
Display Devices (1)	\$850	\$150	\$200
Desktop & Portable Computers (2)	\$650	\$150	\$200
Other Program WEEE (3)	\$750	\$150	\$200
Floor Standing Copiers & Printers (4)	\$750	\$150	\$200

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## Background: Processor Incentive

### Why was PI introduced?

- PI was introduced when the program was in its infancy and not hitting its collection tonnages
- It was introduced to access (IC&I) material with the expectation that access to this sector would generate volumes to help attract program tonnages.


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## Current State PI

Contractually, OES has the right to annually review and adjust the PI rate should market conditions warrant changes. Our conclusions based on industry sources:

- Commodity pricing for processed material has significantly increased
  - PWB prices close up to 30% over previous year
  - Significant increases in other commodities such as aluminum, gold and copper\*
- Increased competition and capacity are driving prices lower


*\*Reference Source: Escrap News, Resource Recycling*

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## Current State PI (cont'd ...)


3. Market conditions in the Ontario processing sector have also significantly changed. OES has undertaken 3 competitive bids over the course of the last year resulting in a 20% decrease in processing costs per tonne

Processing Rates	Cost/Tonne			
	A	B	C	F
OES Avg Cost	665	279	526	508
PI Rates Currently	850	650	750	750

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## Current State PI (cont'd...)

- 1/3 of material thru PI is collected through 3,500+ generator sites vs. 2/3 through 500 OES collection sites
- PI contributes to a sizeable portion of overall program costs
- 15% of PI generator sites fall into the target sector (IC&I) PI was designed to capture
- Growing administration costs
- Concern over inequity on how incentives are administered
- OES lack of oversight over generator sites actions
- Increase in commodity values and decrease in contracted processing costs
- Cannibalization of OES collection site material (same tonnes, higher cost)

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## Provincial Program Comparisons


Program	ACES Jul 10-Jun 11	ESABC Jan 10-Dec 10	OES Apr 10-Mar 11	SWEEP Apr 10-Mar 11	ARMA Apr 09-Mar 10
Program Totals/ Tonne	1,419	1,327	1,750	1,863	1,036
Tonnes Collected	4,888	17,145	29,077	2,841	18,621


OES cost per tonne is 6% lower than SWEEP but collects 93% more material. OES is not attracting economies of scale as it should.

	ACES (Jul 10-Jun 11)	OES (Apr 10-Mar 11)
Collection/Processing Employment/ 1,000 Tonnes	40	242


OES collection and processing requires 83% more staff to perform than ACES.


Ontario is currently the only province operating a WEEE program that has a Processor incentive.

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## Annual Review & Proposals


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### Proposal Scenario 1: Reduce


<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Lowers the potential for fee increases</li> <li>• Creates a level playing field between OES and Processor collection streams</li> <li>• Drives processors to become more efficient</li> <li>• Reduces the risk of non- program material being claimed through the PI</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• May impact tonnage collected through the program</li> <li>• Lower risk for increased fees</li> </ul>
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### Proposal Scenario 2: Status Quo

<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Material collection would expect to remain at the same rate</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• OES collection sites become unregulated collectors</li> <li>• High valuation of WEEE in the Ontario market in comparison to other provinces and American states</li> <li>• Higher potential for the increase in Steward Fees</li> </ul>
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### Question & Answer Period




*To ask a question:*



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### Does PI effect Environmental Handling Fees associated to products?


RESPONSE

Environmental Handling Fees (EHF) are based on the overall cost of the program.

OES is dedicated to minimizing the impact on fees, however, as costs increase the potential for fee increases, EHF increases as well.

The processor incentive is a large cost of the program operating budget.


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### If there is a PI reduction, what is the impact to processors?


From a program perspective, all OES material is processed by the same group of processors. If the same volume is collected, there is no impact to processors from a workload perspective.

Processors will see compensation more reflective of market rates for material processed through PI.


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 **Will a reduction in PI lead to reduced volumes thru OES?**

OES has tonnage targets that we are accountable to achieve. As in the past, if one collection method falters we will look to another to compensate. We expect to see only minor collection reduction in the short term that we will strive to recover.

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 **Next Steps**


- Steward-directed survey following this webcast
  - For more information to help you complete the survey, please reference the PI fact sheet posted on the Consultation web site

**Consultation Period Open**

Stakeholder Feedback Surveys completed:	5:00 p.m. EST Thursday, February 2, 2012
Revised Rates Released:	February 16, 2012
PI Implementation Date:	April 1, 2012

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 **Thank you.**

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